

Strategic Banking Corporation of Ireland

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AECM Virtual Annual Event:
Financing the digitalisation of SMEs

23 September 2021

SBCI

Here to build business.
Strategic Banking
Corporation of Ireland

sbc.gov.ie

Who is the SBCI?

National Promotional Institution

- ✓ Owned by the Department of Finance
- ✓ Set up in September 2014

Objectives

- ✓ **Bring down the price of borrowing** for Irish SMEs
- ✓ **Make access to finance easier** for SMEs in Ireland
- ✓ **Increase the competition** in the Irish Credit Market

SBCI Liquidity and Risk Sharing Partners

Liquidity



Risk Sharing Partners / Covid-19 Credit Guarantee Scheme Participants



Progress across lines of business to June 2021

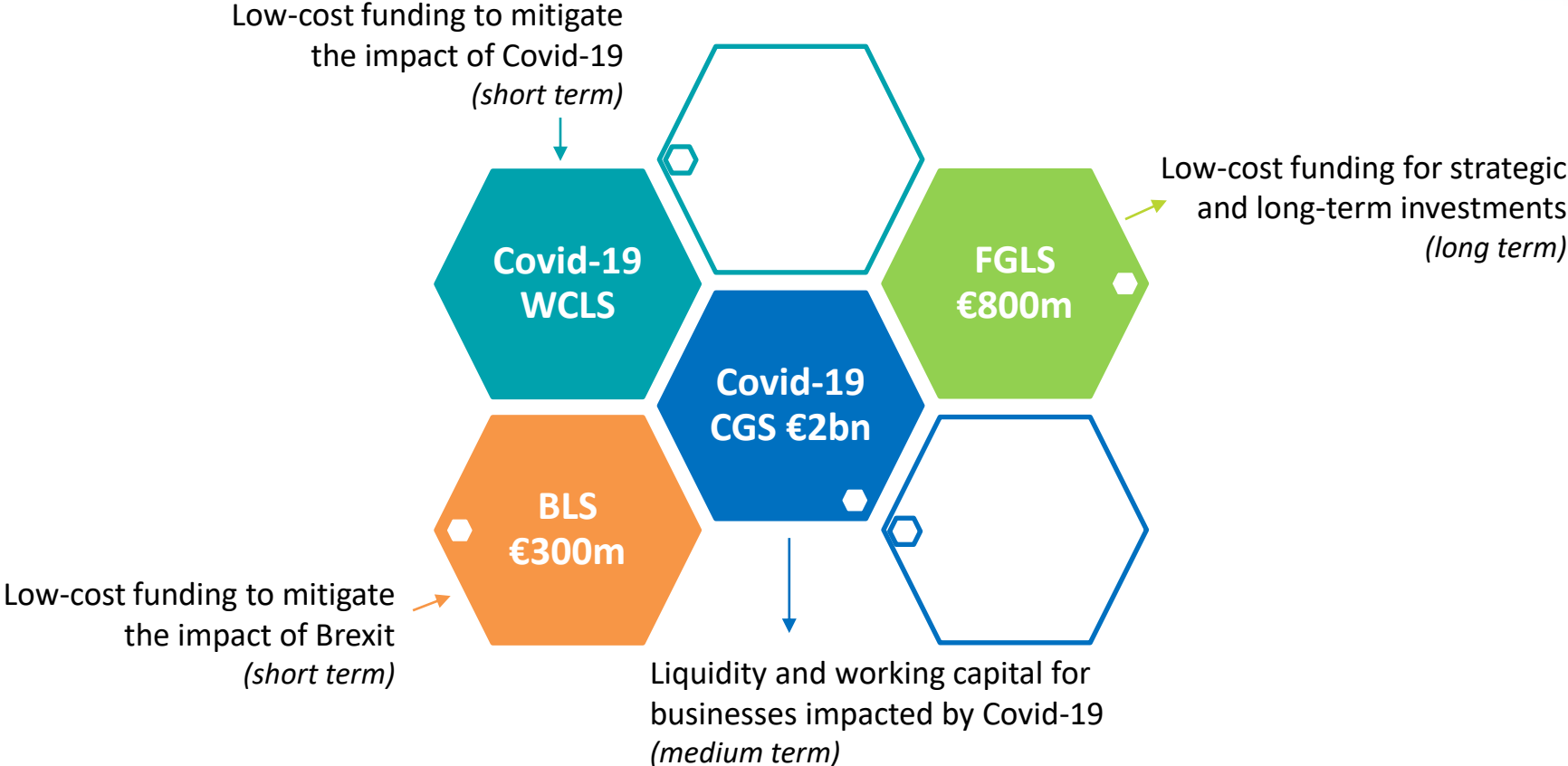
€2.6bn funding



>40,000 individual facilities



SBCI Current Business Funding Supports



SBCI Strategy - Digital is a key component



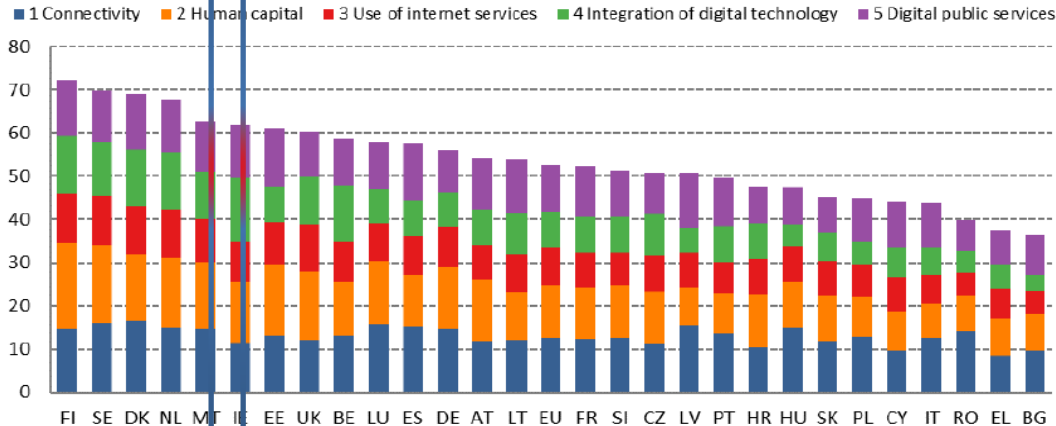
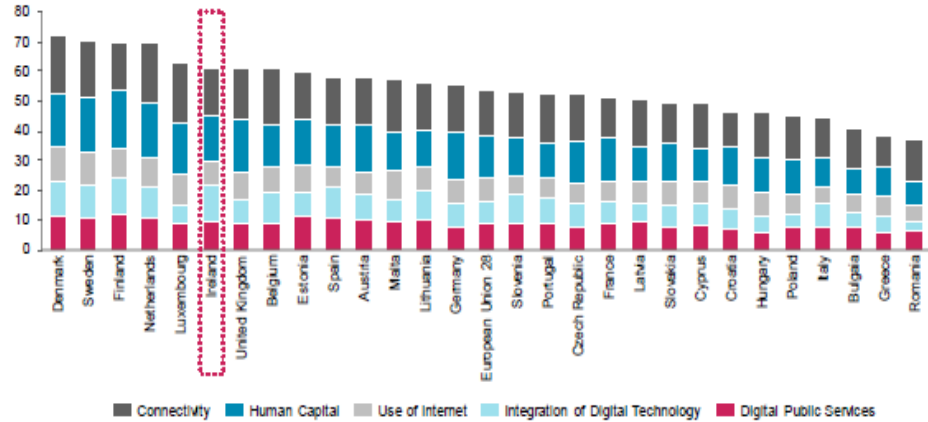
SME Sector in Ireland

- There are 248,344 SMEs in Ireland, employing 70% of the private sector workforce - generating 50% of total turnover in the business economy.
- 234,000 are micro businesses employing up to 10
- 99.8% of businesses (70% of the workforce) are employed in non-digital sectors such as services, construction and manufacturing.
- Post financial crisis – SMEs have been deleveraging. The credit market is challenging dominated by 2 banks with SME loan interest rates 2.5% higher than EU counterparts.

SME Digital Index

2 speed digital economy in Ireland

- Ireland is among the most digitalised countries (EU digital index DESI), due to a small number of foreign-owned multinationals e.g. Google, Twitter, Fintech

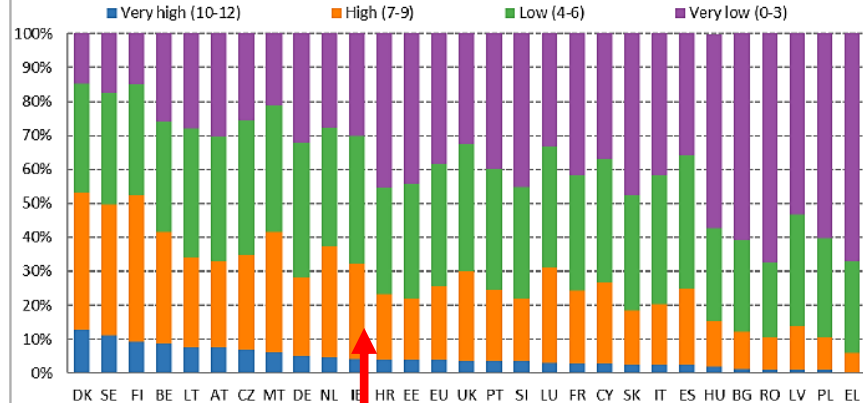


Source: DESI 2020, European Commission.

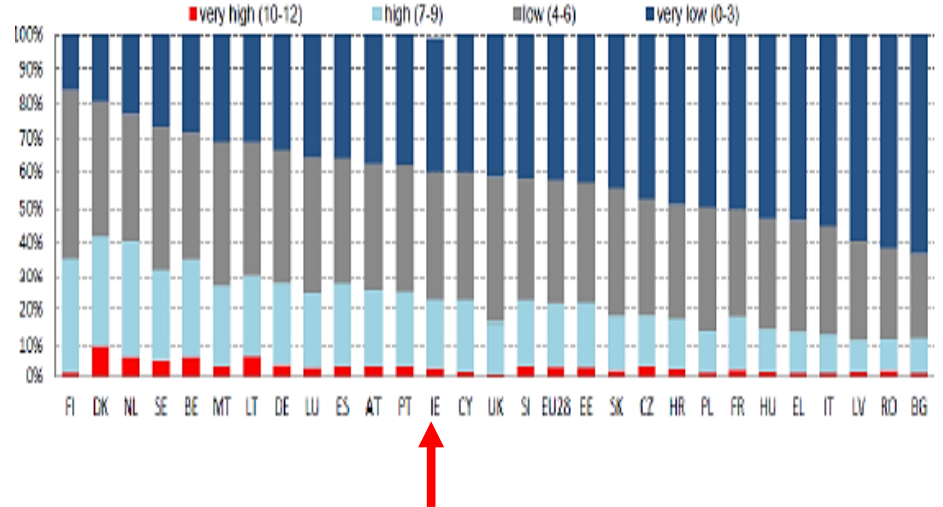
SME Digital Index

- Indigenous SMEs were slower to leverage digital solutions despite government initiatives
- Covid has a catalyst of change

Figure 65 Digital Intensity Index by level (% of enterprises), 2019



Source: Eurostat, Community survey on ICT usage and e-commerce in enterprises.



SME's embracing digital

- Covid forced the micro businesses to develop an online presence.
- Government covid supports enabled SMEs invest in website development.
- Some are now exploring digital marketing, digital customer services, etc.
- Digitalisation and technology are key enablers to delivering sustainability.
- There is more to do!

Challenges for SMEs

Primary barriers to SME implementation of digital solutions are a

- **Financing gap:** Banks often lack the expertise to assess projects, large investment in intangible assets.
- **Knowledge gap:** lack of awareness of the solutions available and potential benefits. With the rapid pace of change in technologies, many SMEs have difficulties deciding when to invest, up to what level and in which innovative field.
- **Technical know how:** - Many SMEs do not have the expertise and skill set

Potential Solutions?

Develop a set of dedicated financial instruments for digital projects.

To address the knowledge gap, financial instruments should be accompanied by dedicated soft measures.

- **Education:** raise awareness by providing education and training including learning platforms, guidebooks and an online digital assessment tool.
- **Coaching:** supporting SMEs to develop implementation plans and roadmaps, through dedicated coaching programmes, including grants for the provision of advisory and/or technical services from external providers.
- Demand for digitalisation can be accelerated by leveraging the supply side – getting tech companies selling **‘SME ready’ digital solutions** - creating a tech marketplace for traditional SMEs.

What next?

ESG – [environmental, social and governance] also shows the need for digital

- Consumer trends are changing - demand for ethical and green products & services is growing.
- Employees want to work in businesses that demonstrate ethical and sustainable practices from the outside in and inside out.
- Investors and Banks are coming under increasing pressure from regulators to green their portfolios and assess the risks and impact of climate change on investments and loans.

SMEs need to establish a good ESG track record - Digitalisation and technology are key enablers to delivering sustainability e.g.

- Capturing data and trends in manufacturing and supply chains can help uncover information about carbon impacts, waste material, etc

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