

PRESS RELEASE

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Latest ESRI research signals urgent need to build SME financial resilience

SMEs must take precedence in the Government's forthcoming National Economic Recovery Plan, which should include a dedicated section focused on sustaining SME economic recovery and building the long-term financial resilience of small businesses. That's according to [SME Recovery Ireland](#), reacting to research published today (15.09.20) by the Economic and Social Research Institute (ESRI) which revealed that SMEs face a revenue shortfall of up to €15bn this year assuming Ireland's economic recovery is slow.

Commenting on the ESRI Special Article, 'Covid-19 pandemic and SME revenues in Ireland: What's the gap?', Chair of SME Recovery Ireland, John Moran said: 'The figure of €15bn in 2020 lost revenues for small businesses put forward by the ESRI confirms the revenue gap SME Recovery Ireland identified back in May 2020 which we called on Government to bridge through the provision of easy to access low cost liquidity and grant aid supports in our National Small Business Recovery Plan.

"Today's ESRI findings show that about 40 per cent of SMEs didn't have sufficient resources to cover the revenue gaps that occurred during the height of the lockdown and demonstrates just how undercapitalised the sector was going into the crisis. Small businesses to date have found it very difficult to retain reserves and there has been no great incentive for them to do so, putting them under enormous pressure when a shock like Covid-19 occurs. Our call for the introduction of an SME Rainy-Day Fund should be considered as a fundamental mechanism through which financial resilience can be built within the sector. Incentivising small business to establish a minimum reserve, matched or part-matched by Government will help stabilise the sector, putting SMEs on a solid footing going forward to access finance and withstand future economic shocks or a fall in economic activity."

"The fact that revenue fell below expenditure for half of SMEs during the main Covid-19 lockdown period also further emphasises the need to introduce a National Small Business Resilience Fund for businesses that have suffered a force majeure crisis and require grant assistance to recapitalise that business. The Resilience Fund which we called for earlier this year, would give small businesses the confidence and clarity that fiscal support is in place in the form of grant aid, should they be struck by a crisis not of their making. The Fund would also help ensure that businesses that are financially viable going into a shock are able to survive and continue to contribute to an SME sector that employs 1.5 million, the economy, and our local communities."

Other measures which SME Recovery Ireland are calling on Government to consider, to build the long-term financial resilience of small business sector include:

- Establishing a national agency for small business with a dedicated Minister for Small Business.
- Introducing business owner finance literacy supports through the Local Enterprise Office network.
- Expanding the research and development tax credit regime allowing greater access for SMEs.

Mr Moran added: "A national agency for small business would provide a platform for greater joined up thinking when it comes to policy making decisions for SMEs. This agency would be responsible for overseeing the design and implementation of measures such as the ones we have put forward for building financial resilience for the sector. Providing overarching guidance

and support to small businesses, the objective of this agency should be to simplify how things work in the sector giving business owners the comfort of being able to focus on their day-to-day operations. We see this as an important component for Government to consider when mapping out its strategy for SMEs for the next four to five years.”

For more information about SME Recovery Ireland’s proposals for sustaining short-term SME economic recovery and building long-term SME financial resilience, visit: www.smerecovery.ie.

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Notes to editors:

- The Small Business Recovery Submission is available to download [here](#).
- Chair of SME Recovery Ireland, John Moran is available for interview upon request.
- Follow SME Recovery Ireland on social media:
 - Twitter: [@SMERecoveryIrl](https://twitter.com/SMERecoveryIrl)

About SME Recovery Ireland

SME Recovery Ireland is a platform representing Ireland’s small and medium business sector to ensure that policy response to Covid-19 is designed to succeed for SMEs. The small business sector has and will continue to be disproportionately affected by the Covid-19 crisis. Small businesses provide most employment in Ireland and are critical to our social fabric. Small businesses were under-capitalised before the crisis and so lack the financial resilience to survive the force majeure crisis they are facing. Every small business owner is in need of hope and a Government plan to help them restart their business.