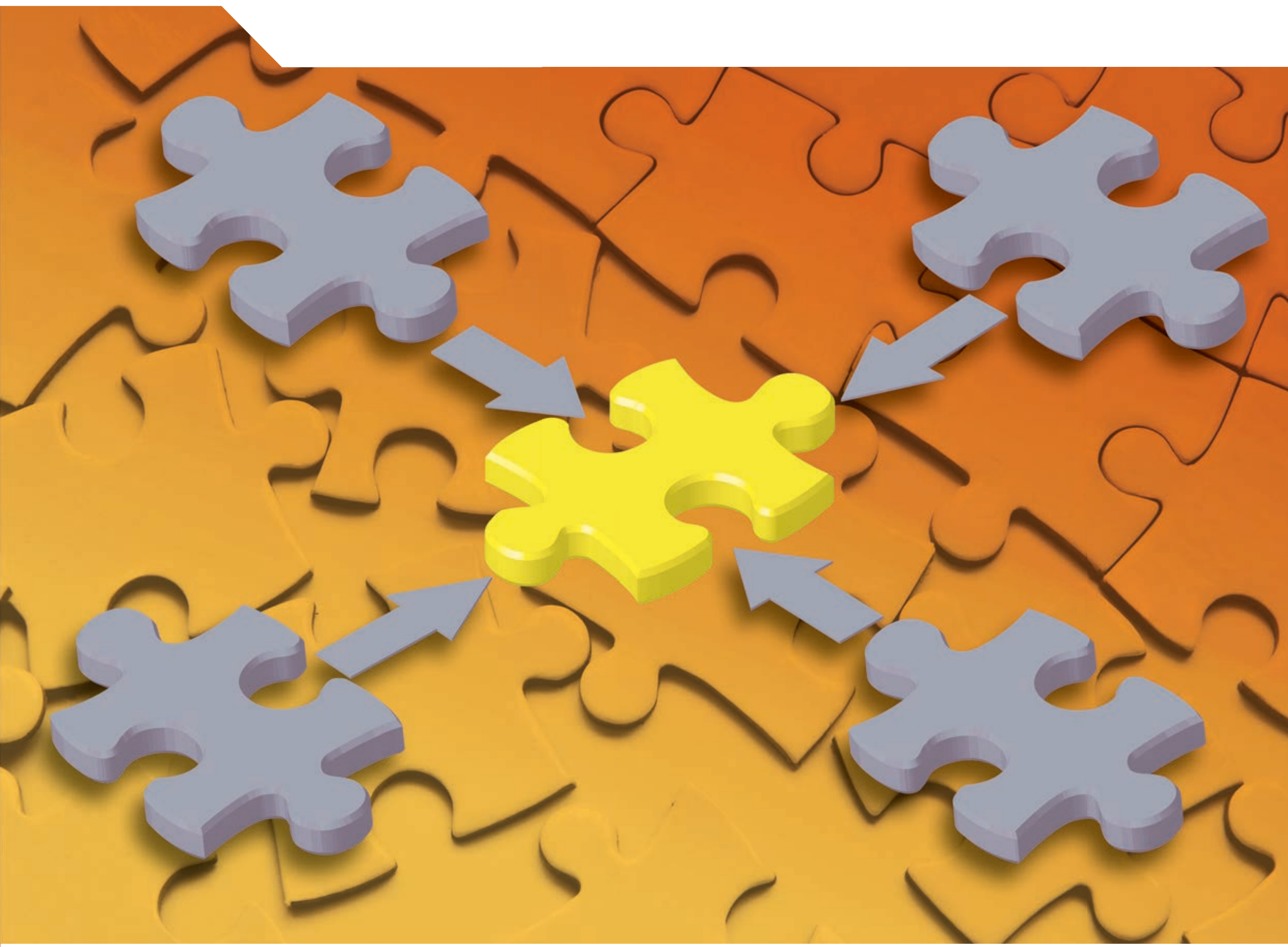
Financing SMEs and Entrepreneurs 2017

AN OECD SCOREBOARD



OECD

Financing SMEs and Entrepreneurs 2017

AN OECD SCOREBOARD

BETTER POLICIES FOR BETTER LIVES

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Please cite this publication as:
OECD (2017), *Financing SMEs and Entrepreneurs 2016: An OECD Scoreboard*, OECD Publishing, Paris.
http://dx.doi.org/10.1787/fin_sme_ent-2017-en

ISBN 978-92-64-18985-0 (print)
ISBN 978-92-64-26901-9 (PDF)
ISBN 978-92-64-26902-6 (ePub)

Financing SMEs and Entrepreneurs
ISSN 2306-5257 (print)
ISSN 2306-5265 (online)

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Photo credits: Cover ©Shutterstock/Roman Gorielov.

Corrigenda to OECD publications may be found on line at: *www.oecd.org/about/publishing/corrigenda.htm*.

Foreword

As governments around the world address the challenges of low growth, weak trade and investment, and rising inequalities, small and medium-sized enterprises (SMEs) and entrepreneurs have emerged as a driving force for open and prosperous societies. Fostering these firms' contributions to sustainable and inclusive growth requires a level playing field for small business, crucially in the area of finance. Yet, compared to large firms, SMEs continue to face more stringent financing conditions, higher interest rates for bank credit, and higher hurdles in attracting alternative sources of finance.

This sixth edition of Financing SMEs and Entrepreneurs: An OECD Scoreboard *provides the evidence base to help governments get their SME finance policies right. It monitors SME access to debt, equity, asset-based finance, along with framework conditions, emerging trends and policy responses in 39 countries. It also builds on previous editions with important improvements in methodology, analysis and country coverage.*

The 2017 edition of the SME Finance Scoreboard demonstrates that almost a decade after the 2007-08 crisis, the financing situation of SMEs and entrepreneurs has continued to improve in most participating countries, confirming the trend which was described in the 2016 report. The cost and availability of credit generally improved in 2015 and in the first half of 2016. For example, the volume of new SME loans in Spain rose by 12.2% in 2015 after 6 consecutive years of decline over the 2007-13 period, and in the United States, the outstanding stock of SME loans was up by 1.5% in 2015. Interest rates to SMEs fell in 36 out of 39 countries, by a median value of 0.49 percentage points. Furthermore, the drop in bankruptcies and business to business payment delays are signs of a more favourable business environment. In addition, for some sources of finance complementary to straight debt, such as peer-to-peer lending, equity crowdfunding or business angel investments, volumes increased, though often from a low base and at an uneven pace.

SME finance remains high on the policy agenda around the world. Although credit guarantees remained the most widely used instruments in 2015, a growing effort to stimulate the use of alternative instruments, in particular equity-type instruments, was observed in many countries, along with increased attention to innovative fast-growing enterprises. In addition, facilitating access to finance for women-owned ventures, as well as for internationally active SMEs, has become a central objective of many policies and programmes.

Despite these initiatives, several important challenges remain. There is increasing evidence that weak demand for credit, along with a lack of investment opportunities, are holding back a stronger recovery in volumes of credit and other types of finance. At the same time, start-ups and young firms, micro-enterprises and innovative fast-growing firms still encounter significant problems when seeking finance. Furthermore, significant downside risks in the economic outlook could cause SME finance to deteriorate, particularly since most SMEs remain highly dependent on traditional bank debt, and therefore vulnerable to changing credit conditions.

The thematic chapter of this publication explores how to increase the uptake of non-bank finance instruments by SMEs. It illustrates that in order to create viable and liquid SME finance markets, policies often need to address supply- and demand-side barriers in tandem, as well as taking into account cyclical and structural issues.

The OECD will continue to support policymakers in designing and implementing appropriate responses to foster SME access to a diverse set of financing instruments, including by delivering a set of effective approaches for implementing the G20/OECD High Level Principles on SME Financing. Through productive investments, the creation of new jobs and stronger innovation, SMEs can help bring about more sustainable and inclusive growth with broader benefits for our societies.

Angel Gurría
OECD Secretary-General

Acknowledgements

The development of *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard* was made possible thanks to the efforts of country experts from participating OECD member and non-member countries, who provided information for the country profiles.

COUNTRY EXPERT TEAM

Australia	Abram Hays Evan Holley	Small Business Policy Division of the Treasury
Austria	Thomas Saghi	Federal Ministry of Science, Research and Economy
Belgium	Johan Westra Christophe Herinckx	Federal Ministry of Economy, SMEs, Self-employed and Energy
Brazil	Eduardo Andre de Brito Celino Alexandre Monteiro Carlos Rogério Gomes da Silva Filho Tatiana Vasconcelos Carlos Veloso de Melo Junior	Special Secretary for Micro and Small Enterprises (SEMPE)
Canada	Richard Archambault	Innovation, Science and Economic Development Canada
Chile	Gerardo Puelles Jose Joaquin Fernandez Chicharro	Ministry for the Economy, Development, and Tourism
China	Wu Bao Renyong Chi Yantai Chen	China Institute for Small and Medium-sized Enterprises
Colombia	Jorge Enrique Motta Llanos Cielo Villegas	Ministry of Commerce, Industry and Tourism
Czech Republic	Elina Lunová	Ministry of Industry and Trade
Denmark	Ole Jørgensen William Gram	Ministry of Business and Growth
Estonia	Karel Lember	Ministry of Economic Affairs and Communications
Finland	Jari Huovinen Pertti Valtonen	Confederation of Finnish Industries Ministry of Employment and the Economy
France	Jean-Pierre Villetelle Marie-Laure Wyss	Banque de France General Directorate for Competitiveness, Industry and Services
Georgia	David Shiolashvili	Enterprise Georgia
Greece	Athanasios Argyriou Timotheos Rekkas	Hellenic Ministry for Economy and Development
Hungary	Zsuzsanna Lakatosné Lukács Árpád Ferenc Nagy	Ministry for National Economy
Ireland	Helena Quilty Eric Gargan	Department of Finance, Banking Policy Division
Israel	Nir Ben-Aharon	Small and Medium Business Agency, Ministry of Economy
Italy	Sabrina Pastorelli	Bank of Italy
Japan	Fumiya Kan	Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry
Korea	Changwoo Nam	Korea Development Institute
Luxembourg	Cesare Riillo	National Institute for Statistics and Economic Studies
Mexico	Ivan Ornelas Diaz	INADEM

Malaysia	Karunajothi Kandasamy	SME Corporation Malaysia
	Rafiza Bt. Abdul Rajab	
Netherlands	Anja Steentjes	Ministry of Economic Affairs
	Liselotte Van Thiel	
New Zealand	Miriam Mathews	Ministry of Business, Innovation and Employment
Norway	Eirik Knutsen	Statistics Norway
	Øystein Jørgensen	Ministry of Trade, Industry and Fisheries
Portugal	Nuno Goncalves	Office of the Secretary of State of Economy and Regional Development
Russia	Evgeny Tcherbakov	Vnesheconombank
Serbia	Maja Gavrilovic	National Bank of Serbia
	Ana Ivkovic	
Slovak Republic	Daniel Pitoňák	National Agency for SME Development
Slovenia	Tine Janžek	Bank of Slovenia
Spain	Víctor García-Vaquero	Bank of Spain
Sweden	Andreas Kroksgård	Swedish Agency for Growth Policy Analysis
Switzerland	Samuel Turcati	State Secretariat for Economic Affairs
Thailand	Suravuth Prukbamroong	Bank of Thailand
Turkey	Ufuk Acar	KOSGEB
	Utku Macit	Ministry of Science, Industry and Technology
United Kingdom	Asad Ghani	British Business Bank
	Matt Adey	
United States	Brian Headd	Small Business Administration

The development of the scoreboard benefits from the inputs of Delegates of the OECD Working Party on SMEs and Entrepreneurship (WPSMEE), chaired by Alejandro Gonzalez Hernandez, and of its Informal Steering Group on SME and Entrepreneurship Financing, chaired by Professor Salvatore Zecchini. In particular, the contribution of Helmut Kraemer-Eis (European Investment Fund), Jean-Louis Leloir and Marc Basel (European Association of Guarantee Institutions) and John Thompson, Financial Economist, are acknowledged.

This report was prepared by Kris Boschmans, Policy Analyst, and Lora Pissareva, Junior Policy Analyst, OECD Centre for Entrepreneurship, SMEs, Local Development and Tourism (CFE), under the supervision of Miriam Koreen (Deputy Director, CFE). Lucia Cusmano (Senior Economist, CFE) and Laura Vanatta (Trainee, CFE) contributed to the report. Soňa Fazikova provided technical support.

Table of contents

Follow OECD Publications on:

http://twitter.com/OECD_Pubs

http://www.facebook.com/OECDPublications

http://www.linkedin.com/groups/OECD-Publications-4645871

http://www.youtube.com/oecdilibrary

http://www.oecd.org/oecddirect/

This book has...

StatLinks

A service that delivers Excel® files from the printed page!

Look for the *StatLinks* at the bottom of the tables or graphs in this book. To download the matching Excel® spreadsheet, just type the link into your Internet browser, starting with the *http://dx.doi.org* prefix, or click on the link from the e-book edition.

Reader's guide

Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard monitors SMEs' and entrepreneurs' access to finance over the period 2007-15. Based on data collected for the country profiles and information from demand-side surveys, this report includes indicators on debt, equity and asset-based finance, as well as on financing framework conditions, complemented by information on recent public and private initiatives to support SME access to finance. Taken together, these indicators form a comprehensive framework for policy makers and other stakeholders to evaluate the financing needs of SMEs and entrepreneurs and to determine whether they are being met. This report also constitutes a valuable tool to support the design and evaluation of policy measures, and to monitor the implications of financial reforms on access to finance and financing conditions for SMEs more generally.

This sixth edition presents detailed profiles for 39 countries: Australia, Austria, Belgium, Brazil, Canada, Chile, the People's Republic of China, Colombia, the Czech Republic, Denmark, Estonia, Finland, France, Georgia, Greece, Hungary, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Portugal, the Russian Federation, Serbia, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Thailand, Turkey, the United Kingdom and the United States.

Indicators

SME and entrepreneurship financing trends are monitored through core indicators, listed in Table 1, selected on the criteria of usefulness, availability, feasibility and timeliness (see Annex A for a detailed description). The core indicators describe and monitor the following key dimensions:

Data collection

The scoreboard data are provided by experts designated by participating countries. Most of the indicators are derived from supply-side data provided by financial institutions, statistical offices and other government agencies. This is supplemented by national and regional demand-side surveys in order to provide a more comprehensive view of the evolution in financing trends and needs. Indicators cover access to finance for employer firms, that is, for SMEs which have at least one employee, and are operating a non-financial business. The data in the present edition cover the period 2007 to 2015, assessing trends over the medium term, both in the pre-crisis period (2007), the financial crisis (2008 and 2009) and the period afterwards. Specific attention is placed on developments occurring in 2014 and 2015. In addition, information on government policies to ease SMEs' access to finance is also collected on a systematic basis.

The published print version includes a chapter on emerging trends in SME and entrepreneurship finance, drawing on information provided by participating countries, a thematic chapter, focusing for this edition on fostering markets of alternative finance

Table 1. **Core indicators in *Financing SMEs and Entrepreneurs 2017***

Core indicators	Unit	What they show
The allocation and structure of bank credit to SMEs		
Outstanding business loans, SMEs Outstanding business loans, total Share of SME outstanding loans	Volumes in national currency Volumes in national currency % of total outstanding loans	SME demand for and access to bank credit. A stock indicator measuring the value of an asset at a given point in time, and thus reflecting both new lending, as well as bank loans that have accumulated over time along with loan repayments.
New business lending, total New business lending, SMEs Share of new SME lending	Volumes in national currency Volumes in national currency % of total new lending	SME demand for and access to bank credit. It is a flow indicator, measured over one year, which tends to respond faster to short-term developments and is therefore more volatile than stocks.
Short-term loans, SMEs Long-term loans, SMEs	Volumes in national currency Volumes in national currency	The structure of SME debt, i.e. the share of outstanding credit with an initial maturity of less than one year and more than one year, respectively. This could be considered as a proxy to gauge the purpose of SME bank loans, i.e. for operational and investment needs.
Extent of public support for SME finance		
Government loan guarantees, SMEs Government guaranteed loans, SMEs Direct government loans, SMEs	Volumes in national currency Volumes in national currency Volumes in national currency	These indicators illustrate the extent and uptake of government programmes and instruments supporting SMEs' access to finance.
Credit costs and conditions		
Interest rate, SMEs Interest rate, large firms Interest rate spread	% % Percentage points	The cost of SME loans and how it compares to large firms.
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	Proxies the conditions SMEs face when applying for bank credit.
Percentage of SME loan applications Rejection rate Utilisation rate	SME loan applications/ total number of SMEs, in % 1-(SME loans authorised/ requested), in % SME loans used/ authorised, in %	The (unmet) demand for and utilisation of credit by SMEs, and willingness of banks to lend.
Non-bank sources of finance		
Venture and growth capital investments Leasing and hire purchases Factoring and invoice discounting	Volumes in national currency and year-on-year growth rate in % Volumes in national currency Volumes in national currency	The take-up and ability to access non-bank finance instruments, including external equity for start-up, early development and expansion stages, as well as asset-based finance, such as leasing, hire purchases, factoring and invoice discounting.
Financial health		
Non-performing loans, total Non-performing loans, SMEs	% of total business loans % of total SME loans	The incidence of late or non-payments for SME loans, compared to the overall corporate sector. This proxies the (relative) riskiness of lending to SMEs.
Payment delays, B2B	Number of days	The occurrence of payment delays in the B2B sector, i.e. the difficulty in paying and being paid, to capture the extent of cash flow problems.
Bankruptcies, SMEs	Number and year-on-year growth rate in %	A proxy for the overall business environment in which SMEs operate and the ability of small firms to survive economic downturns and credit crunches.

instruments for SMEs, annexes, and a two-page snapshot for every participating country. This snapshot summarises the state of play regarding SME access to finance in each country, while the full country profiles are available on the OECD website only.

Cross-country comparability

At the individual country level, the scoreboard provides a coherent picture of SMEs' access to finance over time and monitors changing conditions for SME financing, as well as the impact of policies. There are limits to possible cross country comparisons, however. First, the statistical definition of an SME differs among participating countries; while the European Union definition is the most commonly used, participating countries outside of the Union usually define an SME differently, which complicates cross-country comparisons (see Annex A for detailed definitions of SMEs across participating countries).

In addition, differences in definition and coverage for indicators hamper comparability, with a number of countries, in which it is not possible to adhere to the "preferred definition" of the core indicators. A proxy has been adopted in these instances. For this reason, all country profiles include a table, which provides the definition adopted for each indicator and a reference to the data source. Despite these limitations, it is still possible to compare general trends across countries, though, as the differences in the exact composition of the single indicator are muted when evaluating rates of change.

Methodological advances and recommendations for data improvements

There are important methodological and structural improvements in the 2017 edition of this report. A new indicator on the relative number of loan applications has been included. Along with analysis of survey data, this enables a better understanding of demand and supply-side factors in SME lending. In addition, this edition provides more in-depth, cross-cutting country analysis that examines trends in SME lending and overall financing conditions across clusters of countries, as well as their relationship with key economic variables. Since June 2016, the scoreboard data are available on the OECD.Stat website. Data on core indicators can be consulted, downloaded and put to further use, thereby addressing a longstanding demand to improve access to the data, and exposure of the publication to a wider audience.

A summary of recommendations to further improve data collection and reporting of core indicators are outlined in Box 1 (see Annex A for a more detailed discussion). These are deemed necessary for countries to progress in the harmonisation of definitions and facilitate inter-temporal and cross-country analysis of trends in SME and entrepreneurship finance.

Box 1. **Recommendations for improving the reporting of core indicators**

1. Improve reporting on SME loan variables by:
   - Systematically separating reporting of financial information for non-employer and employer-firms;
   - Providing both stock and flow data for SME loans;
   - Detailing the loans' composition, with indication of the different underlying products (e.g. overdrafts / lines of credit / leases / business mortgages or credit cards / securitised loans), and disclose such elements in the loan definition.
2. Fill gaps in available data and work towards more comprehensive information for other core indicators in the scoreboard, including:
   - Offer more comprehensive information on government programmes that ease SMEs' access to finance;
   - Provide data on non-performing loans for SMEs and for large firms, the latter to be used as a benchmark;
   - Provide more comprehensive data on alternative sources of financing, including crowdfunding and business angel investment;
   - Collect information on SME loan fees, in addition to interest applied on loans;
   - Compile more complete information on the uptake and use of non-bank financing instruments, asset-based finance in particular;

Box 1. **Recommendations for improving the reporting of core indicators** *(cont.)*

- Detail the definition of collateral and improve reporting, using demand-side surveys to compensate for lack of supply-side data;
- More detailed information on financing business activities through personal savings, credit cards, family and friends, and personally secured bank loans, as the vast majority of young SMEs do not seek external finance, and draw instead on these resources. Better and more comprehensive collection of data on these forms of informal finance is needed to improve the understanding of the financing needs and behaviour of SMEs.

Acronyms and abbreviations

ADB	Asian Development Bank
AECM	European Association of Guarantee Institutions
AUD	Australian Dollar
B2B	Business-to-Business
B2C	Business-to-Customer
B2G	Business-to-Government
BIS	Bank for International Settlements
BLS	Bank Lending Survey
BRL	Brazilian Real
CAD	Canadian Dollar
CDS	Credit Default Swap
CGS	Credit Guarantee Scheme
CHF	Swiss Franc
CLO	Collateralised debt obligation
CLP	Chilean Peso
COP	Colombian Peso
CZK	Czech Koruna
DKK	Danish Krone
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
EIB	European Investment Bank
EIF	European Investment Fund
ERP	European Rescue Programme
EU	European Union
EUR	Euro
EURIBOR	Euro Interbank Offered Rate
EVCA	European Venture Capital Association
G20	Group of 20
GBP	British Pound
GEL	Georgian Lari
GDP	Gross Domestic Product
GPFI	Global Partnership for Financial Inclusion
HUF	Hungarian Forint
IFC	International Finance Corporation
IMF	International Monetary Fund
IPO	Initial Public Offering
IT	Information Technology

FCI	Factors Chain International
JPY	Japanese Yen
KRW	Korean Won
MFI	Micro Finance Institution
MSME	Micro, small and medium-sized enterprise
MXN	Mexican Peso
MYR	Malaysian Ringgit
NFIB	National Federation of Independent Business
NIS	Israeli New Shekel
NOK	Norwegian Krone
NPL	Non-performing loan
NZD	New Zealand Dollar
OECD	Organisation for Economic Cooperation and Development
PCS	Prime collateralised securities
PE	Private Equity
R&D	Research and development
RMB	Chinese Renminbi
RSD	Serbian Dinar
RSI	Risk Sharing Instrument
RUB	New Russian Ruble
SAFE	Survey on the Access to Finance of Enterprises
SBA	Small Business Act
SEK	Swedish Krona
SME	Small and medium-sized enterprise
SKK	Slovak Koruna
THB	Thai Baht
TRY	Turkish Lira
NYSE	New York Stock Exchange
UF	Unidad de Fomento
USAID	United States Agency for International Development
USD	United States Dollar
VC	Venture Capital
WB	World Bank
WPSMEE	Working Party on SMEs and Entrepreneurship

ISO Country abbreviations

AUS	Australia	**ISR**	Israel
AUT	Austria	**JPN**	Japan
BEL	Belgium	**ITA**	Italy
BRA	Brazil	**KOR**	Korea
CAN	Canada	**LUX**	Luxembourg
CHE	Switzerland	**MYS**	Malaysia
CHN	People's Republic of China	**MEX**	Mexico
CHL	Chile	**NLD**	Netherlands
COL	Colombia	**NZL**	New Zealand
CZE	Czech Republic	**NOR**	Norway
DNK	Denmark	**PRT**	Portugal
ESP	Spain	**RUS**	Russian Federation
EST	Estonia	**SRB**	Serbia
FIN	Finland	**SVK**	Slovak Republic
FRA	France	**SVN**	Slovenia
GEO	Georgia	**SWE**	Sweden
GBR	United Kingdom	**THA**	Thailand
GRC	Greece	**TUR**	Turkey
HUN	Hungary	**USA**	United States
IRL	Ireland		

Executive summary

In 2015, SME financing generally improved, but weak demand and insufficient investment opportunities are likely holding back a stronger recovery in SME lending and other non-bank financing instruments.

Lending to SMEs increased moderately in the majority of scoreboard countries, and credit conditions eased further in 2015, continuing the trend that began in 2014. The tentative economic recovery in 2014-15 is likely to have had a positive impact on SMEs' access to finance and financing conditions. In emerging economies in particular, SME lending outstripped GDP growth in recent years, while credit growth broadly tracked GDP growth in some Asian and European countries, where SMEs can access credit fairly easily. The average interest rate charged to SMEs declined in 2015 for most scoreboard countries. Survey data also illustrate that financing conditions for SMEs in most of the Euro area, Japan, the United Kingdom and the United States remained relatively favourable.

At the same time, the growth in bank credit as a percentage of GDP declined in some countries, where lending conditions were favourable. For example, in Canada, the United Kingdom, and the United States, this percentage fell between 2012 and 2015, despite robust economic growth and inexpensive and abundant credit. In countries most affected by the financial crisis, bank lending has trailed the economic recovery in recent years, and many SMEs continue to face inadequate access to bank debt.

For the first time since the crisis, payment delays and SME bankruptcies declined. In 2015, there was a noticeable decline in B2B payment delays, which were down in 12 out of 17 countries providing data. SME bankruptcies also declined in close to two thirds of participating countries for which data was available for 2015. These developments suggest that the operating environment for SMEs generally improved.

In 2015, the evolution of SME non-performing loans (NPLs) varied across countries. For several countries covered in this report, non-performing loans rose fast over the 2009-14 period. Although NPLs in these countries stabilised in 2015 and the first half of 2016, they remained high by historical standards. Evidence suggests that this could impair SME financing in the years to come and weigh considerably on economic growth in those countries.

The use of alternative financing instruments continued to develop at an uneven pace, with bank lending remaining the predominant source of external finance. Leasing and hire purchases activities were on the increase in 2015, in contrast to previous years. Factoring volumes, on the other hand, expanded over the 2009-14 period, but stagnated in 2015. Venture capital investments have not recovered to pre-crisis levels in most participating countries and showed few signs of improvement in 2015. Similarly, public equity markets have remained stagnant in recent years. Business angel investments appear to have accelerated, although detailed analysis is hampered by data issues. Equity crowdfunding and peer-to-peer lending were also on the rise, but volumes remain limited in most countries.

Several challenges continue to limit SMEs' uptake of non-bank finance instruments, especially from the capital market. On the demand side, many entrepreneurs lack financial knowledge, strategic vision, resources and in some cases, the willingness to attract sources of finance other than straight debt. The limited demand for alternative financial instruments can also be attributed in part to their disadvantageous tax treatment vis-à-vis straight debt. On the supply side, potential investors are dissuaded by the opacity of the SME finance market, a lack of investor-ready projects and exit options, as well as persisting regulatory impediments. As a consequence, financial instruments for SMEs often continue to operate in thin, illiquid markets, with a low number of market participants. The thematic chapter of this report examines recent policies to address existing challenges and recommends taking a holistic policy approach to stimulate SMEs' uptake of non-bank finance instruments.

Policies to promote alternative sources of finance and better access for target groups and firms are proliferating, although loan guarantees remain the most widely used instrument to ease SMEs' access to finance. There is a growing effort to stimulate the use of alternative (especially equity-type) instruments, such as public listings for SMEs or venture capital investments, as well as to adapt regulation, notably on crowdfunding, to evolving financing needs. Guarantees and direct lending schemes are increasingly targeting start-ups and innovative firms with high-growth potential, and frequently offer additional advisory, mentoring or networking services. Policies are also targeting SME financing needs to facilitate their internationalisation and participation in global value chains. In addition, supporting female entrepreneurs has become an integral objective of many policies or programmes.

Despite positive developments in 2015, SMEs' access to finance remains vulnerable to downside risks in the economy. Further improvements in SME access to finance hinges on solid economic growth and investment opportunities. A souring economic climate could thus derail the tentative recovery in SME financing. Although recent economic projections have been revised slightly upwards, there is still a sizable risk that the global economy will remain stuck in a low-growth trap, with growth in global investments and trade well below historical values.

Governments should continue to take actions which enable small firms to access a broader range of financing instruments, as stipulated in the G20/OECD High-Level Principles on SME Financing. Tapping into a range of financing instruments across the risk-return spectrum would help SMEs obtain the forms of finance most suited to their needs at different stages of their life cycle and become more resilient in the face of crisis, thus enabling them to contribute to economic growth that is inclusive and sustainable.

Financing SMEs and Entrepreneurs 2017
An OECD Scoreboard

Chapter 1

Recent trends in SME and entrepreneurship finance

This chapter analyses trends in SME and entrepreneurship finance over 2007-15, based on data collected for the country scoreboards and information from demand-side surveys. A short overview of the global business environment sets the framework for the analysis of SME financing trends and conditions, focusing in particular on the changes which occurred in participating countries between 2014 and 2015. The chapter concludes with an overview of government policy responses put in place to improve SMEs' access to finance in light of recent developments.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

This chapter examines the emerging trends in SMEs' and entrepreneurs' access to finance and financing conditions for 39 countries over the 2007-15 period against the backdrop of the global macro-economic context and financial conditions. Following the major financial and economic crisis in 2008, which severely impacted access to finance for SMEs in most participating countries, recovery between 2009/10-13 was very uneven, with the situation continuing to deteriorate in some participating countries, while starting to improve in others. Since 2013, however, a more positive trend has emerged across the board, with SMEs' access to finance improving in a majority of participating countries. Particular attention is devoted to developments in 2014, 2015 and early 2016.

Business environment and the macroeconomic context

GDP growth in the OECD area came to a standstill in 2008 and contracted by 3.5% in 2009, following the financial crisis. It began to recover in 2010, but only weakly and unevenly over the 2010-13 period. In 2014-16, advanced economies enjoyed modest economic progress, and this trend is expected to gain further momentum in 2017 and 2018, with GDP growth in the OECD area forecast at 2% and 2.3%, respectively, up from 1.7% in 2016 (OECD, 2016a). Low commodity prices and accommodative monetary policies underpin this economic upturn in many countries. The global economic recovery, coupled with relatively favourable financial conditions, had a positive impact on SMEs' access to finance in 2014 and 2015, and this trend is likely to accelerate in the years to come if the recovery continues.

However, the expected economic recovery remains highly dependent on policy choices. Low wage growth, subdued investments and high levels of private debt continue to present substantial downward risks to the global economy and could negatively impact SMEs in need of finance. Two risks to the economic recovery stand out. First, global trade remains exceptionally weak at an estimated 1.7% in 2016, according to the WTO, marking the first time in 15 years that international commerce was set to fall short of global GDP growth, and is forecast to remain below historical levels. Value-chain intensive and commodity-based trade in particular are being held back by factors including spreading protectionism and China's rebalancing toward consumption-oriented growth. Second, productivity growth has been slowing and is characterised by a widening gap between firms at the technological frontier and others. This is reflected in rising income inequality, which constrains global demand and damages long-term growth prospects.

Moreover, in emerging markets, economic growth is expected to remain well below levels experienced prior to the financial crisis, especially in commodity-rich countries such as Brazil and Russia, where the economy continued to contract in 2016 and will likely recover only slowly in 2017 and 2018. Inflation-adjusted GDP growth in non-OECD countries is forecast at 4.5% and 4.6% in 2017 and 2018, respectively - well below the average of 6.6% observed over the 2004-13 period (OECD, 2016a).

Overall, inflation decreased in the Euro area and North America in 2015, due mostly to low energy and commodity prices, low productivity growth, sluggish demand, and in the

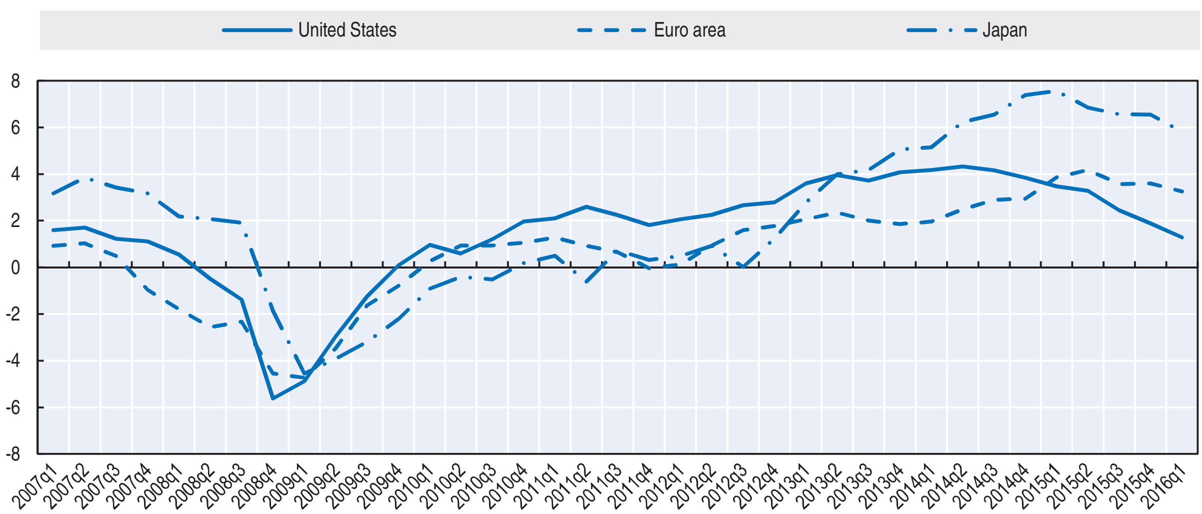
Euro area, high unemployment rates. Inflation rates were negative in 2015 in some European countries, and the risk of persistent deflationary pressures remains high in this region. With the exception of emerging and transition economies, inflation is expected to remain low (OECD, 2016a).

Financial conditions

Financial conditions were at their most favourable in Q1 of 2015, but have since tightened in the Euro area, Japan, and the United States. The OECD financial conditions indices suggest, however, that financial conditions in these three regions still remain relatively favourable compared to pre-crisis level conditions (Figure 1.1).[1]

Figure 1.1. **Financial conditions indices in the euro area, Japan and the United States, 2007-16**

Year-on-year growth rate, as a percentage



Note: A unit increase (decline) in the index implies an easing (tightening) in financial conditions sufficient to produce an average increase (reduction) in the level of GDP of 0.5% to 1% after four to six quarters. Based on information available up to 30 May 2016.
Source: OECD (2016a) and OECD calculations.

StatLink http://dx.doi.org/10.1787/888933465828

Lending to SMEs

SME bank lending improved in a majority of participating countries in 2015, confirming the tentative trend observed in 2014. This upward trend is most visible when analysing new lending data, while the data on outstanding loans show a more mixed picture.

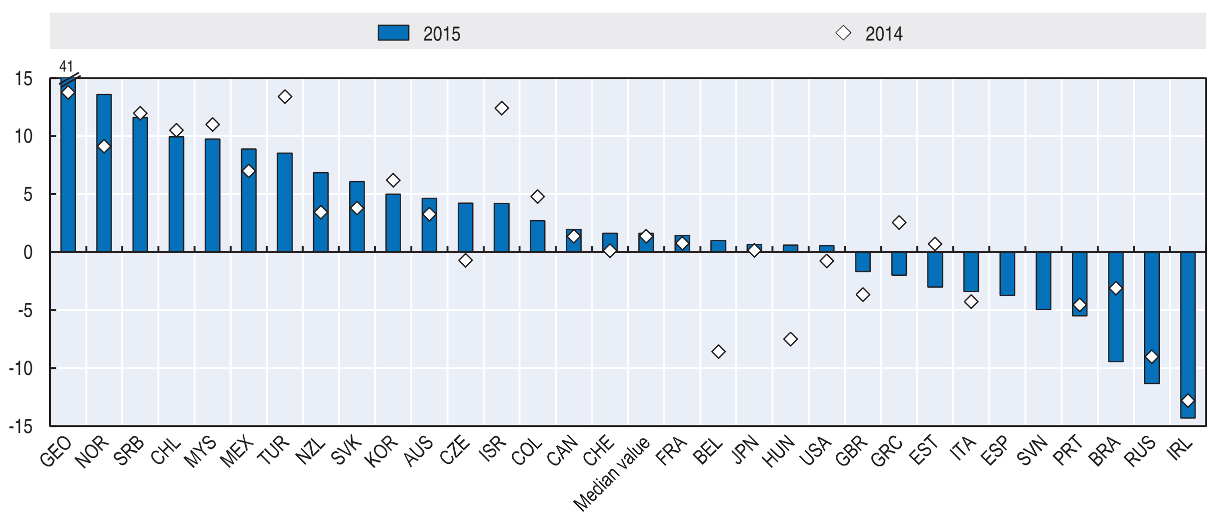
Outstanding SME loans

In 2014, there were already positive signs that the credit decline was bottoming out in countries most affected by the financial crisis, and that a general credit recovery was underway, although slowly and not uniformly. In 2014, only 10 out of 31 countries experienced negative SME loan growth, down from 14 out of 31 in 2013, and this ratio has remained constant in 2015 with once again 10 out of 31 participating countries experiencing a decline in outstanding SME loans. In addition, 2015 growth levels surpassed the growth level observed in 2014 in 17 out of 30 countries, indicating that growth accelerated (or became less negative in some instances) in a small majority of instances.

In Belgium, the Czech Republic, Hungary, and the United States, loan growth turned positive in 2015, while the opposite happened in Estonia and Greece. In Australia, Canada, France, Georgia, Japan, Mexico, New Zealand, Norway, the Slovak Republic and Switzerland, loan growth accelerated in 2015, and decelerated in Chile, Colombia, Israel, Korea, Malaysia, Serbia, and Turkey (see Figure 1.2). It should be noted, however, that loan growth in 2015 still exceeds 4% in these seven countries, except for Colombia, even when adjusted for inflation, which is well above the median value for all participating countries. Slower growth in SME lending in these countries could conceivably be more sustainable than double-digit growth and should therefore not necessarily be interpreted as a negative development. The broadly positive picture in recent years is also illustrated by the median value of outstanding SME loan growth, which rose from 0.54% in 2013 to 1.37% in 2014, and then further to 1.64% in 2015. However, it should also be noted that in Brazil, Estonia, Ireland, Portugal and the Russian Federation, growth in the outstanding stock of SME credit turned negative (or even more negative) in 2015, constituting exceptions to the general upward trend.

Figure 1.2. **Growth of outstanding SME business loans, 2013-14 and 2014-15**

Year-on-year growth rate, as a percentage



Notes: 1. Definitions differ across countries. Refer to the table of sources and definitions in the full country profiles available online. 2. Countries not providing 2015 data are not included. 3. Slovenia's 2014 growth rate of -24.87 is not depicted. 4. All represented data are adjusted for inflation using the OECD GDP deflator. 5. Data for non-OECD countries was extracted from the World Development Indicators, World Bank. 6. 2013 data from Spain were not available.

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

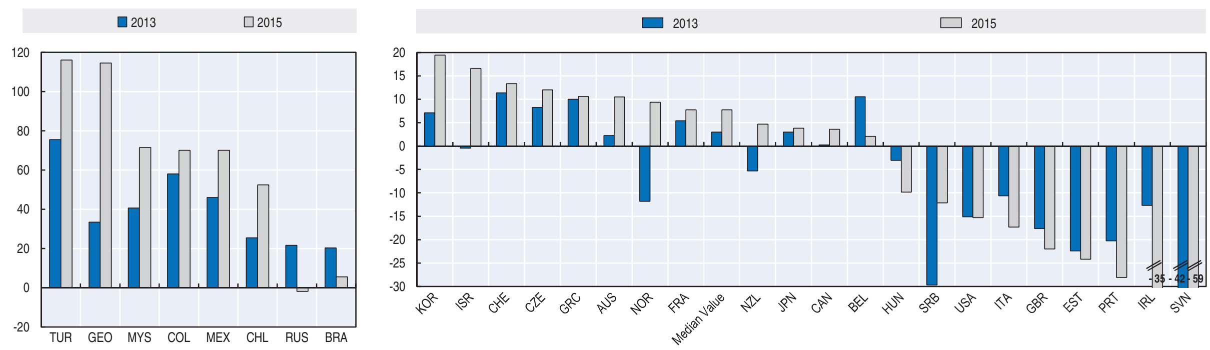
StatLink http://dx.doi.org/10.1787/888933465925

It is important to note that the data from Figure 1.2 and following are in real terms, i.e. inflation-adjusted, as was already the case in the 2016 edition of this publication, to provide a more accurate picture of the evolution of SME lending, undistorted by general price evolutions.

SME lending fell, in some cases sharply, in the aftermath of the financial crisis in a majority of participating countries. Figure 1.3 illustrates that no uniform recovery took place, with the outstanding stock of lending decreasing further in 12 out of 29 countries over the 2010-13 period, and recovering in 17 others. Between 2010 and 2013, the outstanding stock rose by a median value of 3%. Between 2013 and 2015, outstanding loans rose by a median value of 7.8%, thus indicating a generally more robust recovery in lending

Figure 1.3. **Trends in outstanding SME loans, 2013 and 2015**

Relative to 2010, as a percentage (2010 = 0)



Notes: 1. Definitions differ across countries. Refer to the table of sources and definitions in each respective country profile of this publication. 2. The median value depicted in the graph on the right refers to all countries in both graphs. 3. All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank.

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

StatLink http://dx.doi.org/10.1787/888933465931

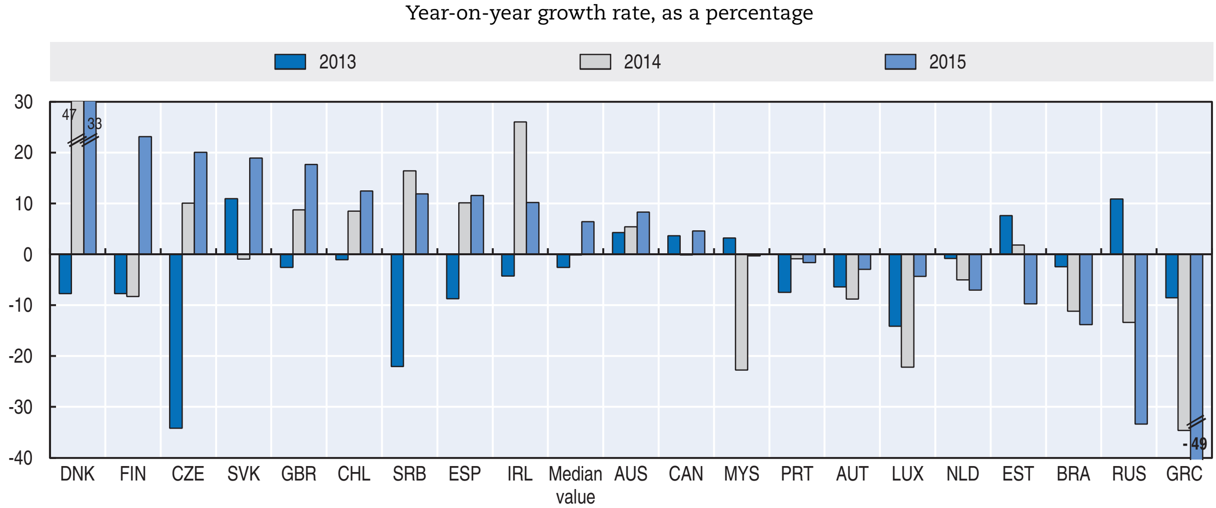
activities over this period, albeit with considerable variation across countries. SME lending recovered especially in Israel, Norway, and New Zealand. In 2015, the inflation-adjusted outstanding stock of SME loans surpassed 2010 levels in 19 out of 29 countries for which data are available.

New SME loans

20 countries provided data on new business lending. While in 2013, only 6 out of 20 countries reported an increase in new SME lending, this number increased to 9 in 2014 and to 11 in 2015. The median value rose from -2.6% in 2013 to -0.1% in 2014, and then to 6.4% in 2015, illustrating a substantial recovery of new lending to SMEs over this period (see Figure 1.4).

Figure 1.4. **Trends in new SME lending, 2013-15**

Year-on-year growth rate, as a percentage



Notes: 1. Definitions differ across countries. Refer to the table of sources and definitions in each respective country profile in this publication. 2. Countries with stock data only are not included. 3. All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank. 4. Countries not providing 2015 data were excluded.

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

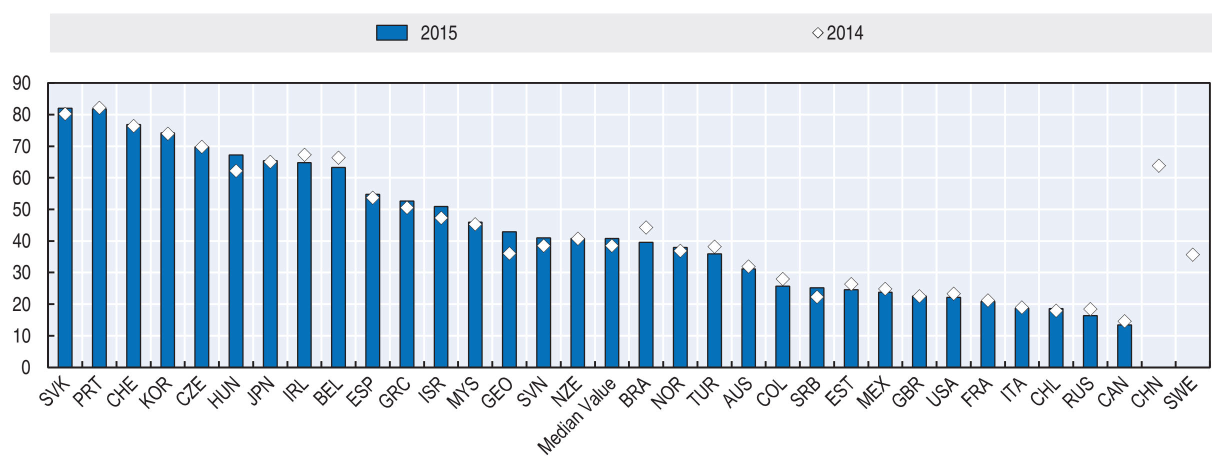
StatLink http://dx.doi.org/10.1787/888933465949

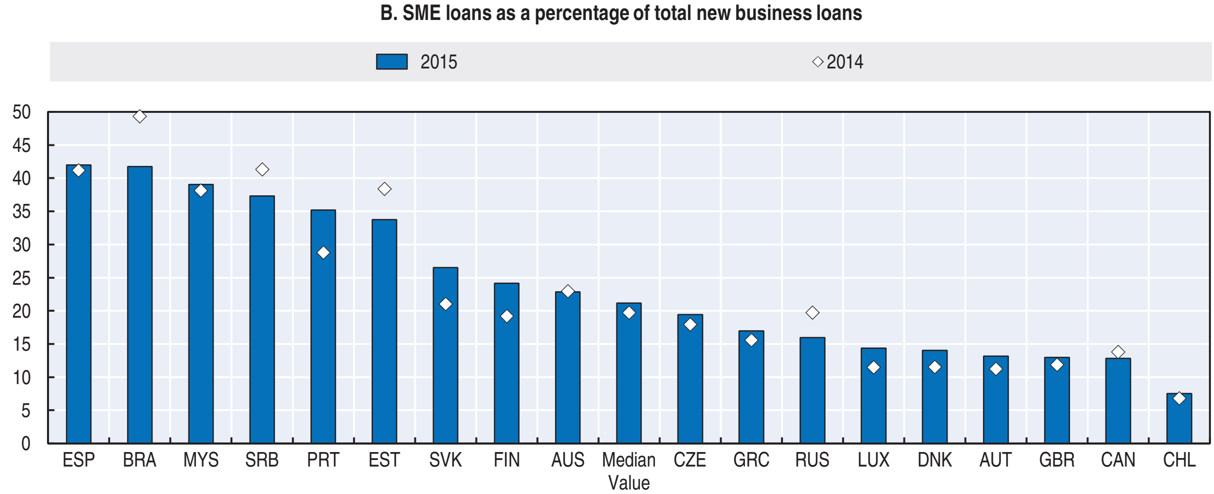
In Chile, the Czech Republic, Denmark, Finland, Spain, and the United Kingdom, new lending rose substantially between 2013 and 2014, and then again in 2015. Brazil, Estonia, Greece, the Netherlands, Portugal and the Russian Federation represent exceptions to this generally upward trend.

SME loan shares

The evidence on outstanding SME loan shares, defined as the shares of SME loans over total business loans, helps to set the above indicators on SME lending into the context of general business lending conditions in participating countries. Figure 1.5 summarises the evolution of loan shares over the 2007-15 period. The data show a very diverse picture, with loans to SMEs amounting for less than 20% of all corporate lending in Canada and the Russian Federation, and for more than 80% in Portugal and the Slovak Republic. While SME loan share have remained broadly stable, the evolution over time also differs in some instances from one country to the other. In Canada, for example, the share of SME loans has been declining since 2009, while rising in Israel. The median value for SME loan shares

Figure 1.5. **SME loan shares, 2014-15**





Note: For Chart A, 2015 data from China and Sweden are not available.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

StatLink http://dx.doi.org/10.1787/888933465952

as a proportion of all corporate loans provides some insight to overall trends in this respect. It declined in the aftermath of the financial crisis, recovered after 2009, and increased further from 38.6% in 2013, to 39.6% in 2014, potentially signalling SMEs' easier access to bank credit in 2014. Data for 2015 was mixed, however, with the SME loan share in the outstanding stock of corporate loans declining in 16, and increasing in 15 countries. For the SME loan share measured as a percentage of new lending, twice as many countries (12 versus 6) reported an increase than a decrease.

Although the above data suggests that in recent years SMEs have generally experienced an improvement in access to bank funding compared to large enterprises, this indicator should be interpreted carefully and in context. An increase in SME loan shares potentially reflects trends in financing opportunities and strategies by large firms, rather than increased access to finance for SMEs, especially when occurring at a time of general lending contraction, during which large enterprises are expected to be resorting to other forms of finance. SME loan shares should therefore be interpreted in tandem with the evolution of total business loans and SME business loans. Changes in SME loan shares could signal several developments: Rising shares might imply that SME loans were increasing more than business loans in general; that SME loans were stable or on the rise while business loans shrank; or that SME loans declined less than overall business loans.

Table 1.1 describes the recent changes in SME loan shares in terms of business credit scenarios and highlights the different dynamics in total business and SME lending that underlie similar trends. In 11 out of 19 participating countries, where the loan share of SMEs declined, credit to SMEs expanded in 2015 but at a slower pace than credit to large enterprises. Similarly, an increase in the SME loan share can be usually attributed to SME lending outpacing lending to large businesses. This was the case in 10 out of 18 participating countries, where the SME loan share rose.

Table 1.1. **Trends in SME loan shares and credit market scenarios, 2014-15**

SME loan share change	Countries	Trends in SME and total business loan stock	Credit market scenarios
SME loan shares increased	Chile, Denmark, Georgia, Japan, Korea, Malaysia, New Zealand, Norway, Sweden, Switzerland	SME loans increased more than total loans increased	Increased share of a growing business loan stock
SME loan shares increased	Finland, Hungary, Israel, Serbia	SME loans increased but total loans decreased	Larger share of a shrinking business loan stock
SME loan shares increased	Austria , Greece, Luxembourg, Slovenia	SME loans decreased slower than total loans decreased	Larger share of a shrinking business loan stock
SME loan shares decreased	Ireland, Italy, Portugal, Russian Federation, Spain, United Kingdom	SME loans decreased faster than total loans decreased	Smaller share of a shrinking business loan stock
SME loan shares decreased	Brazil, Estonia	SME loans decreased while total loans increased	Smaller share of a growing business loan stock
SME loan shares decreased	Australia, Belgium, Canada, China, Colombia, Czech Republic, France, Mexico, Slovak Republic, Turkey, United States	SME loans increased but not as fast as total loans increased	Smaller share of a growing business loan stock

Note: 1. Austria, Denmark, Finland and Luxembourg use flow data. 2. China and Sweden refer to 2013-14 data. 3. The Netherlands uses flow SME loan data and stock total loan data. Therefore it cannot be included in this table. 4. All represented developments refer to inflation-adjusted data using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

Short-term versus long-term lending

Data on loan maturities reveal a shift in the SME loan portfolio of banks from short-term to long-term lending. Short-term lending, defined as loans with an initial maturity of less than one year, such as overdrafts and lines of credit, is typically used to provide working capital, while long-term financing is often used for investment purposes. In Malaysia, more than 97% of all lending in 2015 was long-term. Looking at the median value of participating countries, an almost continuous decline in the share of short-term loans can be observed since 2008, with a small uptick in 2012 as the sole exception, In 2015, the share of short-term SME loans as a proportion of all SME loans reached its lowest level for the reference period, declining to 26.7% from 28% in the previous year. This decline was especially pronounced in countries like Portugal and Slovenia, where the share of short-term loans nearly halved over the 2008-15 period, and even more so in Denmark, which experienced a decline of more than 80% over 2007-14. On the other hand, short-term lending continued to represent the bulk of SME loans in Hungary, Ireland (flows) and Spain (stocks). Similarly, in Austria, Canada, China and the Netherlands, close to half of all new loans were short-term (see Table 1.2).

Table 1.2. **The share of short-term SME loans as a proportion of all SME loans, 2007-15**

As a percentage

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015
Austria	..	..	59.82	54.59	52.17	52.43	51.06	48.76	41.21
Belgium	38.52	37.91	32.08	31.45	31.50	29.48	28.74	28.02	26.68
Brazil	..	36.95	31.85	28.55	28.38	26.25	24.19	22.87	22.13
Canada	41.62	..	43.4	36.3	35.13	39	46	55.6	47.2
Chile	..	..	..	60.20	63.27	60.28	47.76	41.94	36.87
China	..	..	..	..	..	..	56.1	49.24	47.56
Colombia	19.44	26.3	23.11	22.02	25.02	24.69	23.96	23.4	23.73
Denmark	64.7	74.57	78.79	64.73	70.53	51.49	38.95	11.98	..
Estonia	19.73	19.09	17.74	16.76	19.39	18.74	19.20	19.62	18.00
Finland	..	..	..	20.20	20.44	20.82	17.90	18.29	19.60
France	27.20	25.69	22.70	22.08	22.04	21.90	22.64	22.54	22.32
Greece	51.66	51.23	47.84	38.26	37.25	40.13	36.92	37.57	37.58
Hungary	64.2	67.7	77.4	78.6	77.1	78.8	56.9	59.7	66.1
Ireland	89.07	88.62	89.09	86.69	86.90	85.08	83.34	75.46	62.04
Italy	33.94	31.87	29.25	26.83	26.35	26.60	25.64	25.14	23.62
Korea	75.01	73.42	70.28	68.72	66.32	63.90	61.89	59.35	56.35
Malaysia	..	..	..	..	..	..	3.34	3.03	2.64
The Netherlands	..	54.60	57.10	47.90	52.60	49.20	49.80	44.89	46.10
Norway	19.26	18.60	16.79	16.85	16.72	18.87	18.73	19.05	20.41
Portugal	32.00	31.00	32.94	31.09	29.77	23.91	22.94	19.41	17.84
Serbia	34.98	31.67	34.20	34.17	30.28	27.21	33.33	29.56	24.55
Slovak Republic	50.45	39.67	41.40	41.40	39.51	40.60	42.22	45.24	35.79
Slovenia	28.62	31.19	27.33	28.54	31.55	33.47	30.51	18.22	14.70
Spain	96.19	96.92	93.54	93.33	95.40	95.21	93.33	92.47	92.77
Sweden	15.12	14.68	13.62	14.39	14.67	22.71	22.50	24.83	..
Median Value	**36.75**	**36.95**	**34.20**	**34.17**	**31.55**	**33.47**	**33.33**	**28.02**	**26.68**

Notes: Data for Austria, Canada, Chile, Denmark, Finland, Ireland, and the Netherlands refer to flows. Data for Korea are for all loans (not just SME). 2. There was a change in methodology for Sweden in 2012.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.
StatLink http://dx.doi.org/10.1787/888933467043

The shift towards long-term lending is corroborated by a recent study which shows that loans with a longer maturity made up a larger share of banks' portfolios since the financial crisis in the majority of EU countries, as well as in most economies in Eastern Europe (Park et al., 2015). Other research confirms this observation for the United States, where the average maturity of loans issued by small banks increased strongly over the

2007-11 period, with loans of over 5 years becoming more prevalent, and loans of less than 3 months less so (Bednar and Elamin, 2014).

Several factors, both on the supply and demand side, may explain this shift. As investments in fixed capital have been subdued since the financial crisis, rising demand for long-term financing for investment purposes does not appear to explain this phenomenon. On the other hand, the low interest rate environment could be providing incentives for credit-worthy firms to realise their long-term borrowing needs. For many countries, the relative increase in long-term lending coincided with a pronounced decline of the average interest rate charged to SMEs. Banks may also be more inclined to privilege long-term lending, as it is usually more profitable and could enable them to maintain their profit margin, which has come under pressure not only due to low interest rates, but also because of new regulatory requirements and increasing competition from other finance providers, including in particular the “fintech industry”. Another potential explanation for the shift towards long-term bank borrowing is demand-related. SMEs may seek fewer short-term bank loans because of discouragement, a declining need, or because other sources of finance, such as trade credit, factoring, or retained earnings are sufficient to cover working capital needs. Further research is needed to better understand this phenomenon.

Credit conditions for SMEs

This section describes credit conditions for SMEs and entrepreneurs based on data on the cost of bank finance, collateral requirements and rejection rates. It also draws on findings from supply-side and demand-side surveys. It is important to note that credit conditions can vary substantially for SMEs with different characteristics, such as size, age, risk profile and other factors. More granular data is needed to systematically analyse credit conditions within the SME population.

Interest rates

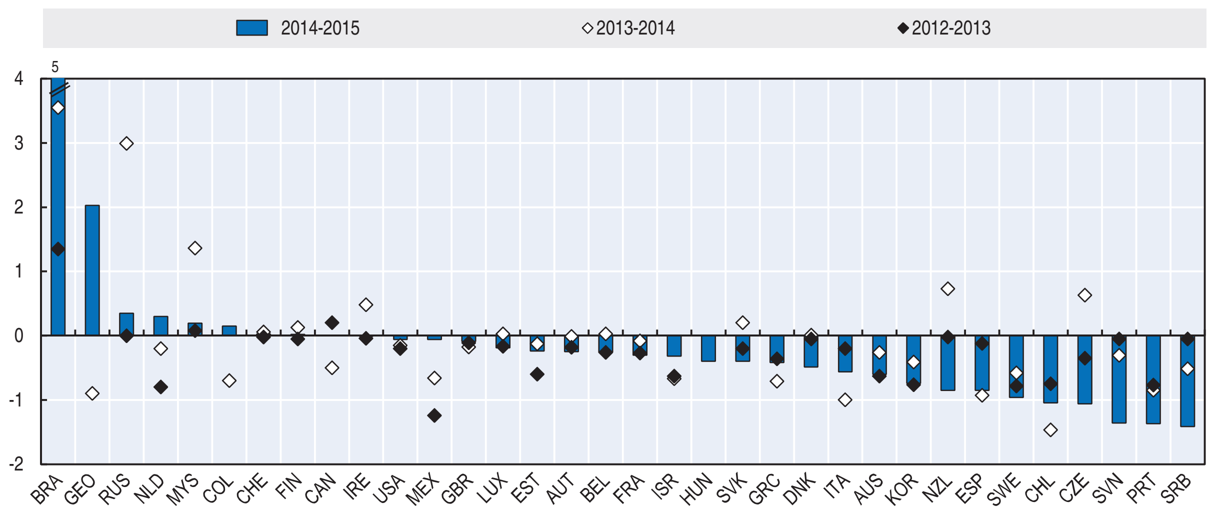
The average interest rate charged to SMEs declined in 2015 for almost every scoreboard country. This continues a trend observed in recent years and could be attributed mainly to loose monetary policies. SME interest rates decreased significantly between 2011 and 2013, and have continued to decline since, with the exception of Brazil, Malaysia and the Russian Federation. Colombia, Georgia, and the Netherlands are the only countries in which SME interest rates rose between 2014 and 2015, after having declined over the 2012-14 period (see Figure 1.6).

SME interest rates in 2015 were often less than half of their 2008 level – and in Belgium, France, and Luxembourg even as low as one third. Large differences in absolute values remain, however. In emerging economies with relatively high inflation rates, such as Brazil, Chile, Colombia, Georgia, Malaysia, Mexico, the Russian Federation, Serbia and Thailand, interest rates were significantly higher than the median value of participating countries. In some of the participating countries, where economic activity declined sharply in the years following the financial crisis, such as Greece, Hungary, Ireland, Portugal and Slovenia, interest rates did not drop as much in recent years, and thus remained at a comparatively high level in 2015.

Between 2010 and 2015, trends in the interest rate spread between loans to SMEs and large businesses diverged across countries, although in 2015, a more obvious tendency toward a declining (or at least stagnating) interest rate spread could be discerned.

Figure 1.6. **Change in SME interest rates, 2012-15**

In percentage points



Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

StatLink http://dx.doi.org/10.1787/888933465964

Table 1.3. **SME interest rates, 2007-15**

As a percentage

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015
Australia	8.56	7.99	7.56	8.29	7.94	7.07	6.44	6.18	5.58
Austria	5.11	5.47	2.89	2.43	2.92	2.46	2.28	2.27	2.02
Belgium	5.45	5.70	3.01	2.51	2.88	2.32	2.06	2.09	1.83
Brazil	..	..	..	..	..	20.28	21.63	25.18	30.60
Canada	7.5	..	6.2	5.8	5.3	5.4	5.6	5.1	5.1
Chile	..	..	..	9.22	11.32	12.55	11.80	10.33	9.29
China	..	..	..	..	..	..	8.39	7.51	5.23
Colombia	20.09	23.13	20.43	18.66	14.34	14.68	13.24	13.54	14.69
Czech Republic	5.03	5.57	4.64	4.01	3.73	3.48	3.13	3.76	2.70
Denmark	6.08	6.37	5.13	4.31	4.31	3.59	3.53	3.54	3.05
Estonia	6.09	6.69	5.32	5.05	4.89	4.00	3.40	3.28	3.04
Finland	5.39	5.58	3.02	2.66	3.23	2.86	2.81	2.94	2.96
France	5.10	5.42	2.87	2.48	3.11	2.43	2.16	2.08	1.78
Georgia	..	..	..	16.51	15.5	14.52	11.58	10.73	12.7
Greece	6.57	6.82	4.62	5.53	6.77	6.87	6.51	5.80	5.38
Hungary	10.19	11.25	12.31	8.99	9.38	9.70	7.40	5.10	4.70
Ireland	6.23	6.67	3.98	3.88	4.68	4.34	4.30	4.78	4.77
Israel	..	..	..	5.00	5.60	5.52	4.89	4.22	3.90
Italy	6.30	6.30	3.60	3.70	5.00	5.60	5.40	4.40	3.84
Korea[1]	6.95	7.49	6.09	6.33	6.25	5.83	5.06	4.65	3.91
Luxembourg	5.51	5.72	2.81	2.71	2.68	2.22	2.05	2.08	1.89
Malaysia	..	6.39	5.50	5.69	5.74	5.72	5.80	7.16	7.35
Mexico[2]	..	..	11.88	11.70	11.26	11.04	9.80	9.14	9.08
Netherlands	..	5.70	4.50	6.00	6.40	5.10	4.30	4.10	4.40
New Zealand	12.15	11.19	9.82	10.12	10.02	9.55	9.53	10.26	9.41
Portugal	7.05	7.64	5.71	6.16	7.41	7.59	6.82	5.97	4.60
Russian Federation	..	..	..	..	..	..	13.10	16.09	16.44
Serbia	10.69	10.90	10.57	10.06	9.72	8.56	8.50	7.99	6.58
Slovak Republic	5.50	4.60	3.00	3.20	3.20	3.80	3.60	3.80	3.40
Slovenia	6.03	6.78	6.29	6.12	6.38	6.25	6.19	5.89	4.53

Table 1.3. **SME interest rates, 2007-15** *(cont.)*

As a percentage

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015
Spain	5.96	5.51	3.63	3.78	4.95	4.91	4.79	3.86	3.01
Sweden	4.86	5.66	2.43	2.59	4.17	4.07	3.29	2.71	1.75
Switzerland	..	..	2.21	2.11	2.08	2.01	1.99	2.05	2.07
Thailand	5.94	6.34	6.60	7.14	8.10	7.00	6.40	..	..
United Kingdom	..	4.54	3.47	3.49	3.52	3.71	3.60	3.43	3.33
United States	7.96	5.10	3.71	4.02	3.90	3.73	3.53	3.38	3.32
Median Value	**6.16**	**6.34**	**4.50**	**5.05**	**5.30**	**5.52**	**4.98**	**4.40**	**3.91**

Notes: 1. Korea uses average interest rate for all companies and not SME interest rate 2. Mexican data refers to small enterprises alone. 3. Slovenian data refers to new SME loans, smaller than EUR 1 million.

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

StatLink http://dx.doi.org/10.1787/888933467055

The interest rate spread dropped in 2015 in close to two thirds of participating countries, while 14 countries continued to experience a rising spread over this period. Compared to 2014, the number of participating countries in which the interest rate spread rose was roughly in balance with economies observing a narrowing spread. This is also reflected in the year-on-year trend between 2014 and 2015. While the median spread between interest rates charged to SMEs and to large enterprises rose steadily over the 2007-14 period (with a small dip in 2013), this value decreased for the first time in 2015, from 1.48 down to 1.39 percentage points.

The interest rate spread remained positive for every country included over the whole period, with large firms consistently being offered credit at lower average interest rates than SMEs. China is the sole exception, with an interest rate spread that turned negative for the first time in 2015 (see Table 1.4). It should be noted that, while the interest rate spread marked a decline in most participating countries in 2015, the spread remains much more pronounced than over the pre-crisis period. As interest rates have declined substantially across the board since 2008, the interest rate spread has increased strikingly in relative terms. In 2008, the median interest rate charged to SMEs was 14.9% higher than the rate charged to large enterprises. In 2015, that percentage had risen to 56%.

Table 1.4. **Interest rate spreads between loans to SMEs and to large enterprises, 2007-15**

In percentage points

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Australia	0.96	1.83	1.71	1.62	1.57	1.78	2.15	2.03	1.99
Austria	0.42	0.43	0.56	0.47	0.37	0.48	0.51	0.53	0.41
Belgium	0.73	0.65	0.92	0.81	0.66	0.58	0.30	0.32	0.23
Brazil	..	..	..	..	..	8.03	7.70	10.30	14.85
Canada	1.4	..	3.1	3.2	2.3	2.4	2.6	2.1	2.3
Chile	..	..	..	6.51	6.64	6.99	7.13	6.32	5.49
China	..	..	..	..	..	..	0.67	0.04	-0.03
Colombia	7.56	8.89	10.34	11.43	5.06	5.43	5.26	5.21	5.91
Czech Republic	0.98	0.73	1.18	0.67	1.1	1.05	1.24	1.76	0.9
Denmark	0.73	0.36	0.75	0.90	0.86	1.03	1.27	1.92	1.53
Estonia	0.40	0.67	1.11	1.14	1.13	0.96	0.57	0.63	0.68
Finland	0.56	0.5	0.78	0.8	0.64	0.79	0.9	1.02	1.5
France	0.58	0.66	0.91	0.91	0.89	0.71	0.70	0.78	0.59
Georgia	..	..	..	2.89	1.4	1.68	0.37	0.69	1.4

Table 1.4. **Interest rate spreads between loans to SMEs and to large enterprises, 2007-15** *(cont.)*

In percentage points

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Greece	1.25	1.11	1.1	1.26	1.03	0.95	0.74	0.25	0.56
Hungary	1.22	0.97	1.24	1.74	1.3	3.2	3.1	2.7	2.4
Ireland	0.28	0.48	0.76	1.02	1.35	1.53	1.54	1.8	2.34
Israel	..	..	..	2	2.45	1.9	1.44	1.35	1.19
Italy	0.60	1.40	1.40	1.50	1.70	1.80	2.00	1.80	1.78
Korea	0.76	0.79	0.56	0.54	0.55	0.43	0.24	0.18	0.16
Luxembourg	0.54	0.75	0.21	0.41	0.06	0.35	0.41	0.61	0.47
Malaysia	..	0.31	0.42	0.69	0.82	0.94	2.30	2.04	3.04
Mexico[1]	..	..	3.75	3.78	3.57	3.45	3.24	3.1	3.08
Netherlands	..	..	..	..	2.90	1.50	0.90	1.30	2.00
New Zealand	3.15	2.96	4.12	3.82	3.97	3.54	4.15	4.31	4.03
Portugal	1.76	1.72	1.87	2.25	2.01	2.16	1.85	1.6	1.35
Russia	..	..	..	..	..	..	..	3.15	3.49
Serbia	4.37	2.85	3.35	2.70	1.85	1.39	1.61	2.17	2.09
Slovak Republic	..	..	..	..	..	1.9	1.8	1.8	..
Slovenia	0.31	0.31	0.22	0.02	0.02	-0.21	-0.08	0.54	0.42
Spain	0.63	1.21	1.47	1.21	1.59	2.3	2.1	1.87	1.04
Sweden	0.87	0.82	0.72	0.95	1.16	1.04	0.65	0.56	0.40
Switzerland	..	..	0.86	0.88	0.92	0.90	0.83	0.89	0.91
Thailand	1.2	1.31	1.42	..	2.65	1.5	1.3	..	..
United Kingdom	..	1.05	1.12	1.39	1.27	1.31	1.40	0.97	1.22
United States	1.37	1.52	1.59	1.63	1.64	1.77	1.62	1.36	1.39
Median Value	**0.81**	**0.82**	**1.12**	**1.24**	**1.33**	**1.50**	**1.40**	**1.60**	**1.40**

Notes: 1. Data for Mexico represents the spread between small and large companies. 2. Slovenian data refers to the interest rate spread between SMEs and large firms for loans smaller than EUR 1 million.

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

StatLink http://dx.doi.org/10.1787/888933467066

Collateral requirements

Data on collateral are difficult to obtain, and reporting improvements are needed to better assess the evolution in SME financing conditions in this respect. Seventeen countries reported on collateral requirements between 2012 and 2015, compared to eleven in the previous edition of this report. As the data comes from demand-side surveys whose methodology, sample and questionnaire differ from one country to the other, cross-country comparisons should be made with caution.

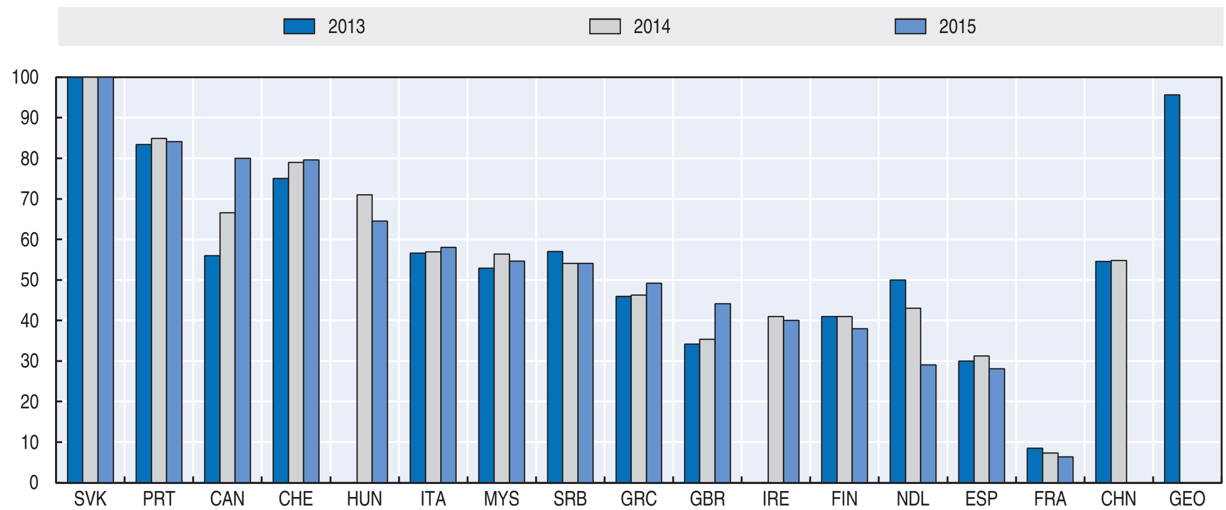
Collateral requirements differ greatly among participating countries. For example, in France, less than 10% of loans require collateral, while this figure is up to 80% of loans in Canada, Portugal and Switzerland. In the Slovak Republic, all loans are collateralised as a result of a mandatory collateral requirement.

There was no clear discernible pattern in collateral requirements in 2015. In 8 out of 15 participating countries for which data were available, collateral requirements loosened in 2015, whereas in 6 other countries, more loans were collateralised in 2015 than in 2014, albeit to varying degrees (see Figure 1.7).

While banks often require collateral of some sort before providing credit, especially from customers with whom they have no prior relationship, some financial services innovators have found new ways of assessing and mitigating risk, relying on alternative data sources, such as credit scoring based on payment/e-commerce transactions; payment

Figure 1.7. **Trends in SME collateral requirements, 2013-15**

Percentage of SME bank loans requiring collateral



Notes: Definitions differ across countries. Refer to table of sources and definitions in each respective country profile in this publication. 2016 data for China is unavailable; 2013 data is not available for Hungary.

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

StatLink http://dx.doi.org/10.1787/888933465973

history and usage of utilities (water, electricity, gas, etc.); prepaid mobile history and phone usage; psychometric testing to measure knowledge, abilities, attitudes and personality traits of an applicant seeking financial services; social media usage and other online activity. This is especially relevant in developing countries, where up to 70% of formal SMEs are estimated to be unserved or underserved by the formal financial sector, often because lenders lack the necessary information to assess their creditworthiness. Research illustrates that credit registries or credit bureaus that collect and distribute data from "non-traditional sources" such as data on payments associated with utilities or telecom services have a higher coverage rate, which is in turn associated with higher lending activities to small enterprises (World Bank, 2017a).

Rejection rates

As with data on collateral, rejection rates are usually gathered from demand-side surveys and are currently available for just under two thirds of participating countries. Comparability across countries is likewise often limited. Nonetheless, this indicator helps shed light on the supply of credit to SMEs and gauge the overall financing conditions they face. Higher rates of rejection are indicative of constraints in the credit supply. A high number of loan application rejections thus illustrates that loan demand is not being met, either because the terms and conditions of the loan offers are deemed unacceptable, the average creditworthiness of loan applications has deteriorated, or banks are rationing credit. It should be noted that these figures do not include information on discouraged borrowers, i.e. entrepreneurs who are in need of finance, but do not apply for a bank loan for fear of being rejected, nor so-called "happy non-seekers", i.e. firms which have not applied for external financing, because they do not experience a need for it. Further information on both phenomena would contribute to a better interpretation of the data on rejection rates and on financing conditions more generally.

Between 2014 and 2015, the rejection rate increased in 8 countries (Colombia, France, Ireland, Malaysia, Portugal, Serbia, the Slovak Republic and Spain), and declined in 10 others (Austria, Belgium, Canada, China, Finland, Greece, Italy, Korea, the Netherlands and the United Kingdom). Since 2013, the median value of the rejection rates has ranged between 10% and 11%, down from a peak of almost 17% in 2009 (see Table 1.5).

Table 1.5. **Trends in SME loan rejection rates, 2007-15**

As a percentage

	2007	2008	2009	2010	2011	2012	2013	2014	2015	*2015-14 change*
Austria	..	..	10.2	2.6	0.8	0.4	2.7	6.0	5.5	-0.5
Belgium	..	..	0.5	5.1	6.4	10.4	10.9	5.9	5.7	-0.2
Canada	..	..	..	9.0	8.0	7.0	9.0	12.8	7.0	-5.8
Chile	..	..	..	..	13.0	..	11.0	..	..	..
China	..	..	..	..	..	..	6.2	12.0	11.7	-0.3
Colombia	2.0	4.0	9.0	5.0	3.0	4.0	7.0	3.0	7.5	4.5
Denmark	3.0	..	..	12.0	..	..	..	14.0	..	..
Finland	..	..	..	..	1.0	5.0	10.0	8.0	3.0	-5.0
France	..	..	..	..	..	11.1	8.0	6.6	7.6	0.9
Georgia	..	..	..	..	..	..	4.6	..	..	..
Greece	..	..	25.8	24.5	33.8	28.3	26.0	21.5	19.9	-1.6
Hungary	..	..	..	..	..	..	10.9	..	15.6	..
Ireland	..	..	..	..	30.0	24.0	20.0	14.0	15.0	1.0
Italy	3.1	8.2	6.9	5.7	11.3	12.0	9.0	8.4	6.1	-2.3
Korea	41.5	47.2	40.7	48.7	43.4	41.7	39.8	46.7	40.9	-5.8
Malaysia	..	..	..	..	..	..	14.6	8.3	24.0	15.4
Netherlands			19.7	13.1	18.4	24.7	35.4	27.0	19.2	-7.8
New Zealand	6.0	13.0	18.0	28.0	13.0	14.0	10.0	..	..	..
Portugal			15.5	6.0	14.7	11.4	12.2	7.3	8.7	1.5
Serbia	18.7	17.2	28.4	27.1	15.8	31.5	31.9	24.7	27.9	3.2
Slovak Republic	..	..	..	..	..	..	..	8.2	10.2	2.0
Spain	..	..	22.7	15.9	12.8	18.5	12.9	9.8	10.2	0.4
Thailand	28.5	25.9	14.7	26.9	..	..	..	..	..	..
United Kingdom	..	..	..	27.0	30.1	31.1	32.8	20.7	19.1	-1.6
Median Value	**6**	**15.1**	**16.75**	**13.1**	**13**	**13**	**10.9**	**9.8**	**10.2**	**-0.25**

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017 and SAFE survey data.

StatLink http://dx.doi.org/10.1787/888933467075

SME loan applications

Available data suggest that only a minority of SMEs file an application for a bank loan. In recent years, no clear trend in the relative number of loan applications could be observed. There appears to be a modestly positive relationship between the number of loan applications and credit rejections.

Most SMEs do not make use of external financing, nor do they seek it. In the United Kingdom, for example, 79% of SMEs recently surveyed, reported not seeking external finance of any kind in 2015 (SME Finance Monitor, 2016). The relative number of credit applications usually originates from survey data, where SMEs were asked whether they have applied for a bank loan (credit line, bank overdraft or credit line overdraft) over the last 6 months. An increase in this ratio is indicative of a stronger demand for credit, and the data should be interpreted in tandem with the rejection rate and loan growth, as lower application rates could be due to either a lower demand for external financing or to a rise in discouragement.

In 2015, 6 countries experienced an increase in SME loan applications (Austria, France, Italy, Luxembourg, Portugal and the Slovak Republic), while 7 countries reported a decline (Belgium, Canada, Finland, Greece, Ireland, the Netherlands and Spain), while the ratio remained constant in the United Kingdom (see Table 1.6).

Table 1.6. **Trends in SME loan applications, 2007-15**

As a percentage of the total number of SMEs

	2007	2008	2009	2010	2011	2012	2013	2014	2015	*2014-15 change*
Austria	..	..	26.3	27.5	25.5	28.3	27.6	25.7	28.7	11.5
Belgium	..	..	22.2	26.5	30.2	29.3	29.4	39.3	36.6	-6.9
Canada	17.0	..	14.9	18.0	24.0	26.0	30.0	27.8	23.0	-17.3
China	..	..	..	..	..	..	..	..	69.9	..
Denmark	35.0	..		44.0	..	..	..	34.0	..	..
Finland	..	..	13.8	18.4	20.8	21.5	21.9	27.7	22.0	-20.7
France	..	..	..	..	..	Italy	35.6	35.7	37.9	6.0
Greece	..	..	38.7	33.4	31.1	26.4	23.4	21.7	20.9	-3.7
Ireland	..	..	..	..	36.0	39.0	36.0	31.0	30.0	-3.2
Italy	..	..	34.8	36.1	32.2	34.1	34.5	35.5	35.8	0.9
Luxembourg	..	..	..	..	18.2	..	25.8	16.4	23.0	40.2
Netherlands	..	..	16.4	14.7	17.2	19.8	22.0	19.7	18.0	-8.7
Portugal	..	..	24.5	30.1	26.3	23.7	23.5	18.3	23.0	25.4
Serbia	..	..	..	..	..	..	..	..	15.4	..
Slovak Republic	..	..	..	..	..	..	..	21.0	22.8	8.7
Spain	..	..	38.1	36.3	34.7	31.9	31.5	34.4	33.8	-1.6
United Kingdom	..	..	..	..	6.0	6.0	4.0	4.0	4.0	0.0
Median Value	..	..	**24.50**	**28.81**	**25.89**	**27.37**	**27.64**	**27.70**	**23.00**	**-0.80**

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017. Data for Austria, Belgium, Greece, Finland, Italy, the Netherlands, Portugal, Slovak Republic and Spain come from the 2015 EU SAFE survey, where the average value for H1 and H2 was calculated.

StatLink http://dx.doi.org/10.1787/888933467089

There appears to be a moderately positive relationship between annual changes in the application and rejection rate, although the current sample size is too small to be statistically significant. Nonetheless, this may suggest that firms which have been declined credit sometimes apply again, possibly at another financial institution, and that this effect outweighs discouragement, which is expected to be higher when more credit applications are being refused. A larger number of credit applications might also lead to an overall deterioration in the quality of dossiers, resulting in more rejections.

Additional evidence on credit conditions from survey data

Survey data illustrate that credit conditions remained relatively loose in 2015 in most of the Euro area, Japan, the United Kingdom and the United States. These studies suggest that credit is relatively easy to come by and that recent trends in the uptake of credit by SMEs are mostly driven by demand-side, rather than supply-side factors.

Euro zone

The ECB Survey on SME access to finance in Euro zone countries (SAFE), undertaken every six months, assesses the perception of SMEs on how credit conditions are evolving.[2] A majority of surveyed entrepreneurs considered that loan availability increased in the second half of 2014 and throughout 2015, and that the cost of obtaining credit declined markedly over this period, especially in the second half of 2015. Respondents to the survey stated that 8% of credit applications were fully rejected in the second half of 2015, down from a peak of 14% in the first half of 2012. Collateral requirements on the other hand have been tightening in every period since H1 2011, although the increase was less pronounced in 2015. The number of credit applications averaged around 30% and showed no clear evolution over the 2011-15 period. The need for bank financing has also remained largely constant since 2014 (see Table 1.7).

Table 1.7. **ECB survey on SME access to finance, 2011-15**

As a percentage of total SMEs surveyed

Category	H1 2011	H2 2011	H1 2012	H2 2012	H1 2013	H2 2013	H1 2014	H2 2014	H1 2015	H2 2015
Availability of loans										
Deteriorated (net)	-14	-20	-22	-10	-11	-4	-1	7	10	8
Need for loans										
Increased (net)	5	9	6	5	5	5	1	3	1	1
Applied for a loan	32	28	30	31	31	32	30	30	30	30
Granted in full	65	63	61	65	66	68	59	64	68	66
Rejected	9	12	14	10	11	10	12	8	9	8
Interest rate										
Increased (net)	54	42	27	17	19	9	-9	-25	-18	-30
Collateral requirements										
Increased (net)	33	36	39	35	31	26	29	20	18	19

Note: The net percentage is the difference between the percentage of firms reporting that the given factor has improved and the percentage reporting that it has deteriorated or the difference between the percentage reporting that it had increased and the percentage reporting that it has decreased.
Source: ECB (2015).

StatLink http://dx.doi.org/10.1787/888933467095

Nonetheless, in the Euro area, access to finance and financing conditions appeared consistently more favourable for large enterprises than for SMEs, with a smaller percentage of large firms reporting restrictions in the provision of bank loans, consistently higher rates of success, lower rejection rates, and with a considerably lower net percentage of large firms reporting an increase in interest rates and collateral requirements.

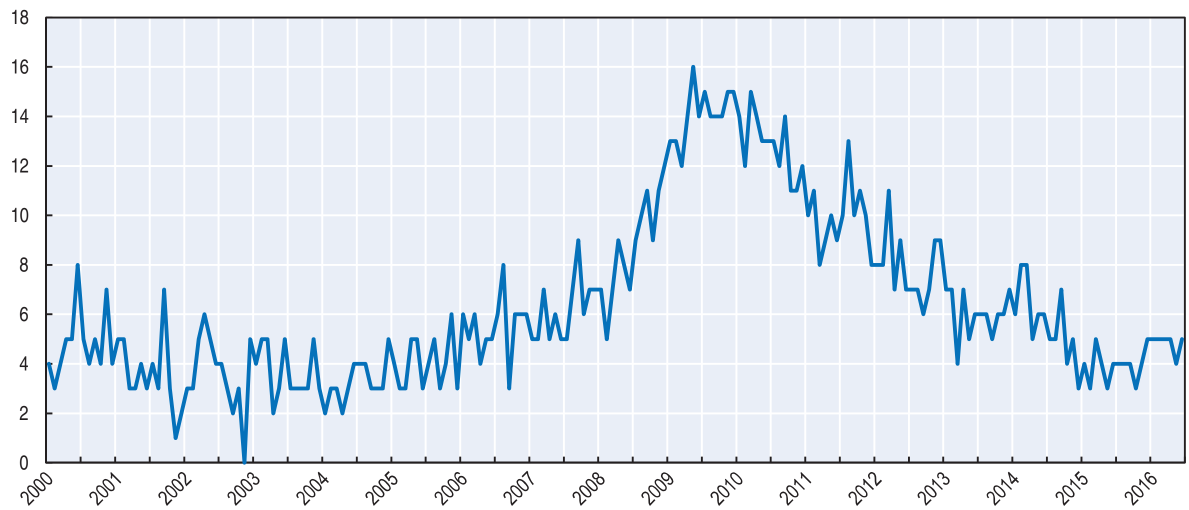
Access to finance was considered to be the most pressing concern for 10.3% of Euro zone SMEs in the September-October 2015 SAFE survey. This is down from 12.7% in the April-September 2014 survey, and from 15.4% in the August-October 2013 survey, suggesting a continued improvement of access to credit for SMEs. Differences across countries remain substantial; although they seem to have diminished according to the most recent data. While currently less than 10% of Austrian, Belgian, Finnish and Slovak SMEs rank access to finance as their most pressing concern, this proportion rises to 11% and more in countries such as France, the Netherlands, Greece, Italy, Ireland and Spain, with Greece being the absolute outlier at 30%. As in previous surveys, more SMEs than large firms described access to finance as their most pressing concern, although the difference is less pronounced than in previous surveys (10% and 7%, respectively).

United States

In the United States, the NFIB Research Foundation collects Small Business Economic Trends data on a monthly basis since 1986. Only 3% of surveyed business owners reported that their financing needs were not being met according to the survey published in July 2016, compared to 5% 12 months earlier; and only 2% indicated access to finance as their main concern, the same proportion as in the 2015 survey. The financial crisis had a marked impact on the reported loan availability, which bottomed in 2007, and steadily recovered afterwards to levels broadly comparable to the pre-crisis period. Between the beginning of 2015 to the first half of 2016, credit availability remained broadly constant according to this survey (see Figure 1.8).

Figure 1.8. **Loan availability in the United States, 2000-16**

As a percentage



Note: Net percent "Harder" minus "Easier" compared to three months ago.
Source: Dunkelberg and Wade, 2016.

StatLink http://dx.doi.org/10.1787/888933465987

The United States Federal Reserve Board surveys senior loan officers on their banks' lending practices on a quarterly basis, including a question on the evolution of credit standards for approving small business loans or credit lines. According to this survey, credit standards for small businesses in the United States (where small businesses are businesses with annual sales of less than USD 50 million) tightened dramatically between 2008 and 2010, and loosened afterwards, especially since 2013.

The same survey also includes a question regarding the demand for bank credit from small businesses. Senior loan officers are asked how the demand of small business loans changed over the last three months. Possible answers range from a "substantially stronger" demand to a "substantially weaker" demand. Subtracting the percentage of respondents who answered that demand was (substantially or moderately) weaker from the percentage who thought demand was (substantially or moderately) stronger, provides an indicator of overall demand for loans of small businesses. The reported demand for loans from small businesses broadly mirrors the tightness of lending standards. Responses show that demand plummeted when the financial crisis hit the American economy, and then began a hesitant recovery in 2011 which persisted through 2015, and experienced a minor decline in the first half of 2016 despite standards for loans staying the same.

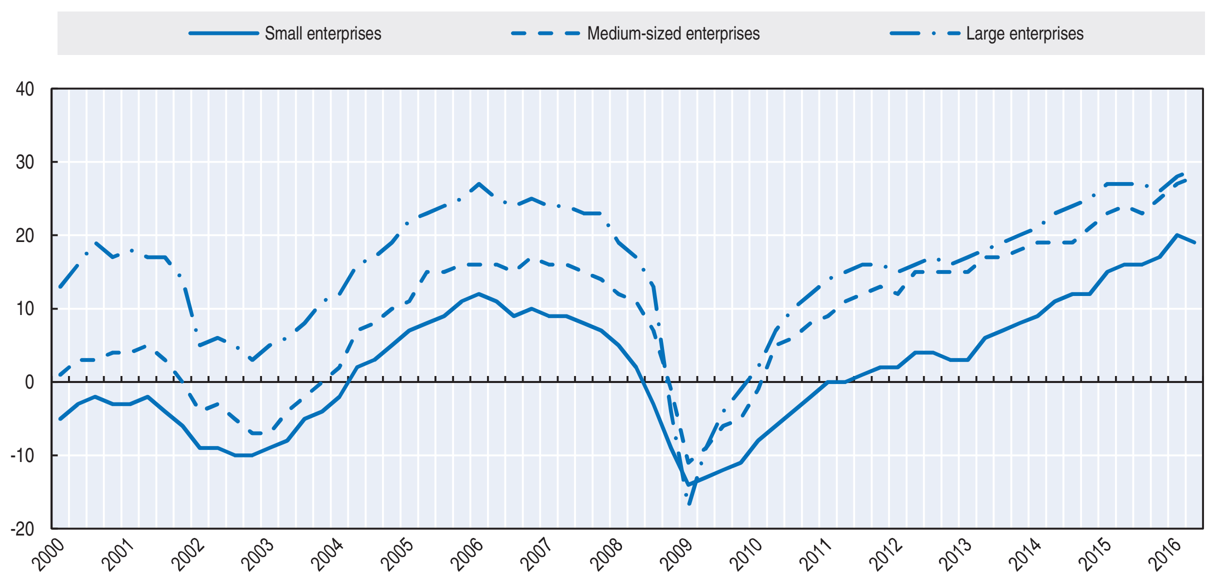
Japan

In Japan, the TANKAN survey of Japanese businesses (literally translated as the Short-Period Economy Observation), is a quarterly poll on business confidence published by the Bank of Japan. In order to provide an accurate picture of business trends, a representative and large-scale sample of the Japanese business population is asked to choose between different alternatives to best describe prevailing business conditions. One question pertains to the "lending attitude of financial institutions", where the respondents can choose between "accommodative," "not so severe" and "severe" as best describing their view of lending attitudes. A single indicator is derived on the basis of these answers.

As in many other countries, perceived lending attitudes deteriorated sharply between 2008 and 2009 according to the TANKAN survey. Except for a minor decline of financing condition for small firms in the Q3 of 2016, financing conditions have consistently improved since the third quarter of 2009. From the second half of 2014 onwards, lending standards for small enterprises, as well as for medium-sized firms, have become more favourable than at any time since 2000. It is noteworthy that larger firms consistently describe financing conditions as more accommodative compared to medium-sized firms and especially small businesses, which regard lending attitudes as the most restrictive. The gap in perception between medium-sized and large enterprises has narrowed compared with the pre-crisis period, however, especially in 2016 (see Figure 1.9).

Figure 1.9. **Lending attitudes in Japan, 2000-16**

Diffusion index, in percentage points



Source: Bank of Japan (2016a).

StatLink http://dx.doi.org/10.1787/888933465990

United Kingdom

In the United Kingdom, the quarterly Credit Conditions Survey from the Bank of England surveys lenders about changes in trends. The survey covers secured and unsecured lending to households and small businesses; and lending to non-financial corporations, as well as to non-bank financial firms. Data for SMEs is available from the fourth quarter of 2009 up to the second quarter of 2016. Lending conditions generally deteriorated since 2014. The survey indicates that spreads on loans, as well as fees and commissions charged to SMEs, have been increasing since the beginning of 2015, while collateral requirements also rose at the end of 2015. The demand for credit, as well as availability, generally increased over the last few years. Whereas credit demand from large enterprises was negatively and significantly impacted by the referendum to leave the EU, this does not hold true for small enterprises according to the survey conducted in Q3 2016.

Credit to SMEs: links with key economic variables

The investment climate appears to be a driving factor in explaining recent SME credit developments

In many participating countries, credit to SMEs is declining or expanding only very slowly, despite loose credit standards and low interest rates. An increased risk aversion of the financial industry, and especially subdued demand along with insufficient investment opportunities, are potential factors driving this trend.

Survey results and interest rate data provide evidence that bank credit was relatively abundant and easy to obtain at a low cost in 2015 in many OECD countries. Nonetheless, credit growth has remained negative or is recovering only slowly in some of the countries, where credit conditions improved in recent years. In the United States, for example, the outstanding stock of SME loans only increased in 2015, and by less than 1% in real terms. This occurred against the backdrop of sharply falling interest rates (which were less than half of their pre-crisis level in 2013, 2014 and 2015), a small number of SMEs citing access to finance as their main concern, and increasing credit availability. A similar trend can be discerned in Italy, where credit to SMEs fell in 2015, but by less than in 2014, and broadly stabilised in the first half of 2016. Interest rates in Italy fell from 5.6% in 2012 to 3.8% in 2015, and credit conditions have eased significantly since 2014, with 12% of all SMEs ranking access to finance as their main concern, down from one in four in 2012. In the Netherlands, new lending to SMEs fell by 7.2% year on year in real terms in 2015, despite falling interest rates and sharply falling collateral requirements and rejection rates. Similarly, in New Zealand credit to SMEs remained subdued after the financial crisis despite a strong recovery in profitability, improved availability of bank finance and a decline in interest rates. This is likely due to a relative dearth of capital investment funded by debt.

For both Italy and the United States, as in other countries, there is evidence that subdued demand for bank loans, as well as high risk aversion from banks play a role in the hesitant recovery of bank lending. In Italy, the net balance between SMEs with increasing demand for credit and those which report lower demand, reached its lowest level since the beginning of the financial crisis. Improving credit quality, as well as a rise in collateral requirements is suggestive of tighter risk management by the Italian financial sector. In the United States, demand for credit is considerably weaker for firms with annual revenues of less than USD 1 million and while bank credit is relatively abundant and cheap for profitable, larger and established enterprises, a majority of small and young firms (under 5 years in business) were unable to secure any credit. In the Netherlands, only 16% of SMEs applied for a bank loan in 2015, compared to 21% in 2014 and 29% in 2009, indicating a pronounced drop in the demand for debt.

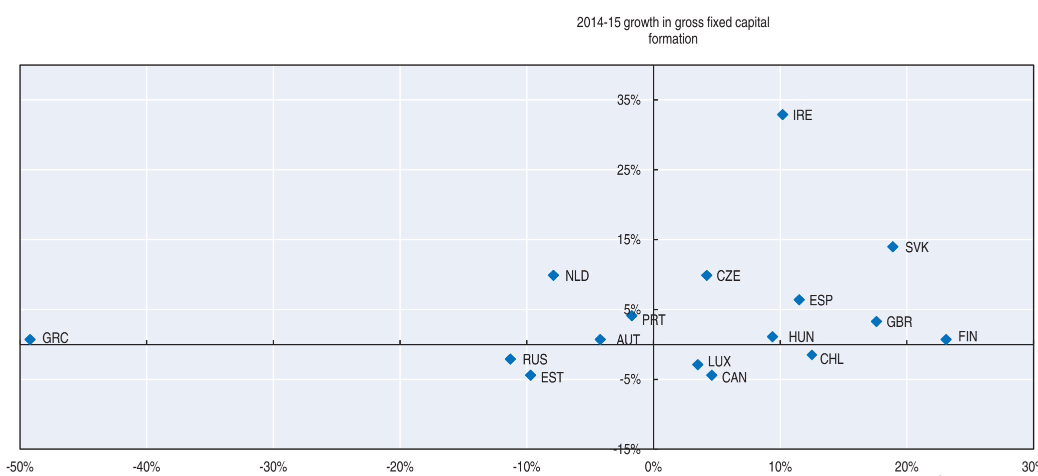
The combination of weak demand for credit and tight conditions for young, small and risky ventures can be observed elsewhere as well. In France, for example, micro-enterprises remained reluctant to invest in 2014, dragging down demand for credit. Moreover, credit conditions for obtaining work capital remained significantly tighter for micro-enterprises than for their larger peers; micro-enterprises reported higher collateral requirements in 2014, contrasting with larger enterprises (*Observateur du credit*, 2014). Somewhat similarly in Denmark, micro-enterprises requested less credit in 2014 than in 2010, and credit conditions appear to have improved less for them than for larger SMEs. An empirical study, analysing data from 10 000 firms in the United Kingdom, confirms the hypothesis that innovative firms face more structural difficulties accessing finance. Moreover, the likelihood of facing absolute credit rationing (i.e. being unable to obtain any finance at all), has increased more for innovative firms than for their "non-innovative" peers (Lee et al., 2015). A similar study concludes that growth firms pay significantly higher interest on their bank loans than their peers, controlling for factors such as firm size, business owner experience and sector of operation (Rostamkalaei, 2015). In Chile, new business lending declined between 2011 and 2013, and recovered only moderately in 2014, 2015 and the first half of 2016 by historical standards, despite interest rates falling strongly over that period. Research from the central bank indicates that this is mainly due to falling demand for credit because of a lack of viable investment opportunities, especially among smaller enterprises.

Analysis of scoreboard data also suggests a limited impact of credit conditions and the cost of credit in driving developments in lending. For example, no clear relationship could be established between growth in new lending and interest rates or interest rate movements over 2007-15. These observations suggest that, at least below a certain threshold, the effect of lower interest rates on SME lending activities is modest in most participating countries. Similarly, the loan rejection rate does not appear to be strongly related with changes in SME lending. In Austria, for example, new lending to SMEs declined between 2010 and 2015, despite very low rejection rates over this period. Annual changes in the rejection rate also appear to be uncorrelated with lending activities. For example, rejection rates in Greece declined from a peak in 2011 of 33.8%, to 19.9% in 2015, while new lending to SMEs actually increased in 2011 and declined every year between 2012 and 2015, almost halving year-on-year between 2014 and 2015.[3]

The annual growth rate of new lending to SMEs, in contrast, is positively and significantly correlated with "Gross fixed capital formation (GFCF)",[4] which constitutes a proxy for investment opportunities, with a correlation coefficient of 0.44 based on 101 observations. Figure 1.10 illustrates this correlation by plotting 2014-15 year-on-year

Figure 1.10. **Trends in new lending and gross fixed capital formation**

Year-on-year growth between 2014 and 2015



Notes: 1. Definitions differ across countries. Refer to table of definitions in each respective country profile in this publication. 2. Includes only countries reporting flow data. 3 2015 data were unavailable for the Czech Republic and the Russian Federation and 2014 data is used instead. 3. Brazil is excluded due to the unavailability of comparable data on gross capital formation prior to 2012. 3. All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank.

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

StatLink http://dx.doi.org/10.1787/888933465830

growth data on capital formation with new lending. In countries such as the Czech Republic, Ireland, Spain, the Slovak Republic and the United Kingdom, both capital formation and new lending to SMEs expanded rapidly between 2014 and 2015. In contrast, in Estonia and the Russian Federation, both indicators declined. Capital formation in Greece was slightly positive in 2015, but declined by almost two-thirds between 2008 and 2014, so the coincidence between declining SME lending and a lack of investment opportunities seems to hold true for Greece as well. Similarly, capital formation only recently rebounded in Portugal after several years of decline, albeit not as much as in Greece. In the Netherlands, negative growth in new lending to SMEs went hand in hand with a strong investment climate in 2015, while Canada and Luxembourg experienced a modest growth in SME lending despite negative growth in capital formation in 2015 (see Figure 1.10).

The investment climate therefore appears to play an important role in the hesitant credit recovery in recent years. Evidence indicates that global investments not only suffered in the immediate aftermath of the financial crisis, but recovered only weakly afterwards. Excluding China, global investments as a percentage of GDP were at around 90% of their pre-crisis level in 2015 and on a declining path since 2011 (Haugh et al., 2016). Recent data suggest that in both the private equity and private debt market, the level of "dry powder", i.e. funds that have been committed by investors but not yet invested, is near all-time highs. The private equity industry, in particular, is thought to have large cash resources and to be actively seeking new deals. Even though further research is needed to shed light on the underlying reasons behind these developments, one possible explanation is the lack of viable investment opportunities (OECD, forthcoming).

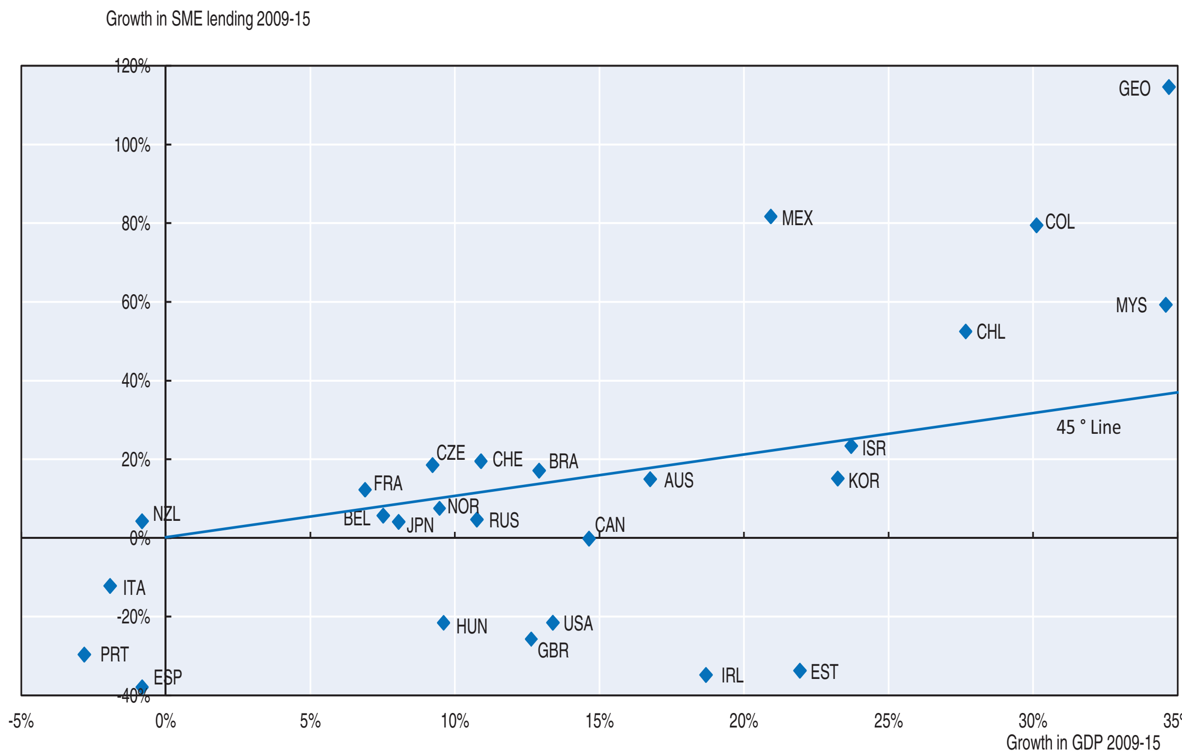
Four different country clusters emerge when analysing patterns in SME credit and GDP growth

High economic growth creates a favourable climate for businesses to thrive and increases their demand for credit for investment and growth. It is therefore not surprising that the correlation coefficient for the annual growth rate of both indicators equals 0.30, meaning that there is a positive relationship between GDP and credit growth. However, the two indicators are far from perfectly linked, with economic growth explaining less than one-third of the annual change in the outstanding stock of SME lending. Taking the period between 2009 and 2015, four different country clusters emerge when looking at both indicators in tandem. Figure 1.11 depicts the growth in the outstanding stock of SME loans between 2009 and 15 and growth in GDP, both adjusted for inflation.

In a first group of countries, consisting of Chile, China, Colombia, Georgia, Malaysia, Mexico and Turkey, SME lending outstripped GDP growth over this period. In Turkey, for example, SME loans as a share of GDP more than doubled from 8.74% of GDP in 2009, to almost 20% in 2015. This observation is even more remarkable as GDP growth in all these countries was much higher than the OECD average over the period observed. This most likely reflects financial sector development and deepening.[5] In emerging economies, private credit accounted for around 50% of GDP at the end of 2013, up from 40% in the 1990s, but was still low compared to advanced economies, where this ratio stands at 130% on average (IMF, 2015). The increase in the stock of SME loans could therefore be interpreted as a catching up process. These countries have a few other characteristics in common, such as relatively high interest rates charged to SMEs, and a relatively high interest rate spread between large enterprises and small firms. Another common feature in these countries is that, despite the progress in recent years, many SMEs still face problems accessing finance and the issue remains generally high

Figure 1.11. **Trends in GDP and outstanding SME lending, 2009-15**

Year-on-year growth between 2009 and 2015



Note: 1. China (uses 2009-14 data with a GDP growth of 61% and lending growth of 100%), Greece (with a GDP growth of -23% and lending growth of -72%), Turkey (with a GDP growth of 35% and lending growth of 208%) and Serbia (with a GDP growth of -20% and lending growth of -12%) are not depicted. 3. Spain use flow data. 4. Georgia and Ireland use 2010-15 data. 5. All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank.

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

StatLink http://dx.doi.org/10.1787/888933465845

on the political agenda. This is especially true for small businesses operating in the informal sector, which are often excluded from any formal source of finance altogether.

A second group consists of countries where the stock of SME loans broadly followed GDP growth. In France and Japan, for example, both real GDP growth and the inflation-adjusted stock of SME loans increased by around 7% between 2009 and 2015. The ratio of credit to SMEs to GDP remained broadly constant as a consequence. Australia, Belgium, the Czech Republic, Israel, New Zealand, Norway, Korea, Slovenia, and Switzerland also follow this pattern. In these countries, credit conditions were generally favourable, interest rates low and survey data illustrate that financing did not feature high on the list of SMEs' most pressing problems. This suggests that SMEs in this group face relatively few problems accessing finance and annual changes are mostly driven by demand factors, for which GDP growth is a proxy. While the share of lending to GDP remained fairly constant in every year between 2009 and 2015 for most countries situated close to the 45 degrees line, the data for Brazil and the Russian Federation show a somewhat erratic pattern; in both countries, SME lending grew fast after 2009 and peaked in 2013. Over this period, SME lending increased faster than economic growth, and then reversed in 2014 and 2015, when SME lending activities fell at a greater rate than the observed decline in GDP. These countries also represent somewhat of an outlier in other respects, for example in terms of interest rates and credit conditions.

In a third group of countries, SME lending as a percentage of GDP is on a clear downward path. This mainly includes countries that were hit hard by the financial crisis, and where recovery afterwards was slow, and often set back by a sovereign debt crisis. In Estonia, Ireland, Italy Portugal and Serbia, GDP growth contracted significantly in the immediate aftermath of the financial crisis and slowed down again in 2012. Bank lending fell more than GDP over the 2007-12 period and recovered less afterwards; as a consequence, the ratio of credit lending to GDP declined significantly in all of these countries. Greece and Spain report data on SME lending by flows. New lending to SMEs declined by 65% in Greece between 2010 and 2015 (2009 data are not available) and by 37% between 2009 and 2015 in Spain, however. In addition, Greece and Spain also share some other (but not all) characteristics with Estonia, Ireland, Portugal and Serbia, such as a sharp increase in the level of non-performing loans, higher than average interest rates charged to SMEs, and relatively tight lending conditions, as evidenced by survey data, and therefore could reasonably be grouped in this category as well. While most scoreboard countries appear to have turned the corner in terms of SMEs' access to finance, this does not hold true for these economies.

A strong drop in SME lending also took place over the 2009-15 period in the United Kingdom and the United States, although recent data point to a recovery of SME lending, especially in the United Kingdom, while in Canada, the inflation-adjusted stock of SME lending remained flat over 2009-15. The decline or stagnation in outstanding SME loans is remarkable, given the relative robustness of GDP growth since 2012 in these three countries. Moreover, credit conditions are more accommodative, interest rates lower, and non-performing loans generally not perceived as problematic in this group of countries. The reasons for the relative decline in lending activities to SMEs in these countries are therefore more likely to be driven by demand rather than supply, as credit is relatively cheap and abundant. It is possible that SMEs in these countries have easier access to alternative sources of financing, such as crowdfunding or through well-developed capital markets.

Equity financing

Venture capital investments have not recovered to pre-crisis levels in most participating countries and showed few signs of improvement in 2015. Likewise, public equity markets have remained stagnant in recent years. Business angel investments appear to be on the rise, although analysis is hampered by data issues. Equity crowdfunding and peer-to-peer lending are also increasing, but volumes remain limited in most countries.

Data on venture capital investments come from the OECD's *Entrepreneurship at a Glance 2016* report. This annual publication provides recent and comparable data on venture capital investments for 28 countries participating in the scoreboard. All the data in this section are expressed in USD, with the annual exchange rates (National currency per USD, period-average) sourced from the OECD Annual National Accounts database.

Global venture capital investments were up by 14.2% between 2014 and 2015 in volume terms expressed in USD.[8] However, this increase was mostly driven by developments the United States, where investments were up by 17.1% over the same period, and where the venture capital market is particularly well developed. In 18 out of 26 countries covered in the analysis, venture capital investments decreased in 2015. As a consequence, the median amount of venture capital investments declined from USD 129 million in 2014 to USD 85 million in 2015.

In most countries for which data is available, venture capital investments plummeted between 2008 and 2009 and followed an erratic, but broadly stable pattern afterwards, except for 2015, when the median value was at its lowest level since 2007. In many countries, venture capital investments in 2015 stood at less than one-third of their pre-crisis levels. Austria, Hungary, Korea, the Slovak Republic and the United States are the only countries, where VC activities in 2015 surpassed their 2008 levels (see Table 1.8).

Table 1.8. **Venture capital investments, 2007-15**

In USD million

	2007	2008	2009	2010	2011	2012	2013	2014	2015	*2014-15 change (%)*
Australia	680.3	755.8	532.7	367.8	246.5	331.3	252.9	265.9	288.5	8.5
Austria	109.3	74.4	105.4	57.7	130.3	54.7	83.9	82.0	122.9	49.8
Belgium	247.5	171.6	216.6	109.8	126.7	121.1	118.8	158.3	68.3	-56.8
Canada	..	..	..	..	..	..	1 827.8	1 829.6	1 825.6	-0.2
Czech Republic	5.7	46.6	39.2	30.5	14.6	6.7	3.8	7.4	1.8	-75.0
Denmark	284.3	279.3	114.2	91.1	174.1	101.0	106.7	87.5	86.3	-1.3
Estonia	2.6	5.5	3.8	7.7	1.8	7.7	8.2	9.9	4.1	-58.3
Finland	180.9	175.8	126.3	131.1	119.1	101.6	171.1	163.7	118.2	-27.8
France	1 403.2	1 599.7	1 171.9	995.2	878.1	727.8	905.8	823.7	757.9	-8.0
Greece	26.0	47.9	23.2	6.6	13.7	0.0	6.4	0.3	0.0	..
Hungary	14.4	18.8	1.7	23.7	55.6	84.1	22.2	42.6	27.7	-35.1
Ireland	118.1	134.7	105.8	61.2	78.2	118.4	150.7	120.0	84.0	-30.0
Israel	1 196.0	1 395.0	739.0	884.0	1 228.0	867.0	895.0	1 165.0	..	..
Italy	179.2	163.2	88.1	97.1	96.1	101.6	80.7	44.3	51.3	16.0
Japan	..	..	935.1	1 289.6	1 553.7	1 284.6	1 862.8	1 105.3	..	..
Korea	798.9	495.5	397.6	527.3	633.2	606.6	635.5	865.6	1087.4	25.6
Netherlands	383.9	440.0	236.9	194.5	236.9	232.4	259.0	257.7	180.5	-30.0
New Zealand	60.2	46.5	21.2	68.0	28.9	21.7	44.9	46.3	43.6	-5.8
Norway	356.6	231.9	167.3	227.0	173.9	151.5	94.6	125.0	62.2	-50.2
Portugal	140.4	89.8	47.4	73.0	16.5	21.5	50.4	65.4	65.1	-0.5
Russian Federation	108.3	161.8	123.8	153.3	272.2	152.0	246.0	125.0	59.0	-52.8
Slovak Republic	1.5	0.0	0.3	2.7	0.0	0.0	0.0	6.2	9.9	58.9
Slovenia	0.7	4.2	2.5	1.5	3.2	1.7	5.3	3.3	1.5	-54.9
Spain	468.0	766.3	227.4	154.6	210.7	150.1	138.8	133.6	173.6	29.9
Sweden	564.0	560.7	300.0	338.6	344.9	287.2	307.0	384.2	180.8	-52.9
Switzerland	379.4	249.2	312.9	240.7	280.3	233.4	243.8	224.1	289.3	29.1
United Kingdom	2 055.9	2 237.7	1 089.5	1 021.2	1 112.8	845.7	758.3	1 126.6	951.9	-15.5
United States	32 136.7	30 431.8	20 334.5	23 517.9	29 905.4	27 703.0	30 282.8	50 992.9	59 698.5	17.1
Median Value	**214.21**	**173.69**	**126.29**	**131.10**	**173.91**	**121.09**	**144.77**	**129.33**	**85.19**	**-7.99**

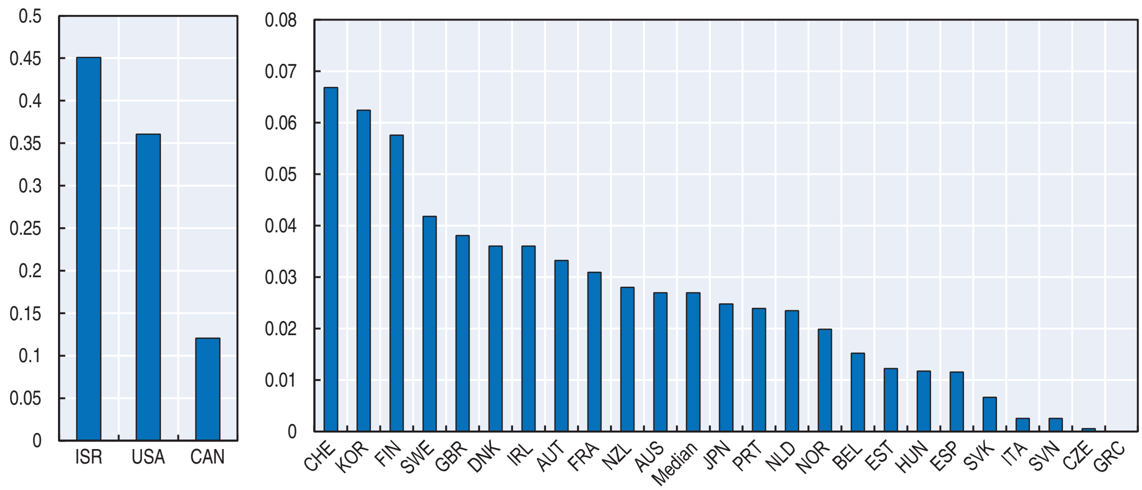
Source: OECD (2016d).

StatLink http://dx.doi.org/10.1787/888933467108

There are wide differences in the size of venture capital activities within the sample of countries; relative to the size of the economy, in Canada, Israel and the United States, venture capital investments are a multiple of activities in the Euro area. Even within continental Europe, large differences persist, with venture capital funding much more widely used in Finland, Sweden, and especially Switzerland, than in Central and Southern European countries such as the Czech Republic, Greece, Hungary, Italy, Slovenia, the Slovak Republic or Spain (see Figure 1.12). It should also be noted that venture and growth capital investments are much less commonly used than other funding sources, such as bank lending, asset-based finance or trade credit. As Figure 1.12 illustrates, the median value of venture capital investments accounted for a little less than 0.03% of GDP in 2015. Even in Israel and the United States, where the venture capital markets are especially well developed, VC

Figure 1.12. **Venture capital investments, 2015**

As a percentage of GDP



Note: Japan and Israel use 2014 data. The median value refers to data from both graphs.
Source: OECD (2016d).

StatLink http://dx.doi.org/10.1787/888933465857

investments still accounted for less than 0.5% of GDP in 2015. However, despite the relatively modest amounts of money involved, venture capital activities are thought to have a disproportionate economic impact. As an example, public companies with venture capital backing employ four million people, account for one-fifth of the market capitalisation, and 44% of the research and development spending of public companies in the United States (Gornall and Strebulaev, 2015).

Business angel investing constitutes another source of equity financing, especially at the early stages of a firm's life. Evidence suggests that angel investments constitute a more important source of finance for SMEs than venture capital investments and were also much less affected by the financial crisis. Moreover, business angel activities appear to have increased in recent years. The European angel investment market expanded by 4.3% and by 5% year-on-year in 2014 and 2015, respectively, while angel activities in the United States are thought to have increased modestly year after year between 2009 and 2014 (EBAN, 2016). While data on venture capital investments are relatively reliable and comparable across countries, angel activities are currently not quantified in a satisfactory manner. The thematic chapter of the 2016 edition of the scoreboard was devoted to business angel activities (OECD, 2016c).

Public equity markets for SMEs provide another potential source of financing, especially suited for young, fast-growing SMEs. Global small IPO issuance by proceeds shows a general downward trend since 2007, however, with equity markets very rarely used by SMEs, especially in continental Europe. Compliance costs, which are often disproportionately high for small issuers, a general lack of awareness and ability to access these markets, as well as illiquidity, constitute important obstacles to the development of these markets (Nassr and Wehinger, 2015).

Finally, crowdfunding is a financial technique to raise external finance from a large audience, rather than a small group of specialised investors, whereby each individual provides a small amount of the funding requested. An internet platform is typically used to match investors with businesses and other ventures seeking finance (OECD, 2014c). This type of finance can take the form of equity, but also debt, donations or hybrid forms. Although there is a paucity of systematically and internationally comparable data on crowdfunding activities around the globe, evidence strongly suggests that crowdfunding activities have been expanding very rapidly in recent years. In 2015, global crowdfunding volumes were estimated to have reached USD 34 billion, and were expected to have surpassed global venture capital investments (Masssolution, 2015).

Asset-based finance

Asset-based finance comprises all forms of finance that are based on the value of specific assets, rather than on the credit standing, and represent a well-established and widely used alternative for many SMEs. Within this category, leasing and hire purchases and factoring and invoice discounting are the most well-known and widely used instruments in most parts of the OECD. In the case of leasing and hire purchases, the owner of an asset provides the right to use of the asset (like motor vehicles, equipment or real estate) for a specified period of time in exchange for a series of payments. Factoring and invoice discounting are financial transactions, whereby a business sells its accounts receivable to another party at a discount.

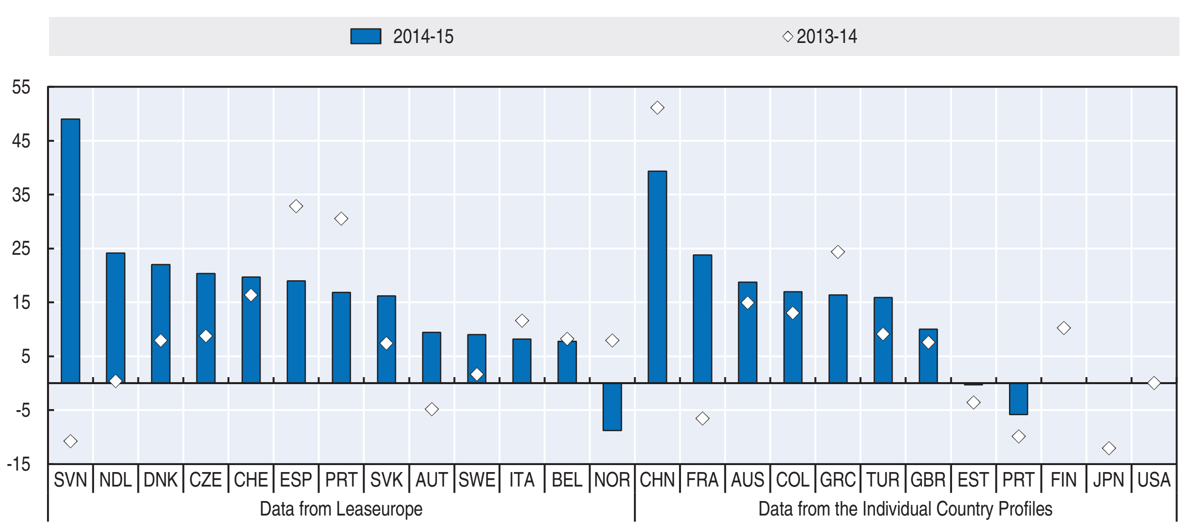
Leasing and hire purchases

Data from national sources, complemented by information from Leaseurope,[6] show that new production in leasing and hire purchases almost universally increased between 2014 and 2015.

Out of 22 countries for which 2015 data are available, 2015 volumes were down only in Estonia, Norway and Portugal. Growth was particularly pronounced in China, the Czech Republic, Denmark, the Netherlands and Slovenia, with average year-on-year growth rates of more than 30% (see Figure 1.13). This marks a contrast with previous years, where the

Figure 1.13. **New production in leasing and hire purchases, 2014-15**

Year-on-year growth rate in percent



Note: 1. Data for Australia refers to leasing and hire purchases as flows. Japan refers to leasing alone, as stocks. All other countries use leasing and hire purchases as stocks. 2. 2015 data for Finland, Japan and the United States are not yet available. 3. All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank.

Source: Leaseurope (2016) and data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

StatLink http://dx.doi.org/10.1787/888933465867

picture was much more mixed. The median value of new production in leasing and hire purchases for scoreboard countries, expressed as a relative number of the 2007 level, rose from 0.79 in 2014 to 0.92 in 2015, indicating that levels were almost up to pre-crisis levels, after the sharp decline of 2009. China is an outlier in this respect, with volumes increasing by a year-on-year average of more than 115% between 2008 and 2015.

Factoring

Factoring volumes expanded over the 2009-14 period, but remained broadly constant in 2015.

Data on factoring volumes are sourced from Factors Chain International (FCI), which provides data for 37 of the participating countries between 2007 and 2015.[7] With the exception of the Czech Republic, Hungary, Japan, Latvia, Luxembourg, Norway, Serbia, the Slovak Republic, the United Kingdom and the United States, factoring volumes have generally expanded since 2007; volumes often doubled between 2007 and 2012, and have increased nearly tenfold in China and Korea, albeit from a relatively low base. The data thus suggest that the availability of factoring was not severely impeded by the outbreak of the financial crisis, and actually served as an attractive substitute in lieu of more traditional bank/ credit financing. Since 2012, however, factoring volumes have remained broadly constant, potentially as a result of easier and cheaper availability of bank credit. Between 2014 and 2015, there was a slight majority of 20 countries, where factoring volumes decreased; while volumes increased in 17 countries (see Table 1.9).

Table 1.9. **Factoring volumes, 2008-15**

Year-on-year growth rate in %

Country	2008	2009	2010	2011	2012	2013	2014	2015
Australia	-7.65	21.10	7.98	22.45	-13.45	-19.96	5.00	-0.67
Austria	19.47	2.46	24.02	6.16	19.76	26.69	14.36	9.70
Belgium	14.94	5.46	32.07	16.30	8.64	11.09	15.36	9.52
Canada	-32.45	10.88	11.35	37.47	32.75	-21.22	0.89	-4.66
Chile	7.54	-11.66	4.06	26.72	10.78	3.93	-7.73	-13.97
China	54.71	22.50	114.74	63.76	22.66	7.59	6.53	-12.71
Colombia	-3.82	10.13	12.09	67.94	-11.23	52.08	24.32	12.13
Czech Rep.	2.52	-26.74	19.01	16.24	0.20	0.62	8.81	-14.97
Denmark	-37.65	28.48	9.13	13.62	-6.51	0.14	16.23	19.25
Estonia	2.08	-29.94	20.39	-9.77	56.64	-2.53	3.67	-1.34
Finland	-2.99	-16.57	14.92	2.20	27.02	1.52	14.24	11.91
France	8.39	-5.14	18.28	12.85	5.60	6.66	12.50	8.78
Greece	32.08	17.32	18.56	-0.48	-13.13	-2.42	10.21	-0.59
Hungary	-1.40	-24.35	29.64	-17.46	-8.20	-3.72	2.99	31.46
Ireland	7.61	-15.74	6.77	-11.06	8.48	5.05	19.97	-3.16
Israel	71.24	-3.78	15.97	-1.75	-17.06	-26.96	180.33	-31.53
Italy	1.87	-4.94	15.32	20.11	2.41	-3.32	1.99	3.31
Japan	38.78	-21.01	20.28	15.07	-11.80	-20.08	-34.97	4.03
Korea	-8.47	215.17	67.63	56.74	-2.10	52.98	2.39	0.77
Latvia	17.17	-34.44	-63.20	6.35	40.95	7.88	13.50	26.71
Luxembourg	18.52	-42.83	-10.81	-46.19	59.64	32.92	-17.44	-1.68
Malaysia	..	..	40.90	-5.85	68.03	-0.18	-2.41	-81.41
Mexico	-2.30	-78.51	556.26	37.70	19.80	5.79	-13.24	-26.17
Netherlands	-8.00	-0.40	15.64	31.24	7.18	2.62	1.82	22.61
Norway	-15.08	-0.18	-3.02	5.71	10.83	-12.62	3.33	7.66
Portugal	-3.50	3.80	10.60	25.81	-20.37	-5.23	-4.49	9.59

Table 1.9. **Factoring volumes, 2008-15** *(cont.)*

Year-on-year growth rate in %

Country	2008	2009	2010	2011	2012	2013	2014	2015
Russia	21.18	-47.45	40.85	74.56	66.79	16.64	-31.14	-21.53
Serbia	38.79	8.64	6.80	59.77	-5.27	-31.78	-58.65	35.05
Slovak Republic	4.81	-34.79	-18.01	8.95	-17.71	-1.08	-5.56	-0.91
Slovenia	38.92	1.18	-0.48	-16.76	16.71	-4.19	-9.90	-41.41
Spain	14.32	0.84	9.42	6.96	1.30	-6.82	-3.85	1.55
Sweden	-27.81	16.95	-0.16	55.92	13.24	-8.38	-7.01	-8.38
Switzerland	-0.28	88.52	-20.84	-14.75	-13.87	2.25	21.68	-1.91
Thailand	3.79	-11.47	-0.79	46.68	41.24	-22.85	24.69	7.91
Turkey	-12.52	12.14	84.71	-23.68	0.77	-0.66	27.47	-4.90
United Kingdom	-41.41	-1.18	9.45	9.13	1.61	-0.35	5.11	-0.05
United States	0.23	-13.28	4.11	8.26	-27.33	5.89	14.53	-3.00
Median Value	**2.30**	**-0.79**	**12.09**	**12.85**	**5.60**	**-0.18**	**3.67**	**-0.59**

Note: All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank.
Source: Factors Chain International (2016).

StatLink http://dx.doi.org/10.1787/888933467118

Payment delays, bankruptcies and non-performing loans

Statistics on payment delays, bankruptcies and non-performing loans reflect problems in maintaining cash flows under different economic conditions. In 2015, there was a noticeable decline in B2B payment delays, which were down in 12 out of 17 participating countries with available data for that year. SME bankruptcies declined in close to two thirds of participating countries, for which data was available in 2015. Although NPL data are less conclusive than the observed trends in payment delays and bankruptcies, they are broadly positive, along with a stabilisation of NPL rates in those economies where they increased the most after the crisis.

Looking at these three indicators together, recent developments suggest an overall improvement of the business climate in which SMEs operate, which is further supported by tentative signs of recovery with respect to new enterprise creation in most economies (OECD, 2016d).

Payment delays

Increases in business-to-business payment delays are usually due to insufficient availability of funds, cash flow constraints in companies, liquidity constraints among clients, or counterparties entering bankruptcy or going out of business, all of which are affected by the economic environment. Conversely, lower B2B delays are indicative of an improved cash flow management of SMEs. Late payments have an adverse effect on the cash-flow of affected enterprises and often force them to seek expensive forms of borrowing, such as overdraft facilities. Moreover, late payments often give rise to firm insolvency, and sometimes even bankruptcy. This holds especially true for small enterprises, whose access to other sources of finance is limited and expensive, and who sometimes lack appropriate cash-flow management, especially in times of crises and financial distress (Connell, 2014).

In 2015, payment delays were down in more than two thirds of participating countries for which data is available, with delays remaining constant in the Czech Republic, Hungary and the United Kingdom, and with Colombia and the Slovak Republic the only exceptions to this trend. Moreover, payment delays were down by more than 30% in Belgium, Chile, and

Portugal, and by more than 50% in Denmark and the Netherlands. This trend contrasts with 2013 and 2014 developments, when there were about as many countries experiencing an increase in B2B payment delays, as there were with a decrease. The data also illustrate that there is considerable variance in the payment behaviour in B2B transactions across countries participating in the scoreboard (see Table 1.10).

Table 1.10. **Trends in payment delays, 2007-15**

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	*2014-15 change (%)*
B2B average days overtime, all firms										
Austria	..	8	8	11	12	11	12	13	..	..
Belgium	..	..	17	17	15	19	18	19	13	-31.58
Chile	..	..	..	..	..	..	41	44	30	-31.82
China	..	..	..	..	..	..	96	72	64	-10.93
Colombia	49	50	61	62	59	55	56	65	66	0.92
Czech Republic	16	18	19	14	14	15	14	14	14	0.00
Denmark	7	6	12	12	13	12	10	9	4	-55.56
Estonia	9	8	13	13	10	10	9	7	7	-1.43
Finland	6	5	7	7	7	7	6	6	5	-16.67
France	60	57	55	55	54	52	51	50	..	..
Greece	..	25	34	30	35	40	43	41	36	-12.20
Hungary	16	19	19	15	22	20	..	17	17	0.00
Israel	..	..	..	..	..	..	..	..	24	..
Italy	..	24	25	20	19	20	20	19	17	-6.49
Korea	11	12	10	12	12	9	10	10	9	-8.00
Netherlands	..	14	16	17	18	18	17	16	6	-62.50
New Zealand	43	51	45	44	46	40	40	37	35.5	-4.05
Portugal	40	33	35	37	41	40	35	33	21	-36.36
Serbia	..	..	33	31	35	28	28	..	..	..
Slovak Republic	20	8	13	17	20	21	19	17	..	..
Spain	5	5	14	12	6	9	16	13	..	..
Sweden	7	7	8	8	8	7	7	8	..	..
Switzerland	..	12	13	13	11	10	9	9	7	-22.22
Thailand	33	..	..	..	..	..	..	..	..	..
United Kingdom	19	22	23	23	26	25	25	25	25	0.00
United States	..	..	..	..	..	..	26	..	..	..
Median Value	**16.3**	**13.9**	**17**	**17**	**16.5**	**19**	**19**	**17.2**	**17.35**	**-10.93**

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

StatLink http://dx.doi.org/10.1787/888933467027

The main drivers behind differences in B2B payment behaviour are threefold, according to a recent study commissioned by the European Commission. The prevailing business culture constitutes the first factor, especially relevant to explain cross-country differences, as norms about what is considered an acceptable payment delay vary considerably, even within the EU28. Second, the relationship within supply chains also plays an important role, as (large) firms can often impose unfavourable payment terms on (smaller) businesses in case of an imbalance in power. Third, the general business climate is expected to drive changes in payment behaviour over time (European Commission, 2015).

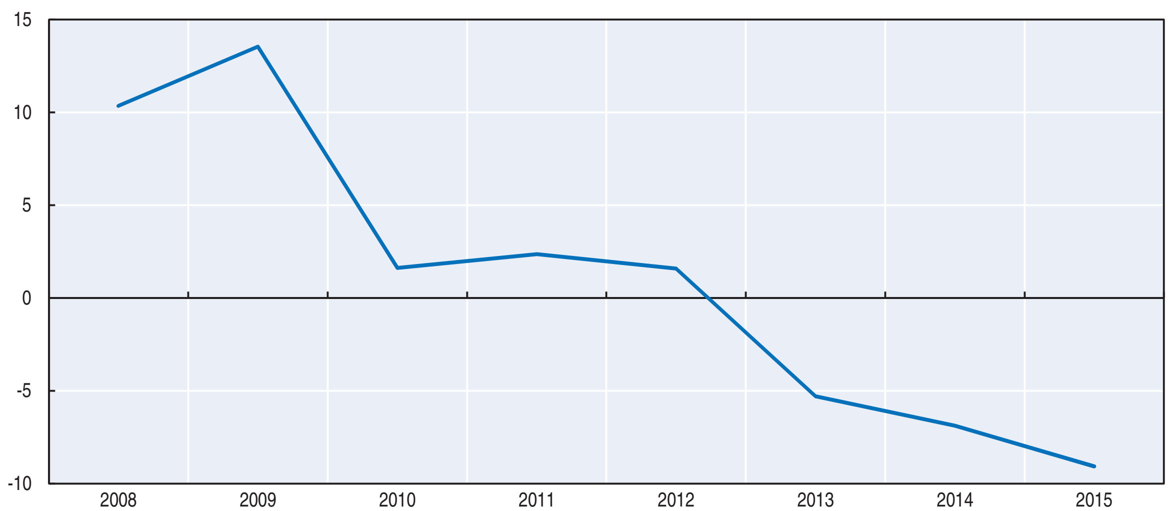
Scoreboard data confirm that changes in payment delays usually go hand in hand with changes in GDP growth, with a correlation coefficient of -0.28, based on 152 observations. The observed decline in payment delays therefore appears to be due to general improvements in the business climate in recent years. Policy initiatives in this area seemed to have played less of a role. The Late Payment Directive, as the most noticeable example, allows firms operating in EU countries to claim compensation and/or interest for late payment, limits the contractual in commercial transactions, has a provision on the recovery process of undisputed claims, and in addition, aims to shorten or avoid payment delays by public authorities to businesses. It came into force recently in most member states with a transposition deadline of 2013. Although this directive is known among a clear majority of surveyed businesses, an evaluation shows that it has had little impact so far on the ground, to some extent due to a reluctance of firms to damage business relations (European Commission, 2015).

Bankruptcies

The relatively favourable macro-economic conditions appear to have had a significant impact on the number of SME bankruptcies. The median year-on-year change in bankruptcies turned negative by 5.3% in 2013, and this trend gathered pace in 2014 and 2015, with a drop of 6.89% and 9.07% respectively (see Figure 1.14).

Figure 1.14. **Trends in bankruptcies, 2008-15**

Year-on-year median value growth rates, as a percentage



Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

StatLink http://dx.doi.org/10.1787/888933465877

In 2015, bankruptcies decreased in 20 scoreboard countries and increased in 9 (Australia, Colombia, Denmark, France, Luxembourg, Portugal, the Russian Federation, Switzerland and Turkey). In China, Hungary, the Netherlands and Spain, the number of bankruptcies dropped by more than 20% year on year in 2015, and in Greece by more than 40%. In Australia, Austria, Canada, Denmark, Greece, Japan, Korea, the Netherlands, the United Kingdom and the United States, bankruptcies were at a lower level in 2015 than in 2007 (see Table 1.11).

While bankruptcy data over time are broadly indicative of the cash flow situation of enterprises, it should be highlighted that there are differences in the length of bankruptcy procedures between countries, meaning that insolvent enterprises are not declared bankrupt at the same pace. Comparisons across countries, especially with respect to absolute levels of bankruptcies, should therefore be treated with caution. Legal and regulatory reforms that were introduced over this period can also affect the numbers.

Table 1.11. **Trends in bankruptcies, 2008-15**

Year-on-year growth rates, as a percentage

		2008	2009	2010	2011	2012	2013	2014	2015
Australia	Total, per 10 000 firms	4.44	0.00	6.38	2.00	3.92	-7.55	-20.41	5.13
Austria	Total, per 1 000 firms	0.32	9.30	-7.62	-7.95	2.93	-9.63	-0.66	-5.03
Belgium	Total	10.36	11.14	1.59	6.83	3.55	10.89	-8.55	-9.07
Canada	SMEs, per 1 000 firms	-5.40	-10.97	-22.41	-7.29	-9.94	-6.92	-4.96	-2.64
Chile	SMEs	3.79	-1.52	8.62	7.59	0.03	12.13	3.01	..
China	SMEs	..	..	..	..	..	..	-4.36	-24.59
Colombia	Total	187.88	56.84	6.71	11.95	-34.83	34.48	-9.62	16.31
Czech Republic	SMEs	4.05	46.62	1.64	-2.92	6.49	2.53	-10.95	-18.49
Denmark	SMEs	..	..	0.78	-24.97	1.03	-13.28	-21.79	19.28
Estonia	SMEs	109.41	149.41	-2.56	-39.40	-20.55	-7.27	-6.75	-12.15
Finland	SMEs	15.88	25.38	-12.55	2.90	0.48	5.74	-4.63	-13.80
France	SMEs	8.30	13.07	-3.84	-1.36	2.14	2.38	-0.46	1.59
Georgia	Total	-48.74	-14.75	3 926.92	51.67	-20.53	-29.68	0.56	-12.61
Greece	SMEs	-30.02	-1.11	0.00	25.35	-6.74	-5.54	-15.82	-42.73
Hungary	Total, per 10 000 firms	10.30	25.65	9.55	20.45	7.92	24.76	71.32	-24.18
Ireland	SMEs	78.20	103.10	11.33	1.73	-6.60	-15.03	-10.01	-18.97
Israel	SMEs	..	..	37.51	31.86	33.80	12.20	-5.13	..
Italy	Total	21.85	25.04	19.68	8.22	3.13	12.70	10.94	-6.11
Japan	SMEs	10.76	-0.82	-13.96	-4.22	-4.81	-10.18	-10.37	-9.43
Korea	Total	19.22	-26.95	-21.42	-13.44	-9.64	-18.49	-15.98	-14.39
Luxembourg	Total	-12.90	20.73	32.47	6.54	7.36	-0.10	-18.97	2.71
Netherlands	Total, per 10 000 firms	..	82.1	-11.20	-0.70	20.10	14.00	-20.70	-20.70
New Zealand	Total	-31.28	2.11	21.14	-11.00	-10.45	-15.94	-6.89	4.25
Norway	SMEs	49.89	44.29	-12.38	-4.38	-11.59	16.33	3.10	-1.91
Portugal	SMEs	35.07	8.13	7.23	16.01	40.92	-9.84	-33.35	17.29
Russian Federation	Total	..	11.19	3.46	-20.08	9.99	-6.59	10.32	0.86
Slovak Republic	SMEs	48.52	9.96	24.64	5.52	-6.61	11.21	8.49	-14.43
Spain	SMEs	185.23	75.02	-6.18	17.32	34.91	13.43	-32.21	-26.57
Sweden	SMEs	8.72	21.22	-4.70	-4.37	7.32	3.11	-6.99	-10.13
Switzerland	Total	-2.16	23.55	19.94	6.49	2.70	-5.06	-9.67	3.94
Turkey	SMEs	-9.62	6.38	36.00	5.88	95.83	-51.06	43.48	9.09
United Kingdom	SMEs	33.07	13.99	-13.76	2.70	-4.16	-10.90	-6.73	-9.50
United States	Total	53.75	39.71	-7.49	-15.06	-16.17	-17.13	-18.76	-8.33
Median Value		**10.33**	**13.53**	**1.62**	**2.35**	**1.58**	**-5.30**	**-6.89**	**-9.07**

1. Finland uses the percentage of firms in bankruptcy proceedings.

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

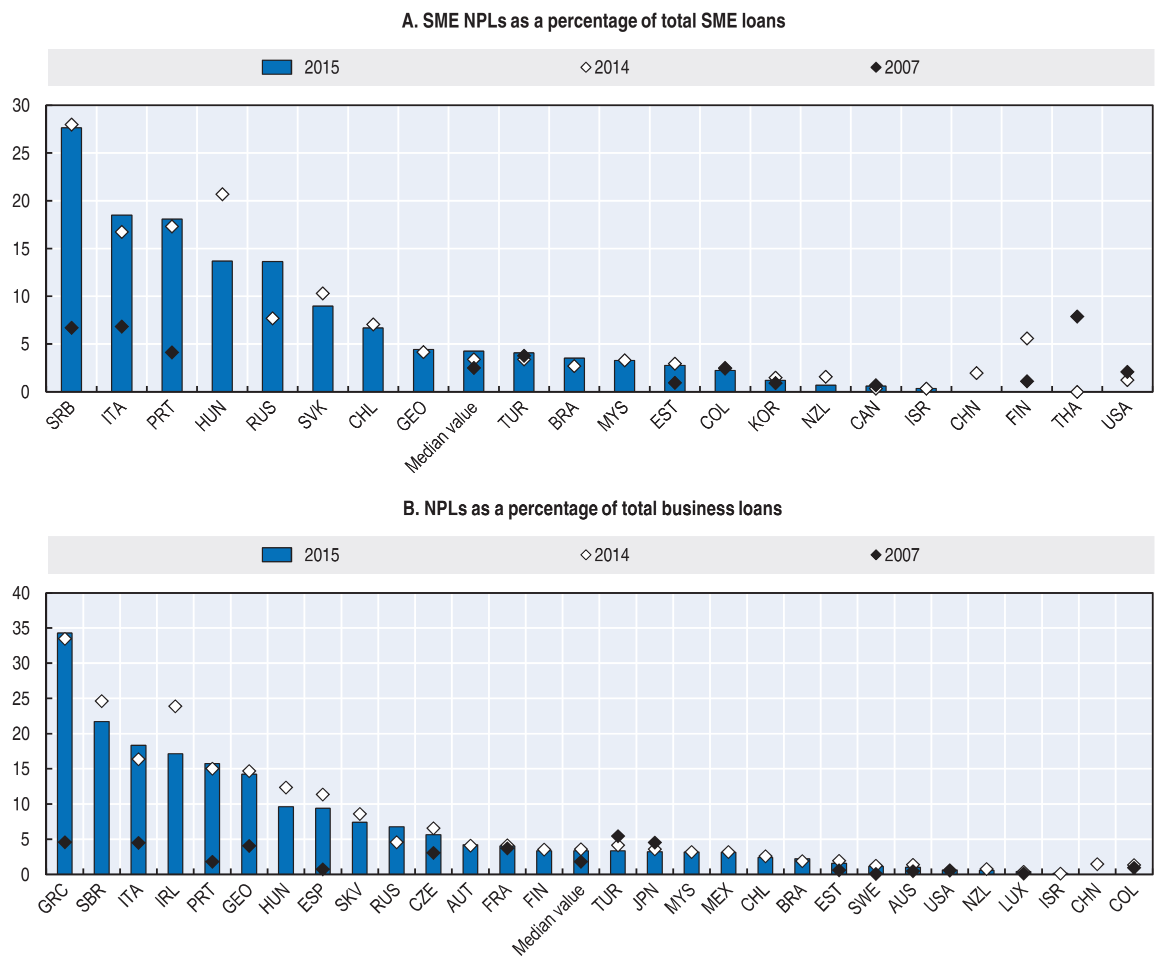
StatLink http://dx.doi.org/10.1787/888933467037

Non-performing loans (NPLs)

Data on non-performing SME loans showed a mixed picture in 2015, with 7 countries observing falling NPLs, and an equal number observing an increase. In 2015, 4.27% of all SME loans were non-performing for the median country, up from 3.40% in 2014 and from 2.52% in 2007. NPLs as a percentage of total business loans showed a more positive trend, with 16 countries observing a decrease and only 7 countries observing an increase. The median value of NPLs as a percentage of all corporate loans was 3.37% in 2015, a decrease from 3.60% in 2014.

The decline in the NPL ratio (as a percentage of all business loans) was most pronounced in Ireland, Hungary and Spain. These three countries observed a sharp spike in the NPL rate between 2008 and 2013, and in 2015 were at 60% to 70% of their post-crisis peak. In contrast, in Italy and Portugal, which also saw a sharp increase in their NPL ratio in the aftermath of the financial crisis, SME NPLs continued to rise, although at a slower pace compared to previous years (and remained broadly constant in other countries, as in the case of Serbia). In Canada, Sweden and the Russian Federation, the NPL ratio increased strongly between 2014 and 2015 (although from low levels in the case of Canada and Sweden). In 2015, NPL ratios were generally still higher than in 2007, with the exception of Canada, Colombia and Japan (see Figure 1.15).

Figure 1.15. **Non-performing loans, 2007-15**



Notes: 1. Canada reports a 90-day delinquency rate for small businesses, as a percentage of loans outstanding. 2. The United States reports total non-performing loans as a percentage of total SME loans.

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

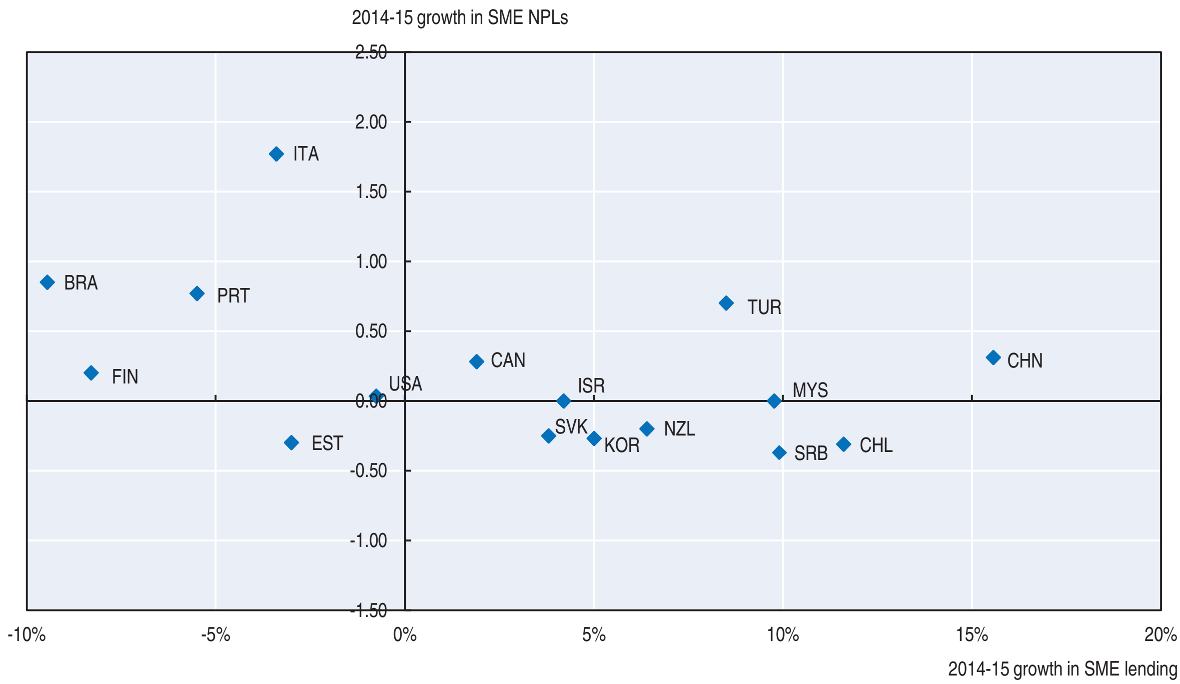
StatLink http://dx.doi.org/10.1787/888933465880

Developments in non-performing loans appear to have a substantial impact on lending to SMEs. Year-on-year changes in SME NPLs are negatively correlated with corresponding changes in SME credit lending. Based on 138 observations, using only countries for which SME-specific data on NPLs is available, a correlation coefficient of -0.38 can be observed. In Russia, for example, NPL rates rose in 2014 and especially in 2015, which also coincided with a sharp contraction in SME lending in these years. In Portugal, the outstanding stock of SME lending also fell most in the years when the NPL rate rose and stabilised at the same time as the NPL rate. Figure 1.16 illustrates this negative relationship.

The data suggest that increasing NPLs weigh on credit lending, as banks that are confronted with a deterioration of the quality of their SME portfolio become more reluctant

Figure 1.16. **Trends in SME non-performing loans and SME lending**

Year-on-year growth between 2014 and 2015



Notes: 1. Definitions differ across countries. Refer to table of definitions in each respective country profile in this publication. 2. 2013-14 data are used for China, Finland, and the United States. 3. All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank. 4. Data from Hungary (2.1; -7.5) and the Russian Federation (-11.3; 5.9) are not depicted. 5. Flow data on SME lending is used for Finland.

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

StatLink http://dx.doi.org/10.1787/888933465895

to lend, and small businesses that are behind on their repayment are thus cut off from the credit market. This is in line with economic literature, which has identified a clear and negative link between NPL ratios and lending rates, which, in turn negatively impacts economic growth (Magnus et al, 2016). Moreover, SMEs are likely to be disproportionately impacted by banks' reduced lending capacity, both because SMEs depend more heavily on the banking sector for their finance needs than larger enterprises, as well as because of the higher risks involved in lending to the SME sector.

Data on non-performing loans have to be interpreted carefully, as the definition and methodology vary substantially from one country to the other. A first hurdle to the comparability of available data is that not every country has specific data on SME non-performing loans as a percentage of SME loans, but some rather provide evidence on NPLs as a proportion of all business lending. In particular, more information is needed on the composition of non-performing loans, for example along the lines of the European Banking Authority, which distinguishes between bad debts, past-due debts, breaches of credit line, and other non-performing loans (OECD, 2015).

Government policy responses in 2015-16

SME finance remains high on the policy agenda in most areas of the world, and many governments developed initiatives in 2015 and the first half of 2016 to ease access to various sources of finance, in addition to the wide range of policy instruments already in place.

Based on information from the 39 participating countries, a number of broad emerging trends can be discerned and are presented along with recent policy examples below. The profile of each participating country provides more information on government policies in this area for each country.

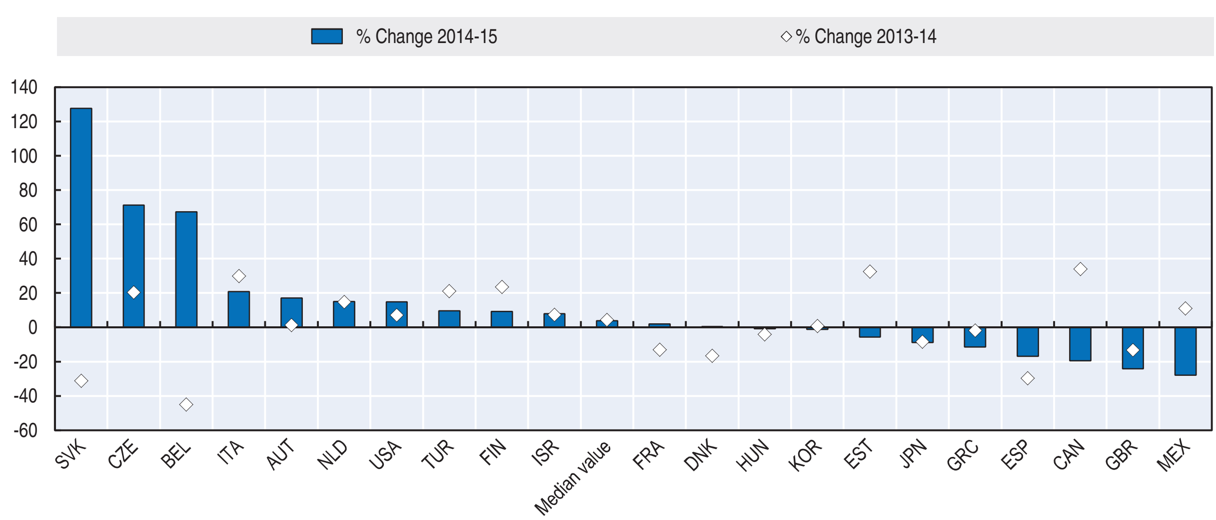
Credit guarantees remain the most widespread instrument and their design is continuously being revised

Governments responded to the global financial crisis and its effects on SME financing with a variety of instruments. The use of government loan guarantees to secure bank lending to SMEs continues to be the most widespread measure among participating countries. Most countries have a credit guarantee scheme in place, with the exception of Australia, China, Georgia and New Zealand. These instruments gained importance in the aftermath of the crisis in many countries, as SME lending came under duress. In 2015, government loan guarantees continued to be a prominent policy tool to support lending to SMEs. This comes after a major increase in the use of government loan guarantees in 2009 in countries like Belgium, Chile, the Czech Republic, Estonia, France, Israel, Italy, the Netherlands, Spain and Turkey.

A majority of participating countries decreased the scope of their loan guarantee schemes in the following years, particularly in 2011. More recently, government spending on loan guarantees shows a more diverse picture. The real term value of loan guarantees in countries for which data are available remained roughly constant between 2014 and 2015; the real-term value of loan guarantees increased in 10 countries and declined in 9 others, while the median value grew by 2.1% (see Figure 1.17). As a consequence, government loan guarantees often remained much more important in scope in 2015 than in 2007. At the same time, in countries like Denmark, France and Hungary, government loan guarantees in 2015 were at a much lower level than in the years following the crisis, at between 50% and 80% of their 2010-11 levels. The inflation-adjusted median value of credit guarantees provided to SMEs rose by 62.1% between 2007 and 2015.

Figure 1.17. **Trends in government loan guarantees for SMEs**

Year-on-year growth between 2013 and 2014 and between 2014 and 2015



Note: All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank.

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

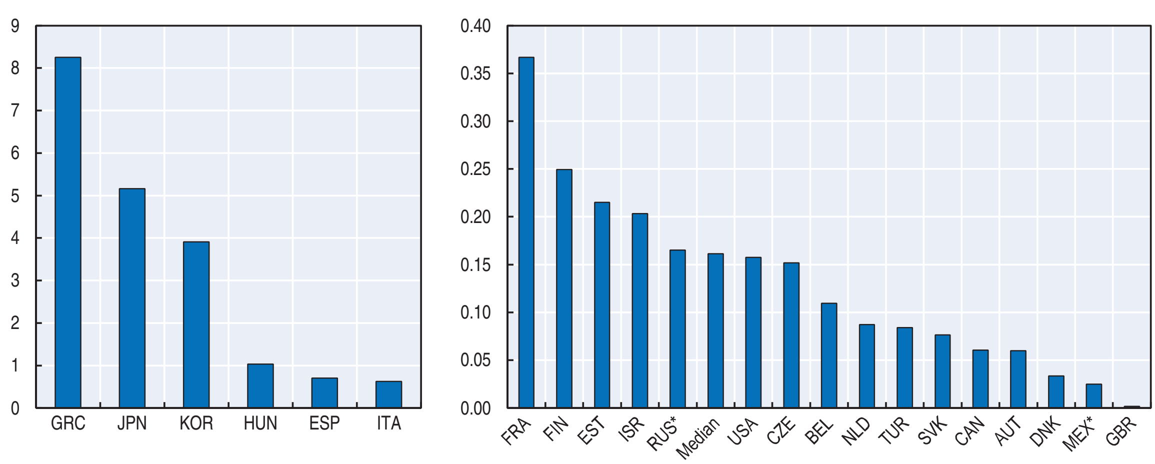
StatLink http://dx.doi.org/10.1787/888933465903

Credit guarantee schemes are continuously being revised and their offer supplemented to keep up with the shifting demands of their beneficiaries. The Russian Federation, for example, introduced a nation-wide guarantee system in 2015 with an authorised capital of RUB 50 billion (around USD 1.4 billion), complementing the products offered by existing regional organisations and coordinating their activities. Novel features have also recently been introduced in the credit guarantee systems of other countries. Mexico, for example, which has an open-ended and relatively large-scale guarantee programme, set up an auctioning system, whereby financial institutions can bid for the right to obtain guarantees. The increased use of credit guarantees in Italy has been bolstered by progressive changes in its endowment, expansion of eligibility criteria, and the provision of a government backstop guarantee, ensuring a more favourable prudential treatment of guarantees, thereby relieving banks from capital charges for loans covered by the Central Guarantee Fund. The Irish guarantee scheme, introduced in 2012, was reviewed in 2014 and this evaluation is expected to result in a number of adjustments, such as coverage of a wider range of financial products, an increase in the portfolio cap, as well as the removal of the annual portfolio cap. In addition, guarantees for refinancing loans, where an SME's bank has exited or is exiting the Irish SME market, are allowed since 2015.

When measured as a percentage of GDP, credit guarantees are more widely used in Greece (8.25%) than in any other country for which data are available, followed by Japan (5.16%) and Korea (3.91%), although in all three of these countries this share declined over 2014-15, most markedly in Greece by 12%. In most other countries, the value of credit guarantees represents considerably less than 1% of GDP (see Figure 1.18). The median value of government loan guarantees remained at 0.16%, thus slightly lower than the 0.18% observed in 2014, with the overall share falling in some countries such as Canada, Israel and Spain, but rising in others such as Belgium, Chile and Finland.

Figure 1.18. **Share of government loan guarantees for SMEs, 2015**

As a percentage of GDP



Note: Countries marked with an asterisk make use of 2014 data. The median value refers to all depicted countries in both graphs.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

StatLink http://dx.doi.org/10.1787/888933465917

There is an increased effort to stimulate alternative financing instruments, in particular in the capital market

Policy makers around the world increasingly acknowledge that SMEs remain too reliant on bank financing compared to large enterprises, thus rendering them more vulnerable to economic downturns and cyclical swings. Moreover, recent evidence suggests, that a more balanced financial structure is associated with higher growth rates. Firms with a weak capital structure find it hard to access debt finance, even when interest rates are very low, while tapping into equity financing also improves firms' likelihood for raising debt at attractive conditions. This implies that expansionary monetary policies and measures to facilitate bank lending are more effective when complemented by interventions to improve SMEs' access to equity finance (Brogi and Lagasio, 2016). As a result, efforts to diversify financing instruments for SMEs, in particular from the equity space, have proliferated in recent years.

The United Kingdom's Enterprise Capital Funds (ECFs) established by the British Business Bank (BBB), for instance, bring together private and public money to make equity investments in potential high-growth businesses. They are managed by experienced investors from a variety of backgrounds, including teams from the venture capital industry and serial entrepreneurs with a history of success in building early stage UK companies. In addition, the UK Government introduced new legislation, obliging banks to offer a referral to an online finance platform to those businesses whose credit applications were rejected, with the aim of enabling these firms to find alternative providers of finance. A second piece of legislation requires banks to share credit information on SMEs with credit reference agencies, with the aim of encouraging new and smaller finance providers to enter the market.

The Chinese Government has taken measures to establish a more active and functional multi-level capital market system. Besides equity financing from traditional Shanghai Stock Exchange and Shenzhen Stock Exchange which favours large companies, there are three institutions that provide alternative equity financing instruments for SMEs; a SME Board in the Shenzhen Stock Exchange (since 2004), a Venture Board (since 2009), and another National Equities Exchange and Quotations (NEEQ, since 2013). Both, the SME Board and Venture Board provide bonds and equity financing for high-growth SMEs and start-ups. The National Equities Exchange and Quotations (NEEQ) is another national securities exchange specific for SMEs established in September 2012. NEEQ offers financing instruments tailored to small businesses, as these companies still face many difficulties to access the traditional Chinese securities market that has traditionally favoured large-scale and state-owned companies. NEEQ thus plays an important role, because it offers additional chances to obtain equity financing for small businesses before they qualify for the securities market.

The EIB Group plays an active role in developing innovative products for SMEs in all their stages of development in the European Union and beyond. Notable activities include the investment of EUR 2.2 billion in 85 private equity funds by the European Investment Fund (EIF) in 2015. By crowding in private sector investments, a total volume of EUR 9.8 billion in equity investments was mobilised at the fund level at the end of 2015 in EU countries. The EIB Group Risk Enhancement Mandate (EREM) constitutes another programme to address financing shortfalls of SMEs and midcaps in the EU. It has a budget earmarked at EUR 6 billion and includes support for Europe's nascent market for debt funds as an alternative to bank financing. In addition, the "Mezzanine Co-Investment Facility (MCIF)," which has completed its first full year of operation in 2015, aims to foster the use of financial instruments with both debt and equity characteristics.

In 2013, the Netherlands, in cooperation with the EIF, introduced a fund of funds for later stage venture capital investments. Together with banks, the government is promoting the diffusion of information to SMEs with regard to these types of instruments. In April 2014, a credit desk was established for entrepreneurs as a central information point for financial questions. In addition, in October 2015, the NLII (Dutch Investment Institution) was founded by a group of Dutch institutional investors. The aim of the NLII is to create a better match between the supply and demand of long-term financing in the Netherlands, and by doing so remove bottlenecks in the financing of specific sectors, such as the SME sector or sustainable energy. The NLII recently introduced a subordinated loan fund of EUR 300 million. Banks will co-finance the loans within this fund for at least the same amount. Besides the subordinated loan fund, NLII introduced the Business loan fund. This fund, of a size of EUR 480 million, will also be co-financed by banks for at least 50%. The actual size of the business loan fund portfolio is EUR 71 million.

In 2012, the "Baltic Innovation Fund" (BIF) was set up. This is a fund created by the governments of Estonia, Latvia and Lithuania and the European Investment Fund (EIF) with the purpose to increase equity investments into the enterprises of the Baltic States. The EIF is investing EUR 52 million alongside investments of EUR 26 million, each from the national agencies of Estonia (KredEx), Latvia (Altum) and Lithuania (Invega). Over the 2013-16 period, the BIF will invest EUR 130 million into private equity and venture capital funds in the three Baltic countries to which an at least equal amount of investments shall be added by private investors and pension funds. In addition, sub-funds invest into enterprises according to the investment policy of each particular fund, but the general target group includes Baltic companies with good international development potential.

There are increasing efforts to stimulate crowdfunding activities, mainly through changes to financial regulation

New forms of innovative finance, such as peer-to-peer lending and crowd-sourced equity funding (CSEF), can increase the financing options available to SMEs. In order to further improve the regulatory framework for alternative financing in Austria, the new Alternative Financing Act (Alternativfinanzierungsgesetz (AltFG)) entered into force in September 2015, introducing new crowdfunding provisions. In the future, the obligation to publish a complete capital market prospectus will first apply starting with an issue volume of EUR 5 million (and only a simplified prospectus is required for an issue volume of between EUR 1.5 million and EUR 5 million). Before, this limit was set at EUR 250 000. In addition, the significance of internet platforms is enshrined in law. In the first 6 months of 2016, Austrian crowdfunding platforms collected more than EUR 13.5 million, compared to approximately EUR 8.7 in all of 2015. Similarly, in July 2015, the Korean government introduced a new regulatory framework for crowdfunding. The revised "Financial Investment Services and Capital Markets Act" – or the so-called crowdfunding act – is considered a legislative milestone for pioneering Korean start-ups, with the potential of creating positive spill-over effects for start-ups in Asia by offering them another avenue for attracting revenue to fuel project development, as well as for initial customer acquisition.

In Belgium, people who acquire shares in a company's equity through equity crowdfunding will benefit from an income tax credit on equity investment. Equity crowdfunding entitles to a tax credit of 30% to 45% under the same conditions, as those applying to the tax shelter. A person granting a loan to one or more companies through a crowdfunding platform (debt crowdfunding) will benefit from an exemption from the withholding tax on interests on the first EUR 15 000 lent per year. For any given loan, the exemption is applicable for a period of 4 years.

France undertook an overhaul of its crowdfunding regulation of 2014, to take into account feedback received from the platforms, the investors and the funded firms, as well as to allow for the possibility of using bond certificates (*bons de caisse*) as an instrument on the platforms. The updated framework addresses equity, debt and donations-based crowdfunding, it simplifies the process for crowdfunding platforms to operate and is expected to receive additional changes by authorities going forward. Since December 2015, a government amendment gives the possibility for lenders to deduce the potential loss from the no-reimbursement of a crowdfunding loan, to the interests received from other loans in the calculation of their income taxation. In addition, public local authorities can use crowdfunding to finance projects. Crowdfunding activities have roughly doubled in size between 2014 and 2015 with investment volumes reaching a record level of EUR 300 million, according to data from *Financement Participatif France*, a sector association.

In order to contribute to the development of new and innovative ways of financing in 2015, INADEM granted MXN 10 million to the project "Crowdfunding Ecosystem acceleration in Mexico to promote entrepreneurship, innovation and economic inclusion". This project aims to support entrepreneurship development and promote innovative financing mechanisms adapted to the digital era. INADEM recently added a new component to the project that aims to support crowdfunding for social impact projects. In 2015, the platform was launched and three companies succeeded in completing their crowdfunding campaign.

Not all countries have introduced a regulatory framework for crowdfunding activities. Switzerland, for example, lacks specific crowdfunding legislation. This means that platform operators may be treated as banks by the Swiss Financial Market supervisory Authority (FINMA), entailing licensing requirements and other regulation that constitute a high barrier to entry. At the same time, the Swiss crowdfunding market is growing strongly. There are currently around 40 platforms operating in the country, suggesting that regulation is ultimately only one of several factors that can stimulate the development of this market segment. On 20 April 2016, however, the Federal Council issued a statement recognising the importance of innovative financial technologies and made the decision to remove market entry barriers that exist for fintech firms, many of which are indeed active in the crowdfunding space, because of the current financial market regulation. Recent changes facilitate video and online client identification, and include the introduction of a less onerous licensing category for financial innovators, alongside a license exempt 'sandbox' for start-up companies. Similarly, the Australian Government has introduced legislation into the Australian Parliament for a regulatory framework that will reduce the compliance costs for small businesses seeking to raise funds through crowd-sourced equity funding.

The trend towards specifically targeting innovative firms with high-growth potential has continued

Acknowledging the particular potential and importance of innovative high-growth firms with respect to job creation and economic and productivity growth, governments continue to put in place measures that explicitly target and support these firms, or revise existing ones. Such programmes or instruments are now in place in many scoreboard countries, with some examples provided below.

In its budget released in March 2016, the government of Canada committed to take actions to support innovative and growth-oriented businesses in reaching their potential, as well as to help firms put innovation at the core of their business strategy. In addition, the government will be making available funds of up to CAD 800 million over five years to support innovation networks and clusters and launch a new initiative to help high-impact firms scale up and further their global competitiveness. Under this new approach, firms will be able to access coordinated services tailored to their needs at crucial transition points. Starting in 2016-17, the initiative aims to target 1 000 firms in the first few years, and expand to more firms thereafter. In addition, the government's Venture Capital Action Plan (VCAP) which was launched in 2013, has sustained its success in helping innovative, high-growth companies to grow and create jobs. All four national funds of funds under VCAP have completed fundraising, with two surpassing targets and raising a total of over CAD 1.3 billion in venture capital funds.

In Chile, the Early-Stage Fund (FT) is designed to foster the creation of new investment funds that provide high-growth, small and medium sized firms with financing. The investment fund management firms acquire stake in SMEs and get involved in the operation. Among the major requirements for eligible SMEs are a concrete, early-stage business project (innovative and with high-growth potential),paired with difficulties to carry out the project by themselves due to insufficient capital or a low level of management skills; and possibly other needs where the investment fund managers can be beneficial to their growth.

In the Czech Republic, the INOSTART is a programme, which started in 2012 as a pilot in two regions and has since been extended to the entire territory, focuses on supporting small, innovative start-ups that experience difficulties in raising the necessary funds to finance their business activities, due to, for instance, their increased risk profile, a short financial history, or low collateral. The programme allows newly established, innovative entrepreneurs during the first three years of their business activity to gain access to credit via support in the form of guarantees for loans at up to 60% of the outstanding loan principal. The programme also includes advisory services related to the strategic direction of the company and the implementation of business plans.

Since 2009, Innovation Norway provides grants for entrepreneurs and innovative start-ups up to three years old, allowing them to finance a variety of activities, such as product development or market entry. The grants are generally small (about NOK 300 000), but in rare cases may be as high as the EU's de minimis regulation allows (EUR 200 000). In addition, Innovation Norway provides "Innovation Loans," i.e. grants and guarantees to finance innovative projects within new or established firms of all sizes. The loans are priced at above market interest rates (with varying premiums depending on the risk), have up to ten years maturity (corresponding to the duration of the project), and require below market collateral. The grants normally amount to one third of project costs, but vary depending on the size of the firm without an upper limit, and require contractual cooperation between the two companies or a company and a public sector costumer.

Innovation Fund Ireland, launched in 2010, is a government initiative designed to attract leading international venture capital fund managers to Ireland. The instrument was specifically created to increase the availability of risk capital for early-stage and high-growth companies, with the main objectives of increasing the number and scale of innovation driven and high-growth businesses in Ireland; increasing the availability of smart risk capital for early stage and high-growth companies; and attracting top-tier venture capital fund managers to the country, that can help attract, leverage and develop entrepreneurial talent.

Financing to SMEs is increasingly provided in combination with consultancy services

Recent evidence suggests that, due to the sometimes underdeveloped financial skills among entrepreneurs, the provision of financial support to SMEs is most successful when offered in combination with consulting services, business advice or network opportunities for the beneficiaries of the programme, or with financial education more generally. For instance, credit guarantee schemes typically offer assistance in the preparation of accounting statements and information on financial markets, and even consultancy-type services, aimed at improving firm competitiveness and productivity.

In order to promote SME development and support growth of their competitiveness, the Entrepreneurship Development Agency (Enterprise Georgia), as well as the Innovation and Technology Agency (GITA) were established in early 2014 under the Ministry of Economy and Sustainable Development of Georgia (MoESD). Both agencies provide financial support to SMEs, as well as a broader range of services, such as mentoring, trainings and various advisory services.

The Credit Guarantee Corporation Malaysia Berhad (CGC) has been actively supporting potentially viable SMEs to obtain financing from FIs for almost four decades. As of end-2014, CGC had guaranteed a total of RM 56.1 billion to 429 424 SMEs. CGC also introduced a new rebate mechanism on its guarantee fee as a reward to its customers for timely repayment and good conduct of their loans. The rebate incentive was initiated as one of its proactive measures to ease the cost of borrowing for SMEs in light of the overall escalation in the cost of doing business. Apart from its core business of providing loan guarantees to small businesses, CGC conducts advisory and consultancy activities and provides relevant information on how to start a business, as well as on the importance of cash-flow management and good credit practices.

SME and entrepreneurship policies in Israel are primarily designed by the Ministry of Economy and implemented by its Office of the Chief Scientist (OCS) and the Small and Medium Business Agency (SMBA). While the OCS has a longstanding presence in the Israeli policy framework and focuses on technology-based start-ups and SMEs, the SMBA has recently been established to cater to SMEs in traditional sectors through business management training and coaching, subsidised access to finance (through the management of the national loan guarantee programme), and a new network of business support centres (MAOF centres).

The need for the combination of consultancy services and financial support is especially pronounced for businesses that are confronted with a change of ownership. Many SMEs, especially family-owned ventures, are ill-prepared for their succession, often leading to the closure of viable enterprises. In addition, a transfer of family-owned businesses poses particular financial challenges, and policy makers have often stepped in in recognition (see Box 1.1).

Box 1.1. **The transfer of family-owned businesses: A double challenge on preparation and financing**

Family-owned companies account for two thirds of all businesses worldwide, generating more than 70% of global annual GDP, according to a survey from the Family Firm Institute, a UK-based not-for profit organisation. The vast majority of these businesses are SMEs, but they vary significantly in size, ranging from micro to medium-sized enterprises, and include

Box 1.1. **The transfer of family-owned businesses: A double challenge on preparation and financing** *(cont.)*

sometimes indeed multinational enterprises, operating in all types of sectors. The transfer of family-owned businesses poses particular challenges, as their succession has often proven to create risks for the survival of the firm, such as the breaking of managerial and commercial business ties which form the basis for the operating success of the company. According to estimates by the European Commission in 2011, about 150 000 companies and 600 000 jobs are lost worldwide each year due to unaccomplished or failing transfers.

The lack of competences and preparation plays a major role in this respect. For example, a survey conducted by the Family Firm Institute, illustrates that while 79 % of family-owned businesses plan to transmit the management within the family, only 16 % of these firms have prepared a consolidated family succession plan. The same study also estimates that 70% of family business transfers fail, with the lack of competences and motivation of the acquirer being the most common reasons. The need for proper preparation is all the more necessary if the family business operates across different countries. Different local operating conditions and business relations increase the amount of necessary "managerial know-how" that must be acquired and mastered by the new owner.

Many of the obstacles family-owned businesses encounter are financial in nature, especially if the entrepreneur has only limited financial means at his or her disposal. Smaller businesses often rely on personal resources from the owner (beyond the company's equity), which are withdrawn when selling takes place. An additional financial weakening can occur when other family members need to be paid out.

Transfer capital, supplied by venture capital firms or funds, though important in volume, accounts for only a limited number of operations within the SME population. From French figures in 2011 (AFIC and *Banques Populaires*) less than 3 % of transferred SMEs in the staff size bracket of 20 to 250 employees benefitted from the presence of equity investors. For smaller operations, the use of personal loans granted to entrepreneurs allows a larger equity for the buying structures. In addition, some development banks or institutions provide a range of mezzanine loans or subordinated loans, allowing for a better multiplier on buyer's equity, which constitutes one area, where policy making can make the difference.

Transfer capital, supplied by venture capital firms or funds, though important in volume, accounts for only a limited number of operations within the SME population. For smaller operations, the use of personal loans granted to entrepreneurs allows a larger equity for the buying structures. In addition, some development banks or institutions provide a range of mezzanine loans or subordinated loans, allowing for a better multiplier on buyer's equity, which constitutes one area, where policy making can make the difference.

In addition, specific loan programmes for young, first time entrepreneurs taking over a business represent another common approach to ease the financial burden a transfer of business often entails. The *Réseau Entreprendre* in France, a private association running a regional network with the participation of public partners, Finnvera in Finland, a public development institution, or the *Société nationale de Crédit et d'Investissement* in Luxemburg offer « take off loans » for young, first time entrepreneurs, also for restructuring their enterprise.

Other policy approaches include offering subordinate loans to enterprises that change ownership, such as in Spain by the Chamber of Commerce or, in Denmark, the possibility for buyers looking for additional equity to contact Venture Capital Firms through a dedicated match online site (*Foreningen*).

Box 1.1. **The transfer of family-owned businesses: A double challenge on preparation and financing** *(cont.)*

Guarantee institutions provide vital financial assistance.to help obtaining loans, which are often used to take over existing businesses. As noticeable examples, in 2014, 64% of the guarantee volume provided by SIAGI, a French guarantee institution, was granted to business transfers, as well as 33% of the guarantee volume of SOWALFIN, operating in Wallonia, Belgium. Nonetheless, the transfer of businesses is often not covered by guarantee institutions, such as INVEGA from Lithuania or the Slovene Enterprise Fund, and sometimes even explicitly excluded as in the case of Poland's "De Minimis Guarantee".

Although, tutorship and advice is generally supplied with these financial supports, most approaches to raise awareness about the conditions needed for the preparation of a successful transfer are developed by private actors, such as associations or Chambers of commerce, often in cooperation with regional or national authorities, as well as by professional bodies, like advisers, notaries and chartered accountants.

In the United Kingdom, for instance, the Institute of Family Businesses provides guidance on family management and business perspectives, including a very practical framework of advice and ideas to help ownership succession. In Italy, the Venetian Centre for Productivity issues regularly an online newsletter on all pertinent news and events in Europe concerning the topic. A private support entity (Studio Centro Veneto), acting in relation with the Ministry of Economic development, proposes a methodological kit of instruments covering all aspects of transfers (awareness, training, financial assessment), while in the Netherlands, joint information campaigns are done by the Chamber of Trade and the Ministry of Economy.

Source: AECM.

There are continued efforts to help SMEs access new markets through internationalisation

In Belgium, FINMIX International was created in January 2016 and is a sub-category of the "FINMIX" instrument. FINMIX has already been in place since 2012 and provides entrepreneurs looking for alternative financing with the opportunity to present their project to a panel of experts, who will advise on the optimal financing mix. FINMIX International is based on the same concept, but targeted at entrepreneurs looking to finance their internationalisation, including for instance the start-up of a foreign office, a project abroad, or export financing. The expert panel consists of bank representatives, public and private risk capital providers, public and private credit insurers, PMV, Finexpo (which is a consultant in international financing), an advisor of FIT, and the business organisations Unizo and Voka.

In Finland, Finnvera introduced a new instrument ("the Growth Loan") in April 2016 for financing major growth and internationalisation investments in SMEs and midcap companies. This debt-based mezzanine financing product is intended for companies which are over three years old and have a turnover of less than EUR 300 million. Similarly, Finnvera's authorisation to provide export credits was raised from EUR 7 billion to EUR 13 billion, and its authorisation to grant export credit guarantees was raised from EUR 17 billion to EUR 19 billion. Alongside the Growth Loan, there are a few other government programmes which try to help SMEs achieve their goals with respect to internationalisation and growth (for example the Vigo Acceleration programme).

The Serbian Export Credit and Insurance Agency (AOFI) provides short term loans to companies that have exported in the past year within the framework of the national Exporter

Financing Programme. The Export Credit Insurance Agency, via its export credit insurance service AOFI, ensures coverage of commercial risks. In Sweden, export credit guarantees are provided through the Swedish National Export Credits Guarantee Board EKN. EKN's recent effort to reach out to more SMEs, mainly through increased investment in local presence has yielded results, as evidenced by a 30% increase in transactions for SMEs, along with a rise in the volume of guarantees, totalling SEK 3.1 billion in 2014, in comparison to SEK 2.4 billion in 2013. In Luxembourg, the *Office du Ducroire* is a public institution that offers services to exporters (including SMEs). It insures the risks linked to international business and partially finances promotion expenses, exhibition and export training expenses.

Supporting female entrepreneurs has become an integral objective of many policies or programmes

Many governments, including from emerging economies, have recognised the need for making their SME support policies more inclusive, often focusing on groups underrepresented in entrepreneurship statistics, such as women or youth, more explicitly to help them pursue entrepreneurial projects and thus contribute to economic growth and prosperity. Promoting women's entrepreneurship, for instance, is increasingly viewed as a key source of job creation and innovation and a necessary step for addressing income inequality and social exclusion. New policy trends in the financing realm include an increased focus on supporting growth-oriented women entrepreneurs through better access to equity financing and tailored incubator and accelerator programmes (OECD, 2016e).

In some instances this approach is an integral part of national SME Development Strategies, such as in the case of Serbia, thus guiding overall policies in this area, while in other cases specific programmes have been put into place. The United States, for instance, is the global leader in creation of business accelerators for women, but other examples can be found in Canada, Ireland, Mexico, and New Zealand.

Supporting women entrepreneurs has continued to be one of the key focus areas for the Government of Canada, for instance. Since 2015, BDC has earmarked CAD 700 million of its existing funds over three years to specifically finance women-owned businesses. For example, the ceiling in the *Fonds de garantie pour la création, la reprise, le développement d'entreprise á l'initiative des femmes* in France was raised from EUR 27 000 to EUR 45 000 in 2015 to complement other new training and networking supports that were introduced.

In March 2016, Mexico launched a programme with mechanisms to support female entrepreneurs, thus promoting equal opportunities and enabling women to participate in economic development. Eligible firms are micro, small and medium-sized formal enterprises belonging to women; for the case of companies, at least 51% of the share capital at the time of the loan application must be owned by women.

In Israel, the SAWA Direct Non-Bank Loan Fund is a microenterprise initiative, aiming to help low-income populations, mainly women, develop income-generating activity through access to business training and financing on reasonable terms, thus combining loans, guarantees, training and business advice.

Overview of government policies

Table 1.12 summarises the types of measures in place in 2015. These measures carry different costs for public budgets, including some with significant costs (e.g. government direct lending and loan guarantees); some that are cost neutral (e.g. bank targets for SME lending), and some with even negative costs (e.g. negative interest rates for bank deposits at the central bank). These measures also imply varying degrees of engagement by public agencies. Table 1.12 thus confirms that loan guarantees are the most widely used instrument employed by a large majority of participating countries, followed by venture capital, equity funding, business angel support and direct lending to SMEs.

Table 1.12. **Government policy responses to support SME access to finance, 2015**

Policy response	Countries
Government loan guarantees	Austria, Belgium, Brazil, Canada, Chile, Colombia, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Greece, Hungary, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Malaysia, Mexico, the Netherlands, Norway, Portugal, Russian Federation, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Thailand, Turkey, United Kingdom, United States at EU level: EC and EIB Group (EIF)
Special guarantees and loans for start ups	Austria, Brazil, Canada, Chile, China, Czech Republic, Denmark, Estonia, France, Israel, Italy, Malaysia, Mexico, the Netherlands, New Zealand, Serbia, Sweden, Turkey, United Kingdom at EU level: EC and EIB Group (EIF)
Government export guarantees, trade credit	Austria, Belgium, Brazil, Canada, Chile, Colombia, Czech Republic, Denmark, Estonia, Finland, France, Hungary, Israel, Greece, Korea, Luxembourg, Malaysia, the Netherlands, New Zealand, Norway, Portugal, Russian Federation, Slovak Republic, Spain, Sweden, Switzerland, Thailand, United Kingdom, United States at EU level: EIB Group (EIF)
Direct lending to SMEs	Austria, Belgium, Brazil, Canada, Chile, China, Czech Republic, Estonia, Finland, France, Greece, Hungary, Ireland, Japan, Korea, Malaysia, Norway, Portugal, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland*, Turkey
Subsidised interest rates	Austria, China, Georgia, Hungary, Malaysia, Portugal, Russian Federation, Slovak Republic, Spain, Switzerland*, Thailand, Turkey, United Kingdom
Venture capital, equity funding, business angel support	Australia, Austria, Belgium, Brazil, Canada, Chile, China, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Greece, Hungary, Ireland, Israel, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Portugal, Russian Federation, Slovak Republic, Spain, Sweden, Turkey, United Kingdom at EU level: EC and EIB Group (EIF)
SME banks	Brazil, Canada, China, Czech Republic, France, Ireland, Luxembourg, Malaysia, Portugal, Russian Federation, Thailand, Turkey, United Kingdom
Business advice, consultancy	Australia, Austria, Belgium, Brazil, Canada, Chile, Colombia, Czech Republic, Denmark, Finland, France, Georgia, Ireland, Israel, Malaysia, the Netherlands, New Zealand, Norway, Russian Federation, Sweden, Switzerland, Thailand, Turkey, United Kingdom, United States at EU level: EC and EIB Group (EIF)
Tax exemptions, deferments	Australia, Belgium, Brazil, Chile, China, Finland, Italy, New Zealand, Norway, Spain, Sweden, Turkey, United Kingdom
Credit mediation/ review/ code of conduct	Belgium, France, Ireland, New Zealand, Spain
Bank targets for SME lending, negative interest rates for deposits at central bank	Denmark at EU level: ECB
Central Bank funding to banks dependent on net lending rate	Russian Federation, United Kingdom

Note: Switzerland discarded subsidised interest rates in May 2016, direct lending is only provided to hotels.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017.

The G20/OECD High-Level Principles on SME Financing as a guide for policy makers

In 2015, the OECD, together with other international organisations, developed the G20/OECD High-Level Principles on SME Financing at the request of G20 Finance Ministers and Central Banks Governors. They serve as a general framework to guide policy making by providing broad guidelines to governments aiming to improve SMEs' access to finance and that apply to diverse circumstances and different economic, social and regulatory environments (see Box 1.2). More specifically, the Principles advocate a two-pronged approach that, on the one hand, seeks to improve access to credit, and on the other hand, develop a more diversified financial offer for small businesses. This is all the more important given that some SMEs are not appropriate candidates for debt financing, owing to their lack

Box 1.2. **G20/ OECD High-Level Principles on SME Financing**

1. Identify SME financing needs and gaps and improve the evidence base.
2. Strengthen SME access to traditional bank financing.
3. Enable SMEs to access diverse non-traditional bank financing instruments and channels.
4. Promote financial inclusion for SMEs and ease access to formal financial services, including for informal firms.
5. Design regulation that supports a range of financing instruments for SMEs, while ensuring financial stability and investor protection.
6. Improve transparency in SME finance markets.
7. Enhance SME financial skills and strategic vision.
8. Adopt principles of risk sharing for publicly supported SME finance instruments.
9. Encourage timely payments in commercial transactions and public procurement.
10. Design public programmes for SME finance which ensure additionality, cost effectiveness and user-friendliness.
11. Monitor and evaluate public programmes to enhance SME finance.

of collateral or positive cash flows, their need for longer maturities to finance capital expenditure and investment, or other impediments to servicing debt, such as irregular cash flow generation. The implementation of the G20/OECD High-Level Principles on SME Financing would go a long way to addressing these issues.

The OECD is currently working to identify effective approaches to implementing the G20/OECD High-Level Principles on SME Financing and developing a tool to monitor progress. The information gathered through these exercises could potentially feed into future editions of the scoreboard. Likewise, the scoreboard can serve the development of effective approaches to implement the Principles.

Summing up and looking ahead

By and large, SME access to finance seems to have turned the corner, as the tentative recovery in bank financing observed in 2014 gathered pace in a majority of participating countries in 2015. SME loan growth usually surpassed levels observed in previous years as a result of improved macro-economic and financial conditions. Considerable variation in the data across countries persists, however; credit growth in 2015 remained negative in some of the economies hit hardest by the financial crisis, such as Greece and Ireland, and declined strongly in a few other countries, such as the Russian Federation and the Slovak Republic. In addition, most emerging economies covered by this report also witnessed a slowdown in SME credit growth rates, although growth usually remained positive and indeed high compared to high-income countries.

Credit conditions also generally improved in 2015, as was already the case in 2014; as evidenced by survey data, loans have become more available and credit rejections less common. Interest rates have continued to fall, often to the lowest levels observed over the 2007-15 period, with both payment delays and bankruptcies down as well in 2015.

There is evidence that mature, profitable and larger SMEs benefit in particular from improving credit conditions and relative improvements in the availability of bank financing, while start-ups and young SMEs, micro-enterprises and innovative firms still face considerable hurdles in attracting credit. This development, coupled with subdued demand from SMEs in many economies, might explain why SME credit has risen only modestly, or not at all in some countries, despite very low interest rates and generally looser credit conditions.

Developing financial instruments other than traditional bank debt will therefore remain crucial, especially for the subset of SMEs that still face difficulties in accessing bank finance, and for whom equity-type instruments in particular would be more appropriate. More generally, being able to tap a diversified set of financing instruments would benefit all SMEs by making them less vulnerable to potential changes in the credit market.

On this issue, the picture remains mixed, however. While peer-to-peer lending platforms and other "fintech developments" are taking off and are in many instances expected to become a game changer for SMEs,[9] volumes in 2015 still remained limited in size and scope. Some other, more established forms of financing, such as venture capital investments or public listings, have decreased in most countries under review. Asset-based financing offers a similarly mixed picture; factoring and invoice discounting remained broadly constant in 2015 and, while new production in leasing and hire purchases increased over 2015 compared to 2014, volumes generally still remain below their pre-crisis peak.

Policy makers continue to recognise the importance of bank credit to SME financing, as evidenced by the widespread use of credit guarantee schemes. In line with recommendations by the G20/OECD High-Level Principles on SME Financing, this approach should be complemented by policy initiatives to broaden the range of financial instruments used by entrepreneurs and SMEs. Although this two-pronged approach to policy making is increasingly accepted and adopted by governments in participating countries, small businesses often remain overly dependent on bank credit. Despite rising public interest, equity financing, particularly through the capital market, remains underdeveloped throughout the OECD, with only a few notable exceptions. A better understanding of the opportunities of different alternatives to traditional bank debt, the challenges for their wider uptake, as well as how public policy can contribute to their further development, remains crucial to address SME finance gaps. By monitoring SME finance developments, the scoreboard publication can support and encourage the development of a healthy and more diversified financial offer for SMEs.

Looking ahead, growth forecasts for 2017 and 2018 have been revised upwards. However, this recovery is highly dependent on sound policy making, including monetary and fiscal policies, but especially structural measures. There is a risk that the global economy will remain stuck in a low-growth trap, with low productivity growth, weak investments and subdued growth becoming entrenched in the years to come. In this situation, SMEs may face particular risks and vulnerabilities in the short to mid-term. A souring economic climate could endanger the tentative recovery in SME financing currently underway, as small firms are likely to be disproportionately affected by such developments, due to their overreliance on bank lending.

Notes

1. Financial conditions indices are an extension of monetary policy indices, often used to evaluate the effect of monetary policy on economic activity. It does not only include changes in the exchange rate and short and long term interest rates, which are typical monetary policy indices, but also changes in credit availability for households and firms, corporate bond yields (or the spread with respect to government bonds) and household wealth, usually measured by equity and house prices. An increase in the financial conditions index implies that financial conditions have become more inductive for economic growth (see Guichard et al., 2009, for more information).
2. The ECB Survey on SME access to finance is undertaken every six months to assess the latest developments in the financing conditions for firms in the Euro area. Among the most important questions are: was there a deterioration in the availability of bank loans, in the willingness of the banks to lend; what was the outcome of the loan application (granted in full or rejected) and did interest rates and collateral requirements increase or decrease. A joint ECB/EC survey round is conducted every two years for all the EU member states and some additional countries.
3. Caveats are in order as lack of sufficient data observations and other data issues, may influence the absence of a statistically significant relationship.
4. The GFCF is defined as the acquisition (including purchases of new or second-hand assets) and creation of assets by producers for their own use, minus disposals of produced fixed assets. The relevant assets relate to products that are intended for use in the production of other goods and services for a period of more than a year. The term "produced assets" means that only those assets that come into existence as a result of a production process recognised in the national accounts are included. Data are under 2008 System of National Accounts (SNA 2008) for all countries except for Chile, Japan and Turkey (SNA 1993). This indicator is in million USD at current prices and PPPs, and in annual growth rates.
5. Financial sector development refers to the depth, access, and efficiency of financial institutions and financial market in operation in a given country. The IMF has constituted a single index which captures this notion, which includes the share of bank credit to the private sector as a percentage of GDP, but also other indicators such as the stock market capitalisation to GDP and the total number of issuers of debt. Their analysis illustrates that the financial sector has become more developed in most middle-income countries (IMF, 2015).
6. The European Federation of Leasing Company Associations (Leaseurope) is an umbrella company for both the leasing and automotive rental industries in Europe and is composed of 44 member associations in 34 countries. It publishes European-wide statistics on the leasing industry and covers approximately 92% of the European leasing market.
7. Factors Chain International is an umbrella organisation for factoring organisations and currently has over 275 members in 74 countries.
8. This figure excludes Israel and Japan because comparable 2015 data were not available.
9. See, for example, "The Future of FinTech: A Paradigm Shift in Small Business Finance" by the World Economic Forum, published in October 2015.

References

AFBA (Asset-based Finance Association) (2016), *Late Payments: An analysis by sector*, *www.abfa.org.uk/news/Documents/ABFA%20white%20paper%20-%20Payment%20days%20by%20sector.pdf*.

Bank of England (2016), *Credit Conditions Survey, 2016 Q3*, *www.bankofengland.co.uk/publications/Documents/creditconditionsreview/2016/ccrq216.pdf*.

Bank of Japan (2016a), *TANKAN, Short-Term Economic Survey of Enterprises in Japan*, June 2016, *www.boj.or.jp/en/statistics/tk/gaiyo/2016/tka1606.pdf*.

Bank of Japan (2016b), *Senior Loan Officer Opinion Survey on Bank Lending Practices at Large Japanese Banks*, July 2016, *www.boj.or.jp/en/statistics/dl/loan/loos/release/loos1607.pdf*.

Brogi, M. and V. Lagasio (2016), "SMEs sources of funds: more capital or more debt to sustain growth?" Paper presented at the WPSMEE Informal Steering Group on SME and Entrepreneurship Financing on 7 September 2016.

Cappiello et al. (2010), "Do bank loans and credit standards have an effect on output? A panel approach for the euro area", *European Central Bank Working Paper series* No. 1150/ January 2010, *www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1150.pdf?a850244b9f985b4856ec82fcf7ea50e3*.

Connell, W. (2014), "The economic impact of late payments", *European Commission European Economy Economic Papers* 535, September 2014, *http://ec.europa.eu/economy_finance/publications/economic_paper/2014/pdf/ecp531_en.pdf*.

Dun & Bradstreet (2016), *Trade Payments Analysis 2016 Q1*, *http://dnb.com.au/_media/documents/Trade%20Payments%20Analysis%20Report%20-%20Q1%202016.pdf*.

Dunkelberg, W. and H. Wade (2016), *NFIB Small Business Economic Trends*, June 2016. *www.nfib.com/assets/SBET-July-2016.pdf*.

EBAN (2016), *European Early Stage Market Statistics 2015*, The European Trade Association for Business Angels, Seed Funds, and other Early Stage Market Players (EBAN), May 2016, *www.eban.org/wp-content/uploads/2016/06/Early-Stage-Market-Statistics-2015.pdf*.

ECB (2016), *Survey on the access to finance of Small and Medium-sized Enterprises in the Euro area*, European Central Bank, October 2015-March 2016, *www.ecb.europa.eu/pub/pdf/other/accesstofinancesmallmediumsizedenterprises201606.en.pdf?c96d449e601cbe6c87d2e67d54e68c70*.

European Commission (2015), *Ex-post evaluation of Late Payment Directive*, written by Valdani Vicari Associati, Technopolis Group, Ernst & Young, November 2015, *http://bookshop.europa.eu/en/ex-post-evaluation-of-late-payment-directive-pbET0415875/*.

Factors Chain International (2015), *Factoring Turnover by Country in the last 7 years*, *www.fci.nl/about-fci/stats/final-2014-market-survey-for-website.xlsx*.

Federal Reserve Banks of New York, Atlanta, Boston, Cleveland, Philadelphia, Richmond and St. Louis (2016), *2015 Small Business Credit Survey: Report on Employer Firms*, March 2016, *www.stlouisfed.org/~/media/Files/PDFs/Community%20Development/Report-SBCS-2015.pdf*.

Federal Reserve Board (2016), July 2016, *Senior Loan Officer Opinion Survey on Bank Lending Practices*, *www.federalreserve.gov/boarddocs/snloansurvey/201608/default.htm*.

G20/OECD High Principles on SME Financing, 2015 *www.oecd.org/finance/G20-OECD-High-Level-%20Principles-on-SME-Financing.pdf*.

Gornall and Stebulaev (2015), *The Economic Impact of Venture Capital: Evidence from Public Companies*, November 1, 2015, *www.gsb.stanford.edu/faculty-research/working-papers/economic-impact-venture-capital-evidence-public-companies*.

Guichard, S., D. Haugh and D. Turner D (2009),"Quantifying the Effect of Financial Conditions in the Euro area, Japan, United Kingdom and United States", OECD Publishing, Paris, *http://dx.doi.org/10.1787/226365806132*.

Haugh et al. (2016), "Cardiac Arrest or Dizzy Spell: Why is World Trade So Weak and What Can Policy Do About It?", *OECD Economic Policy Paper* No. 18, September, OECD Publishing, Paris, *www.oecd.org/eco/outlook/Cardiac-arrest-or-dizzy-spell-why-is-world-trade-so-weak-OECD-Paris-21-September-2016.pdf*.

IFG (2016), *Global Industry Activity Report 2015*, International Factors Group, Kraa,nem. *www.ifgroup.com/research/global-industry-activity-reports/.#sthash.y9n2X5ZZ.dpuf*.

IMF (2015), "Rethinking financial deepening: Stability and growth in emerging markets", *IMF Staff Discussion Note*, May 2015, SDN 15/08, *www.imf.org/external/pubs/ft/sdn/2015/sdn1508.pdf*.

LeasEurope (2016), *Annual Survey 2015*, *www.leaseurope.org/uploads/documents/stats/European%20Leasing%20Market%202015.pdf*.

Lee, N., H. Sameen and M. Cowling (2015), "Access to finance for innovative SMEs since the financial crisis", *Research Policy*, 44 (2). pp. 370-3.

Magnus, N., A. Margerit, B. Mesnard and C. Power (2016), "Non-Performing Loans in the Banking Union: Stocktaking and Challenges", *European Parliament Brief*, *www.europarl.europa.eu/RegData/etudes/BRIE/2016/574400/IPOL_BRI(2016)574400_EN.pdf*.

Massolution (2015), *2015CF Crowdfunding Industry Report*, *http://reports.crowdsourcing.org/?route=product/product&product_id=54*.

Nassr and Wehinger (2016), "Opportunities and limitations of public equity markets for SMEs", *OECD Journal: Financial Market Trends*, Vol. 2015/1, *http://dx.doi.org/10.1787/fmt-2015-5jrs051fvnjk*.

OECD (forthcoming), "Alternative Financing Instruments for SMEs and Entrepreneurs: The Case of Capital Market Finance".

OECD (2016a), *OECD Economic Outlook*, Volume 2016 Issue 2: Preliminary version, OECD Publishing, Paris, *http://dx.doi.org/10.1787/eco_outlook-v2016-1-en*.

OECD (2016b), *OECD Business and Finance Outlook 2016*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264257573-en*.

OECD (2016c), *Financing SMEs and Entrepreneurs 2016: An OECD Scoreboard*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/fin_sme_ent-2016-en*.

OECD (2016d), *Entrepreneurship at a Glance 2016*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/entrepreneur_aag-2016-en*.

OECD (2016e), *Gender inequalities in entrepreneurship and recent policy responses*, forthcoming.

Rostamkalaei, A. and M. Freel (2015), *The cost of growth: small firms and the pricing of bank loans*, 14 October 2015, *http://link.springer.com/article/10.1007/s11187-015-9681-x*.

SME Finance Monitor (2015), *2015: Annual Report*, *http://bdrc-continental.com/wp-content/uploads/2016/05/BDRCContinental_SME_Finance_Monitor_Annual_Report_2015_FINAL.pdf* .

UNDESA (2016), *World Economic Situation and Prospects 2016*, Update as of mid-2015, United Nations, New York.

World Bank (2016a), *Doing Business 2017: Equal Opportunity for All, Case study on Getting Credit – Credit Information: Casting a wide net to expand financial inclusion*, *www.doingbusiness.org/reports/case-studies/2016/gc-credit-info*.

Financing SMEs and Entrepreneurs 2017
An OECD Scoreboard

Chapter 2

Fostering markets for SME finance: Matching business and investor needs

This chapter focuses on key demand- and supply-side barriers that currently limit SMEs' access to non-bank finance instruments. It reviews recent trends in policy measures to support the development of such alternative finance instruments, including SME investor-readiness and financial literacy programmes, as well as ways to incentivise institutional investors, retail investors and other potential market participants to enter SME equity markets, with the objective to identify good practices and policy recommendations.

Introduction

The financial crisis had a profound impact on the availability of bank credit. Lending to SMEs often declined dramatically in the years following the crisis, and there continues to be a financing shortfall in many countries. Although this slump was in part caused by a decline in the demand for credit, banks have also become more reluctant to lend, and thus loans have been more difficult to obtain for SMEs and entrepreneurs.

The effects of the crisis and its aftermath were especially pronounced for SMEs for several reasons. First, SMEs are much more dependent on bank lending than large firms, so a decline in the availability of bank loans is much more likely to impact their investment and growth prospects. This situation has been particularly damaging to European SMEs that rely more on bank finance than their US counterparts, where non-bank credit channels have considerably mitigated the impact of the drought of straight bank debt (Véron, 2013). Second, credit to entrepreneurs and SMEs is likely to be disproportionately impacted by the subsequent financial reforms. Among SMEs, start-ups, micro-enterprises and firms with innovative, but unproven business models already faced significant barriers to accessing finance before the crisis, and thus continue to be the most likely to be cut off from external financing given their risk profile. Third, SMEs' profitability suffered under the worsening economic climate. This not only compounded their difficulties in obtaining bank lending, but also made it more difficult to replace external sources of finance with internal ones.

Moreover, traditional bank lending may not always be the most appropriate form of finance for certain SMEs and entrepreneurs. In particular, debt financing is often ill-suited to the needs of start-ups, highly innovative or fast-growing firms. Although these firms form only a small minority of all SMEs, they account for a significant share of jobs created and are key players in achieving inclusive economic growth, and in contributing to innovation. Given the higher risk-return profile of these enterprises, their growth depends more on well-functioning capital markets, and less on the conditions in the credit market. Similar equity gaps also exist for firms undergoing an important transition, such as a change in ownership, a restructuring of activities, entry into foreign markets, and so on. Other finance instruments, often equity-based, may therefore be more suitable for these firms.

Challenges in developing non-bank finance instruments for SMEs

The scoreboard data illustrate that, although financial instruments other than bank lending have been gaining traction in some countries, they have not been able to compensate for the credit shortfalls observed in many countries. Likewise, the cyclicality of bank finance has proven particularly problematic in countries with less developed financial markets. There is evidence that countries with bank-oriented systems face greater impacts of a crisis than those with a market-oriented financial structure (Gambacorta et al., 2014). This, in turn, suggests that SMEs which are less reliant on bank finance are less likely to be vulnerable to cyclical effects.

At the same time, there is clear potential to further mobilise financial markets as a source of finance for SMEs. Although many of the obstacles to the development and uptake of non-bank finance instruments are common for most of the instruments across the risk-return spectrum, they are most acute for high-risk, high-return equity-type instruments on the right of Table 2.1.

Table 2.1. **Alternative financing instruments**

Low risk/return	Low risk/return	Medium risk/return	High risk/return
Asset-based finance	Alternative debt	"Hybrid" instruments	Equity instruments
• Asset-based lending • Factoring • Purchase order finance • Warehouse receipts • Leasing	• Corporate bonds • Securitised debt • Covered bonds • Private placements • Crowdfunding (debt)	• Subordinated loans/bonds • Silent participations • Participating loans • Profit participation rights • Convertible bonds • Bonds with warrants • Mezzanine finance	• Private equity • Venture capital • Business angels • Specialised platforms for public listing of SMEs • Crowdfunding (equity)

Source: OECD (2015a).

An additional reason to focus primarily on high-risk, high-return instruments is that these instruments mainly cater to innovative and high-potential SMEs and start-ups, where traditional finance gaps are most acute. This firm segment is often not well served by the banking sector, because of its riskiness and opacity, and thus relies more on the development of alternative financing instruments. A recently published report by the British Business Bank (2016) highlights that both scale-up and established SMEs are more likely to see their new loan application approved (with success rates around 60%), while start-ups are more likely to be unsuccessful. When considering new overdrafts applications, a similar trend is evident, where scale-up and established SMEs have proven to be more successful.

The difficulties in developing alternative instruments stem to a significant extent from demand-side challenges, including the lack of financial knowledge of many entrepreneurs and business owners, who are sometimes unaware of the existence of alternatives to bank lending and, even if they are, are very often unable or unwilling to comply with the requirements of professional investors. Insufficient financial knowledge also often prevents SMEs from seeking out the instruments which are most suited to their needs. Unfavourable tax treatment of some of these alternatives may also be an obstacle to their expanded use. On the supply side, despite many government initiatives to develop the use of equity-type instruments for SMEs, (institutional) investors remain hesitant to invest in small firms because of large information asymmetries, a scarcity of transparent credit data, regulatory obstacles such as the asymmetric treatment of equity and debt financing, as well as insufficient investment opportunities.

The rationale for public policy to take an active role in removing barriers to the development of alternative finance instruments for SMEs is thus two-fold. First, the financing gap faced by SMEs has been widely identified as stemming from a market failure, resulting in economic inefficiencies. A second argument for intervention relates to the positive spill-over effects that the development of alternative finance instruments generates for the broader economy, especially those targeting fast-growing firms that contribute disproportionately to job growth. It is against this backdrop that many governments have stepped in to make alternative financial instruments more available to small businesses.

The role of public policy in fostering markets for SME finance

In the aftermath of the financial crisis, policy attention focussed mainly on sustaining bank finance, most often by expanding and/ or improving existing credit guarantee schemes or developing new ones. Although these initiatives provided necessary breathing room for many SMEs in need of finance, they also contributed to perpetuating SME over-reliance on straight debt. While policies to facilitate bank lending have often remained in place and are in many instances now being modified in line with evolving needs, an additional recent policy shift towards alternative finance instruments can be discerned. Indeed, over the last few years, many new initiatives to foster sources of finance other than straight debt have been introduced, notably with respect to equity-type instruments, often alongside a focus on innovative and high-potential SMEs. These initiatives range from introducing tax incentives for investors in SME markets, the implementation of more effective regulation (of particular note in this respect are the recently adopted regulatory frameworks for crowdfunding activities in several countries), to the exploration of public-private partnerships for equity investments within the capital market. Box 2.1 explores the potential of capital markets to finance SMEs in greater detail.

Box 2.1. **The potential of capital market finance for SMEs**

The past three decades have seen a shift in financing from the banking system to the capital market. However, unlike larger companies, SMEs continue to turn to banks, which usually remain the least expensive form of funding for these types of firms.

Banks face losses when borrowers cannot repay loans, but derive few additional benefits when the borrower is very profitable. Therefore, banks will often pass up potentially lucrative but risky proposals, and prefer companies with steady cash flows and collateral. The situation is different when the firm embarks on an innovative project or structural transformation, such as increasing the scale of operations, introducing new products or expanding geographically. In those circumstances, a possible solution for an SME is to forge a partnership with a capital market intermediary that specialises in analysing and accepting the risks of corporate transformation. The capital market intermediary can structure a financing vehicle that distributes risk and reward between the owners of the firm and outside investors.

When discussing capital markets, a basic distinction must be made between public and private markets. A private capital market is open only to certain categories of investors, designated as "qualified", i.e. exempt from the full range of investor protection laws and regulations. Private markets are frequently less liquid and transparent than the public markets and companies are usually not subject to public disclosure requirements, meaning that information may be shared on a confidential basis among "insiders" such as owners, managers, financial intermediaries and investors. Investors in the private capital market, who are considered professional or sophisticated, waive the full range of investor protection regulation in order to invest in restricted market niches.

The private capital market instrument that most closely resembles a bank credit is the private debt fund ("alternative lender"), in which institutional investors create a fund that operates outside the banking system and offers debt financing for SMEs. The private debt market has expanded steadily in recent years, with no visible slackening during the crisis. The largest single market is the United States with around 60% of the world total, but the fastest growth is occurring in Europe, whose share since 2010 has grown from 10% of the

Box 2.1. **The potential of capital market finance for SMEs** *(cont.)*

world market to 30%. Private equity represents the second component of the private capital market and a well-established vehicle for financing potential high growth SMEs. In both, private equity and private debt, the level of "dry powder", i.e. funds that have been committed by investors but not yet invested, is near all-time highs. In its current state, the private capital market may thus have huge potential resources available for further investment (see Table 2.2).

Table 2.2. **Global private equity: fund raising and uninvested capital, 2010-15**

	2010	2011	2012	2013	2014	2015
North America	80	87	95	176	189	168
Europe	40	44	64	86	77	70
Asia	36	54	42	37	58	37
Rest of world	16	17	18	12	15	12
Total	172	202	219	311	339	287
Global uninvested capital ("dry powder")	622	601	565	666	695	752

Source: Preqin.

StatLink http://dx.doi.org/10.1787/888933467123

The past three decades have seen a shift in financing from the banking system to the capital market. However, unlike larger companies, SMEs continue to turn to banks, which usually remain the least expensive form of funding for these types of firms.

Banks face losses when borrowers cannot repay loans, but derive few additional benefits when the borrower is very profitable. Therefore, banks will often pass up potentially lucrative but risky proposals, and prefer companies with steady cash flows and collateral. The situation is different when the firm embarks on an innovative project or structural transformation, such as increasing the scale of operations, introducing new products or expanding geographically. In those circumstances, a possible solution for an SME is to forge a partnership with a capital market intermediary that specialises in analysing and accepting the risks of corporate transformation. The capital market intermediary can structure a financing vehicle that distributes risk and reward between the owners of the firm and outside investors.

When discussing capital markets, a basic distinction must be made between public and private markets. A private capital market is open only to certain categories of investors, designated as "qualified", i.e. exempt from the full range of investor protection laws and regulations. Private markets are frequently less liquid and transparent than the public markets and companies are usually not subject to public disclosure requirements, meaning that information may be shared on a confidential basis among "insiders" such as owners, managers, financial intermediaries and investors. Investors in the private capital market, who are considered professional or sophisticated, waive the full range of investor protection regulation in order to invest in restricted market niches.

The private capital market instrument that most closely resembles a bank credit is the private debt fund ("alternative lender"), in which institutional investors create a fund that operates outside the banking system and offers debt financing for SMEs. The private debt market has expanded steadily in recent years, with no visible slackening during the crisis. The largest single market is the United States with around 60% of the world total, but the fastest growth is occurring in Europe, whose share since 2010 has grown from 10% of the world market to 30%. Private equity represents the second component of the private capital market and a well-established vehicle for financing potential high growth SMEs. In both,

Box 2.1. **The potential of capital market finance for SMEs** *(cont.)*

private equity and private debt, the level of "dry powder", i.e. funds that have been committed by investors but not yet invested, is near all-time highs. In its current state, the private capital market may thus have huge potential resources available for further investment (see Table 2.2).

On the other hand, the public capital market is subject to the full set of regulations prescribed by an officially designated supervisory authority concerning disclosure and other investor protection requirements. Within the public capital market, the main way in which retail investors can invest in SMEs is through the use of collective investment vehicles.

Collective investment has become the main channel though which individuals participate in this market segment in OECD countries. Collective investment vehicles are legally recognised investment instruments that assemble portfolios of claims on SMEs (debt or equity) for investment by retail investors, i.e. persons who do not qualify as "high net worth individuals" and may only purchase publicly offered securities. These instruments enable individual investors to take advantage of opportunities available in the public capital market, even if they lack the requisite skills to invest profitably and cannot afford sufficiently diversified portfolios or efficiently execute investment strategies. Collective investment vehicles that specialise in financing SMEs are found in a limited number of OECD countries. In particular in the United States, assets of Business Development Companies (BDCs) have tripled in size in the past decade, with notable growth since the crisis, and have become a significant feature of the SME financing landscape.

Although the data remain patchy, available evidence suggests that capital markets are already making a contribution to the financing of SMEs in some OECD countries and have the potential to contribute to reducing the SME financing gap, particularly for start-ups, fast-growing ventures or established firms which undergo a major transition such as a change in ownership. The private capital market offers advantages to SMEs looking for finance, mainly through its flexible form and conditions, usually complementing rather than replacing bank financing. However, the opacity and illiquidity in the SME segment, the high costs to SMEs of compliance with investor protection regulations, and the costs to investors of monitoring SMEs, represent a serious obstacle to SMEs access to public markets. Against this backdrop, collective investment vehicles may represent a suitable instrument to facilitate SME participation in this market segment.

Source: OECD (forthcoming), "Alternative Financing Instruments for SMEs and Entrepreneurs: The Case of Capital Market Finance".

Transnational initiatives have also been undertaken to support the development of a diverse range of financing options for SMEs (see Box 2.2).

Such developments demonstrate that SMEs remain high on the political agenda. The OECD is currently supporting governments in their implementation of the G20/OECD High-

Box 2.2. **The Capital Markets Union – A pan-European approach**

On a transnational level, the Capital Markets Union (CMU) represents a pan-European approach with the aim of supporting the development of alternative sources of finance complementary to bank-financing, and to thereby better connect SMEs with a wider range of funding sources at different stages of their development, as well as to ensure that capital can move freely across borders in the Single Market.

Box 2.2. **The Capital Markets Union – A pan-European approach** *(cont.)*

On 30 September 2015, the Commission adopted an Action Plan on a CMU. The Action Plan sets out a programme of 33 actions and related measures, which aim to establish the building blocks of an integrated capital market in the European Union by 2019. This includes in particular the launch of a package of measures to support venture capital and equity financing and promote innovative forms of business financing, such as crowd-funding, private placements, and loan-originating funds in the EU. In addition, the Plan comprises measures for catalysing private investment using EU resources through pan-European funds-of-funds, regulatory reform, and the promotion of best practice on tax incentives.

Source: European Commission.

Level Principles on SME Financing, including the development of effective approaches to implement the Principles in individual countries, and monitor their implementation. The sections below provide an overview of the main types of relevant policy initiatives, many of which are in line with the G20/OECD High Level Principles on SME Financing.

Designing an effective regulatory framework

The design and implementation of effective regulation that supports a range of financing instruments for SMEs, while ensuring financial stability and investor protection, is a key enabler to the greater use of alternative finance techniques and frequently identified as an important obstacle by entrepreneurs and SMEs (OECD, 2015a). Against this backdrop, several countries have recently overhauled their regulation to allow for the further expansion of alternative financing instruments. In 2012, for instance, Turkey adopted a mechanism to license business angels in order to professionalise the business angel industry. Furthermore, it makes business angel investments an institutionalised and trustworthy financial market and eligible for state support, mainly under the form of tax deductions for angel investors. In March 2014, Chile launched a set of measures titled the "Agenda of Productivity, Innovation and Growth." One of the key initiatives on the agenda is a modification of the existing regulation related to financial instruments with the aim of increasing access of new alternative instruments of finance for SMEs and entrepreneurs.

A Belgian law promulgated in 2013 (*Loi relative à diverses dispositions concernant le financement des petites et moyennes entreprises*) relates to credit contracts and the obligation for possible credit providers to provide sufficient and transparent advice on what kind of credit might be most suitable for a certain SME (and if the information is not well provided, the SME can later on reverse the contract). The law also includes the provision that most firms can cancel their credit contract at any time, with a maximum fine of six months interest. Although the law is limited to credit contracts, it is an example of how a government can try to make the financing market more transparent for SMEs via regulation, which may also be applicable in the context of alternative financing instruments.

Another example of recent progress is the creation of a number of growth markets dedicated to financing and promoting small and midsized stocks. These include London's Alternative Investment (AIM) market, AIM Italia, NYSE Euronext's Enternext, the Frankfurt Stock Exchange's Entry market, Nasdaq's First North serving the Nordic markets, Spain's Alternative Stock Market and Turkey's Emerging Companies Market of Borsa Istanbul. Across France, Germany, Italy, Spain and the United Kingdom, over 1 500 companies are listed on growth exchanges or multilateral trading facilities, representing nearly EUR 126 billion (AFME, 2015).

Box 2.3. *Bolsa de Productos de Chile* – A public market for receivables with special investor protection

The Chilean Commodities Exchange (*Bolsa de Productos de Chile – BPC*) is a demutualised entity regulated by Law and supervised by the Securities and Insurance Commission (SVS). Its purpose is to offer public auction platforms for the trading of commodities, contracts, receivables and their derivatives. Through this initiative, Chile managed to develop a public market for receivables for the exchange of receivables issued by certain big (and certified) buyers to their suppliers which essentially works like an equity market. SMEs make use of this market to obtain cash flow advances in exchange for these receivables (just like for factoring). In fact, factoring companies themselves sell a portfolio of receivables in this market.

The establishment of *Bolsa de Productos* has been made possible because of a recent law (Law 19.220), which provides unique legal safeguards for investors that acquire invoices through the exchange, protecting them from any encumbrance that may affect an invoice. The invoices remain under legal and material custody of the BPC from the beginning of the operation to the payment by the debtor of the invoice, thus assuring that they are out of reach from potential creditors. In 2007, the law was modified so as to include invoices among the products that BPC can operate.

Advantages of this mechanism include, inter alia, the concentration of payments into one single entity, without limiting suppliers' access to the market. BPC thus supports suppliers growth, allowing them to finance their working capital at buyers risk related rates and also allows them to get better, tax-free, faster and cheaper rates for their working capital. This ultimately results in an extension of payment terms of payable accounts (DPO, days of payment outstanding) without the use of banking credit lines.

Bolsa de Productos began trading in 2005 and has operated to date over USD 6 billion in assets, growing by a compounded annual rate of 40% in receivables trading from 2012 to 2015. In 2015, BPC traded around USD 900 million, mainly from the mining and agro-industry sector, although most economic sectors are represented, along with different durations, depending on payers' economic activity. The average monthly discount rate at the exchange was approximately 0.8% (including broker fees), compared to rates over 1% from banking factorings and 1.8% from non-banking factorings. 63% of companies that sold their invoices at the exchange were SMEs. Currently, *Bolsa de Productos* has 12 operating brokers responsible for the fulfilment of the contracts agreed upon through their intermediation - most of them non-banking institutions.

Source: Bolsa de Productos de Chile (presentation at the OECD and written exchanges).

Tax incentives

A 2015 OECD study on the taxation of SMEs found that many of the examined tax systems included certain features that inadvertently put SMEs at a disadvantage relative to larger enterprises. These features included the asymmetric treatment of profits and losses, as well as higher fixed costs associated with tax and regulatory compliance regimes (OECD, 2015b). A further key issue identified in this study, as well as in other papers, refers to the existing tax bias towards debt over equity, which in combination with other factors such as lower liquidity, affects SMEs more than large enterprises.

The provision of tax incentives, usually via tax deductibility of interest payments, is therefore a widely used instrument to lift barriers for equity investments in SMEs, and several countries have experimented with the introduction of tax deductibility of notional interest paid on equity, so as to level the playing field on the tax treatment of debt and equity financing. Tax incentives are sometimes also directed at the demand side, under the form of support for innovative start-ups, tax deductibility of entrepreneurship training or participation in incubator programmes. According to a survey conducted in 2012 in 32 OECD countries, policy interventions in this area have generally expanded since the financial crisis (OECD, 2013c).

Turkey has recently adapted its tax regulation to make equity investments more attractive for businesses. Since July 2015, businesses can deduct cash capital increases from the companies' paid or issued capital amounts, or from the cash amount of the paid capital of the newly established capital companies. In addition, licensed business angel investors can deduct 75% of the capital they invest in innovative and high growth SMEs whose shares are not traded at the stock market from their annual income tax base. The 75% deduction rate will be increased to 100% for those investors investing in SMEs whose projects were supported by the Ministry of Science, Industry and Technology, the Scientific and Technological Research Council of Turkey (TÜBITAK) and the Small and Medium Enterprises Development Organisation (KOSGEB) in the last five years.

In 2010, the Portuguese Government put in place a tax relief for business angels, allowing them to deduct 20% of the amount they invest in start-ups, with a cap of 15% of the business angel income tax amount. There are some restrictions in terms of start-up activities (real estate, financial companies are not eligible); investment in start-ups must be in equity, not loans; the maximum investment period is ten years; and angels cannot invest in relatives' (family) companies. Similarly, in Sweden, a tax break for private business angel investors was launched in December 2013. The tax break allows for a tax relief on the capital income tax up to 15% of the investment. Private individuals purchasing shares in a small company can deduct up to 50% of the investment from the capital income tax owed, up to a yearly limit of SEK 650 000 and to a total maximum of SEK 1.3 million. A number of different conditions have to be met by the target firm, the investor and the investment for the deduction to be available, such as a minimum holding period of five years. Similar tax incentives exist in number of further countries (OECD, 2016).

In 2015, the Australian Government announced the National Innovation and Science Agenda which includes a suite of tax and business incentives, including tax concessions for early stage investors in innovative start-ups. Eligible investors can claim a 20% non-refundable, carry forward tax offset, capped at AUD 200 000 per investor per year, as well as a capital gains tax exemption, provided investments are held for at least 12 months. Another new measure is the introduction of a 10% non-refundable tax offset for capital invested in new Early Stage Venture Capital Limited Partnerships (ESVCLPs), and an increase in the cap on committed capital from AUD 100 million to AUD 200 million for new and existing ESVCLPs. Similarly, Spain launched a national tax incentive scheme to encourage direct investment by third parties in small, early stage companies already in 2011. Hereunder, third parties investing in shares of unlisted companies are exempt from capital gains. In addition, registered venture capital companies only have to pay a 1% corporate income tax in Spain (OECD, 2015b).

A notional interest deduction scheme was introduced in Belgium in 2005 at the interest rate on ten year government bonds. Italy launched a similar regime in March 2012, allowing an income deduction for equity investments made after 2010 at a fixed rate of 3%. Brazil and Latvia have similar schemes in place (de Mooij and Devereux, 2011). Evidence from Belgium, where the tax deductibility scheme has been in place for a decade now, suggests that this tax reform has had a pronounced impact on the debt-capital structure, as the average debt ratio for Belgian SMEs declined from 0.61% in 2005 to 0.57% in 2008 (Kestens et al., 2012). A significant downside of this tax scheme, and similar ones in other countries, is its cost in terms of foregone earnings: its budgetary impact is estimated to have increased from EUR 1.8 billion in 2006 to EUR 6.2 billion in 2011. Although this estimate does not take into account the likely positive effects on economic activities, the costs of tax deductibility schemes for equity investments seem to be significant and an important deterrent to their wider adoption (Zangari, 2014).

Developing a credit information infrastructure

One of the main difficulties faced by SMEs in accessing financial markets is related to information deficiencies. SMEs are known to be opaque, often lacking audited financial statements or other credible credit data that would allow investors to reliably assess the risks and potential benefits from investing in them. Moreover, the data available are not always standardised or easily comparable, partly because SMEs are inherently diverse and their characteristics relatively hard to capture in a few quantitative indicators. As a result, assessing the creditworthiness of a business is costly, and these costs generally do not scale up in a linear way with the size of the enterprise or its financing needs. Firms with relatively modest financing needs are therefore most at risk of being excluded from the banking sector and from financial markets.

The development of a credit risk assessment infrastructure plays a crucial role in overcoming existing information asymmetries and improving transparency in SME finance markets. Credit registries, credit bureaus and supplier networks, in particular, can provide information on SMEs' creditworthiness by disclosing data on the liabilities of SMEs and their repayment record. A meta-analysis of the literature concludes indeed that the existence of credit registries and bureaus is positively associated with the size of the credit market and stronger repayment performance (OECD, 2012a). The establishment of such institutions can thus address the information asymmetries that are central to the reluctance of banks to lend to certain businesses and for encouraging investors to participate in SME markets, by providing evidence on on-time payments, late payments/arrears, defaults, bankruptcies on previous contractual financial obligations, etc.

A study from the World Bank reveals that 31 out of 34 OECD countries have a functioning credit bureau or credit registry (or both), covering at least 5% of the adult population (World Bank, 2014b). The regulatory and practical design of these institutions matter for their performance, with wide cross-country differences with respect to historical information on repayments, inclusion of balance sheet data, reporting requirements and so on (OECD, 2012a). In addition, credit registries are often used for regulatory purposes rather than to provide information on creditworthiness. However, a study in six European countries showed that, even within this limited subset of countries, large differences persist in the rigour and comprehensiveness of credit reporting systems. Annual accounts are often only available with significant time lags of up to 18 months, not audited and not easy to assess, partly because of privacy concerns, data protection and confidentiality laws. Portuguese banks, for example, can only access information on the current credit position of a potential client and not on historical data (Bain & Company and IIF, 2013).

In this context, the *Banque de France's* model stands out with its FIBEN (*Fichier bancaire des entreprises*) service, gathering a relatively comprehensive set of data on SMEs. The FIBEN database integrates all available financial information about an individual firm, provides a score for a fee, and is accessible to banks operating in France. The *Banque de France* also performs an independent risk analysis of French enterprises, allowing banks to assess credit risks of potential clients at low costs, thereby contributing to SMEs' access to bank finance. In 2014, nearly 300 000 French companies, the vast majority of them SMEs, were covered in the FIBEN database. Credit information is, up to now, only available for banks operating in France and, more recently, also for insurance companies. Access to these data by a wider range of market constituencies, such as institutional investors, might encourage the development of alternative finance instruments. The recent experience of the Euro Secured Notes Issuer (ESNI) initiative, which aims to stimulate a SME securitisation market, illustrates the potential of FIBEN (and other similar databases) for non-bank providers of external finance to SMEs (see Box 2.4).

Box 2.4. **The Euro Secured Notes Issuer (ESNI) initiative**

A well-functioning securitisation market for SME assets allows banks to refinance themselves on financial markets, using SME loans as collateral. This would not only spur bank lending by transferring credit risk and relieving their balance sheet, but would also allow for SME access to the capital market and enable institutional and long-term investors to participate in SME financing on a larger scale. The securitisation of SME assets remains underdeveloped compared to other asset classes such as mortgage loans, however, in large part due to the lack of standardised and reliable data on credit risk of SME loans.

The ESNI initiative aims to overcome these information asymmetries in France by making use of both the *Banque de France's* credit assessment of nonfinancial companies, as well as internal ratings from banks. The ESNI was set up in March 2014 by private banking groups and with support from the *Banque de France* as a Special Purpose Vehicle, with the first securities issuance taking place one month later for an amount of for EUR 2.65 billion. The securities, regulatory and banking supervisory authority ensures that this scheme is compliant with existing regulation

The provision of information from the central bank to a broad spectrum of financial institutions and market constituents on the credit quality of SME loans, complemented by internal ratings from the banking system, is crucial for the success of this instrument. It allows for issuances independent of rating agencies. The ESNI is thus a simple and transparent instrument that could potentially be replicated in other jurisdictions.

Source: French Banking Federation.

The Credit Risk Database (CRD) in Japan provides another example of a relatively comprehensive and large-scale credit risk database (see Box 2.5).

Most credit registries and bureaus offer credit scoring, where information from several creditors and other sources are pooled. In short, a credit score summarises the available data in a single number reflecting the probability of repaying a debt. While credit scoring methods were originally designed to handle consumer loans, they have proven to be effective for predicting the potential delinquency of loans to SMEs. A study by the Small Business Administration (SBA) in the United States illustrates that business credit scoring has made credit more available to small businesses, especially for relatively risky loans at the margin (SBA, 2014). Credit scoring is offered in 24 out of 31 OECD countries which have a functioning credit bureau or credit registry (World Bank, 2014b).

Box 2.5. **The Japanese Credit Risk Database (CRD)**

Japan established its Credit Risk Database (CRD) in 2001, led by the Japanese Ministry of Economy, Trade and Industry and the Small and Medium Enterprise Agency (SMEA). The CRD provides credit risk scoring, data sampling, statistical information and related services. The database therefore does not only facilitate SMEs' direct access to the banking sector, but also smooths access to the debt market by enabling the securitisation of their claims.

The database covers financial and non-financial information, such as

1. data on sales and profits;
2. information on investments and inventories;
3. ratios such as the operating and ordinary profits to sales;
4. ratios expressing SMEs' net worth, as well as their liquid, fixed and deferred assets and liabilities;
5. interest and personnel expenses; and
6. default information (covering three months or more arrears, subrogation by credit guarantee corporations, bankruptcies and de facto bankruptcies).

Data on about half of all Japanese SMEs are collected and consolidated from credit guarantee corporations, government-affiliated financial institutions, and private financial institutions and then made available to CRD members who submit data to the platform.

In sum, the CRD offers high-precision scoring models constructed from its large database, to evaluate SMEs' credit risk and to facilitate their direct access to the banking sector. Furthermore, the scoring models can also be used for loan securitisation, as well as for credit evaluation in rating pooled for securitisation. . Investors can then refer to the scores based on the models for decision making in investing securities. In addition and similar as in France, access to this database by a broader range of market participants active or potentially active in the SME finance market, could facilitate overall more investments in the SME sector.

Source: Yoshino and Taghizadeh-Hesary, 2014 and written exchanges with Japanese officials.

Czech SMEs, for instance, can buy a rating for around CZK 5 000 (i.e. EUR 200) at the Prague Chamber of Commerce, which is based on quantitative information and similar to a credit rating performed by large banks, and use this information to obtain finance from different sources. Similarly, Peru introduced an innovative credit information scheme akin to the installation of a credit bureau, which uses a large technology platform to process and analyse repayment data held by suppliers. This platform contains reliable information on how diligently suppliers have been paid, and firms that participate in this scheme can use their past repayment record as proof of their credit worthiness and reliability.

However, privacy concerns, data protection and confidentiality laws limit the availability of information about credit risks to a wide range of market participants beyond the banking sector in many countries. For this reason, some alternative providers of finance, such as suppliers of trade credit, often do not have access to credit risk information. This, combined with the incomplete coverage and the question of reliability of the information gathered on SMEs, severely restricts the usefulness of credit reporting systems for alternative providers of external finance. This contrasts with relevant data on large corporations and on individuals, which are, by and large, widely available in most advanced economies. Recently, there have been efforts in a number of countries to increase the quality of credit risk assessments and make them available to a wider constituency of market participants by proposing concrete actions that relevant authorities and policy makers could undertake to address current shortcomings (World Bank, 2014a).

Direct investments through funds, co-investment funds and funds-of-funds

Direct investments by governments through funds, co-investment funds and funds-of-funds have been identified as an effective and popular means of addressing supply-side gaps in the availability of start-up and early stage capital. These initiatives have become more widely used in the aftermath of the financial crisis as private equity financing dried up significantly (OECD, 2015a). If successful, these initiatives can increase the scale of SME markets, enhance networks and catalyse private investments that would not have materialised in the absence of public support. At the same time, however, some studies appear to suggest that government-backed venture capital schemes perform more poorly than their private sector counterparts (see for example Preqin Global Private Equity and Venture Capital Reports for more detailed evidence). Recent evidence suggests that governmental VC schemes are more successful when they act alongside private investors, for example through governmental fund-of-funds rather than through direct public investments. Indeed, the focus of support instruments "has shifted from government equity funds investing directly to more indirect models such as co-investments funds and fund-of-funds" in OECD countries (EIF, 2015).

In the early 1990s the Israeli government set up Yozma, a programme, today frequently associated with the development of Israel's vibrant venture capital industry. Founded with a budget of USD 100 million in 1993, it initially established 10 venture capital funds, contributing up to 40% of government funds towards the total capital investment. The rest was provided by foreign investors, who were incentivised to invest in selected start-ups by risk guarantees. Nine of the 15 companies that received Yozma investment went public or were acquired and only a few years later, in 1997, the funds were privatised and the government received a return on its original investment with 50% interest (OECD, 2011).

In Denmark, Danish Growth Capital (*Dansk Vækst Kapital, DGC*), seeks to improve the access to risk capital for entrepreneurs and SMEs by creating a fund-of-funds that invests in small cap-, mid cap-, venture- and mezzanine funds. The capital base – a total of DKK 4.8 billion – has been sourced entirely from the Danish pension funds. One-quarter is invested directly in DGC by the pension funds, and three quarters are provided as a loan to the Danish public investment fund, The Growth Fund (*Vækstfonden*), which subsequently invests it for equity in DGC. This essentially creates two asset classes and alleviates the risk-based funding requirements of the pension funds. The interest rate of the loan is the government bond rate plus an illiquidity premium. Accordingly, The Growth Fund bears the risk of three-quarters of the fund-of-funds' investments.

In Chile, the development agency CORFO currently operates two programmes that support the VC industry: The Early Stage Fund (*Fondo de Etapa Temprana, FT*) and The Development and Growth Fund (*Fondo de Desarrollo y Crecimiento, FC*). The Early-Stage Fund (FT) is designed to foster the creation of new investment funds that provide high-growth, innovative small and medium sized firms with financing. The investment fund managers acquire stake in SMEs and get involved in the operations of the firm. The Development and Growth Fund (FC) programme is aimed at promoting the creation of investment funds that invest in firms with a maximum initial equity of USD 9 million with high-growth potential, which are currently at an expansion stage.

In Turkey, the Turkish Investment Initiative (TII) founded in 2007 is Turkey's first ever dedicated fund of funds and co-investment programme. TII currently has two sub-funds: The Istanbul Venture Capital Initiative (iVCi) and the Turkish Growth and Innovation Fund (TGIF). iVCi was established to provide access to finance to SMEs by acting as a catalyst for the development of the venture capital industry in Turkey through investments in independently-managed funds and via co-investments. For the time being, iVCi has signed ten commitments including one co-investment, and reached a total of 57 companies. The new sub-fund TGIF will focus on investing in private equity and venture capital funds that aim to invest in SMEs which have high growth potential, high rates of return and a competitiveness advantage in their respective sector.

Box 2.6 below provides another example of a government-funded equity investment fund from the United Kingdom that recently underwent an evaluation. However, to date, there is overall little evidence concerning the effectiveness, impact and additionality of

Box 2.6. **Assessing the impact of the UK's Enterprise Capital Funds**

Enterprise Capital Funds (ECFs) are financial schemes established by the UK Department for Business, Innovation and Skills (BIS) to address market failures in the provision of equity finance to SMEs. Government funding is used alongside private sector funds to establish funds that operate within the "equity gap"; providing finance to small firms where an investment has the potential to provide a good commercial return.

A recently published study assesses the impact of ECFs in the United Kingdom and positively rates its overall impact, the main finding being that ECFs indeed manage to address the sub-GBP 2 million equity gap faced by young, potential high-growth businesses requiring investments, and have evolved over time so as to adapt to meet the challenges associated with changing UK early stage entrepreneurial financing requirements in the aftermath of the global financial crisis.

The UK Government introduced the ECF schemes in 2006. Entailing a significant increase in the size and scale of available funding, notably with regard to the previous small-scale, public-led Regional Venture Capital Funds, this move was first and foremost intended as a concerted effort to develop private, VC-led co-investment funds. The funds require a minimum share of one third private investment and restrict private individual investment to 50% of the private funding contribution to simultaneously broaden the private investment base. Between 2000 and 2012, the BIS placed GBP 600 million in 34 VC funds, financing over 1 000 businesses.

The objectives of the ECFs were mainly twofold: first, they were intended to provide gap funding for potential high-growth SMEs, mainly in seed and early stage development requiring funding between GBP 250 000 and GBP 2 million; and second, they were designed as a demonstration model for early stage institutional VCs, with the longer-term goal of establishing a UK early stage VC ecosystem that encourages new private fund managers into the market.

Particular success factors include avoidance of duplication or displacement of private initiatives in addressing the existing equity gap, along with the progressive development of innovative strategies for inter-regional and international investing that increase syndication and investor networking, diversify portfolios, spread risk, and improve planning for follow-on funding and exits. However, as also outlined in the study, while the ECF scheme aimed to establish a sustainable private seed and early stage VC market in the United Kingdom and then withdraw, persistently poor exit markets in the post-2007 period have prevented both a recycling of investment funds, as well as a signaling of widespread encouragement of private VCs into these markets. As a result, the author finds that there is currently no evidence of the scheme withdrawing, and it may be likely to have an increasing presence in follow-on investments upstream into later phases in order to generate optimal exits.

Source: Baldock, 2016.

these programmes, mainly because formal impact evaluations remain relatively scarce. The OECD (2013c) has identified some key recommendations that should be considered in order for direct public funds to be successful. It is for instance crucial that these funds do not crowd out private investments, that they are channelled through existing, market-based systems and that they aim at leveraging private sector funding. In short, they should complement private market initiatives, rather than replace them.

Financial literacy programmes

In contrast to large enterprises, small businesses usually lack the resources to hire a dedicated financial professional. Although the financial knowledge of business owners and entrepreneurs on the use of financing instruments is currently underexplored, there is some evidence that their financial knowledge is limited. The shortcomings in entrepreneurs' financial literacy, in turn, are a likely to be a main cause for the overreliance of many businesses on overdrafts, short-term bank credit and credit card debt, even when other finance instruments might be more appropriate. These weaknesses may also lead to the misuse of costly financial products. In addition, the lack of financial knowledge frequently limits entrepreneurs and business owners to make full use of available government support. A recent survey conducted among UK SMEs indeed shows that government initiatives usually only reach a minority of businesses, and often only those who are already relatively well-informed about potential alternatives to straight debt.

Against this backdrop, a report by the OECD International Network on Financial Education (INFE), welcomed by the G20 Global Partnership on Financial Inclusion (GPFI) in September 2015, underlines the broader role of financial education in supporting SME access to finance. The report outlines the specific issues financial education support for small enterprises should address, and how education programmes may fit into national policy frameworks. In addition, it identifies appropriate target groups, scope and delivery methods, and proposes tools, in particular an internationally comparable, SME-tailored questionnaire, that can help policy makers better address existing gaps (OECD/INFE, 2015).

While many countries have a national strategy in place to foster financial literacy, only some of them have a specific focus on SMEs, even though financial literacy needs of entrepreneurs go much beyond those of the general population. Entrepreneurs have to be able to disentangle their personal and business finances, keep records, be able to use financial statements and financial ratio's to assess the health of their business, identify and approach providers of finance and investors, have a grasp of financial risk and cash flow management, and understand the economic and financial landscape of relevance for businesses (Atkinson, 2015). This calls for an adapted curriculum in these programmes.

Some countries have developed financial education programmes for entrepreneurs and would-be entrepreneurs. Although the evidence base regarding the effectiveness of these programmes should be improved, most research suggests that these programmes may indeed produce beneficial results and that they are a relatively cost-effective way to boost business performance and growth. Financial education is also often provided as part of more general services to support entrepreneurial learning, often targeted at specific groups in society such as young people or women (Cho and Honorati, 2013).

Table 2.3. provides some examples of topics covered in programmes that target entrepreneurs and owners of small businesses. Although there are some differences in the curricula, an understanding of financial and risk management, record keeping and

Table 2.3. **Examples of wily used financial education curricula aimed at entrepreneurs**

"Money smart for small business" – US FDIC/SBA	SME Toolkit – IFC/IBM	EFS/BDS model – USAID
Organisation types	Legal basics / incorporation	
Financial management	Financial management	Statements and forecasts
Record keeping	Bookkeeping and cash flow	Cash flow and financial systems
Banking services for SMEs	Finding financing	Funding options and providers' expectations
Credit reporting	Credit and collections	
Selling a small business	Buying a business	
Insurance and risk management	Insurance	
Tax planning and reporting	Regulations and policies	
Succession planning		
Time management		

Source: The Association of Chartered Certified Accountants (2014).

compliance, along with knowledge about the main finance providers and their requirements are commonly covered (the Association of Chartered Certified Accountants, 2014). More research is required to identify the impact of these programmes as well as their cost effectiveness.

In addition, financial education is often provided by the private or non-for profit sector. A meta-analysis of research on the effectiveness of such programmes in emerging economies illustrates that the involvement of the private sector in government-backed programmes often increases their effectiveness (Cho and Honorati, 2013).

Non-financial services and support measures

Evidence indicates that complementing financial support for SMEs with non-financial elements such as counselling and monitoring provides good results. For instance, credit guarantee schemes typically offer assistance in the preparation of accounting statements and information on financial markets, and even consultancy-type services, aimed at improving firm competitiveness and productivity (OECD, 2012b). A study by the European Commission summarising results from 12 counterfactual impact evaluations, illustrates the effectiveness in combining financial innovation support for SMEs, such as the provision of grants and loans, with non-financial elements like business advice or network opportunities for the beneficiaries of the programme. Programmes that combine financial and non-financial elements thus seem to contribute to the impact of the policy initiative and to significantly improve the long-term survival chance of business start-ups (Mouqué, 2012).

Similarly, in 2013, BDC, Canada's development bank, requested an independent, quantifiable assessment of whether the financing and consulting services it was providing actually helped accelerate the success of entrepreneurs. To this end, Statistics Canada developed a longitudinal database of BDC clients (the "study group") and non-clients (the "comparison group") and then compared their performance in each year over the 2001-10 period. The statistical analysis revealed that BDC had a positive impact on all examined performance indicators, but most notably when financing and consulting services were used in combination, where sales growth was 8% to 25% greater for BDC clients compared to the performance of non-clients.

In emerging economies, where informal entrepreneurship by business owners with poor financial knowledge is generally more entrenched, complementing financial support with the provision of financial education seems to work especially well. For instance, the

Credit Guarantee Corporation (CGC) in Malaysia was established as early as 1972. The lack of knowledge on the working of the financial system, the inability to produce a business plan and to make credible financial projections, or even to conduct proper financial record-keeping were quickly identified as major impediments to the successful development of businesses and the repayment of the guaranteed loan. CGC therefore also offers advisory services on financial and business development in order to help beneficiaries of their programmes make better use of their sources of finance. These advisory services on financial and business development matters were considered to be very successful and have been significantly expanded over time. In addition, the CGC offers credit information through the Credit Bureau Malaysia Sdn Bhd to collect and provide reliable credit information on SMEs and rating services that goes beyond collateral and historical financial information (Credit Guarantee Corporation Malaysia Berhad, 2012).

Business incubators also typically help their clients to access finance, from the banking sector and beyond, and provide advice and consulting to improve accounting and financial management. In the United States, where business incubation support falls under the remit of state governments, initiatives to support the development of these institutions have proliferated since 2000 (NBIA, 2008).

Investor-readiness programmes

Equity-type instruments tend to require a higher level of financial sophistication on the part of the business owner or entrepreneur seeking finance. Professional equity investors usually need an elaborate and detailed business plan, in-depth financial information and seek investments that comply with their due diligence requirements, which may pose difficulties to some entrepreneurs and business owners. In the literature, this is referred to as investor-readiness, i.e. the ability of meeting the requirements of external investors. In an overview of the literature on investor readiness programmes, Mason and Kwok (2014) conclude that "there is considerable evidence, particularly amongst the business angel community, that investors are frustrated by the low quality of the investment opportunities that they see and so are unable to invest as frequently or as much as they would like." The three main reasons why projects had been refused were: weaknesses of the management team and/or entrepreneur, flawed or incomplete marketing strategies and flawed financial projections.

Investment readiness programmes for entrepreneurs are supported in a number of countries. Their central aim is to raise the quality of investment opportunities by addressing the shortcomings outlined above. One aspect of such programmes usually consists of providing information on the requirements of investors, while another provides concrete support for meeting these standards (see Box 2.7 for an example from Ireland). A 2012 OECD financing questionnaire showed that many countries have investor readiness programmes for entrepreneurs and that, overall, support for these programmes increased between 2008 and 2012. These programmes typically focus on access to equity financing and on helping entrepreneurs understand the specific needs of these investors (OECD, 2013c). As a relatively novel form of intervention, frequently developed with a specific focus on fast growing, innovative SMEs, these programmes have not been the subject of systematic policy evaluation, however.

France Angels, for instance, was established in 2001 by five Business Angel networks. Its goal was originally to promote BA investments, to recruit new investors and to professionalise the industry. To do so, the organisation develops tools, posts them on its website available for

Box 2.7. **InterTradeIreland: Getting Irish SMEs investor-ready**

InterTradeIreland is a cross-border trade and business development body funded by the Department of Enterprise Trade and Investment (DETI) and the Department of Jobs Enterprise and Innovation (DJEI). Its goal is to support Irish SMEs by helping them explore new cross-border markets, develop new products, processes and services and become investor ready.

In acknowledgment of the fact that one of the biggest challenges for equity raising businesses is to become "investor ready", the organisation offers varied support measures in order to increase Irish SMEs' chances of success when seeking venture finance. Programmes and services typically target more established SMEs that already have a satisfactory trading record. Offered services to foster investor readiness include, among other things:

- One-on-one counselling interviews with an advisor specialised in equity, venture capital and business development, providing guidance to early stage, high growth ventures that intend to raise funds in the next 12 months. He advises on the firm's fundraising requirements and assesses its "investor readiness" by acting as a sounding board for the SME management team before they approach the investment community to seek capital.
- A series of free, monthly clinics and regional workshops are held at various locations across the island each month for established local SMEs who are interested in learning about new and alternative sources of finance for their business and that fulfil certain eligibility criteria. The events aim to encourage SMEs seeking finance to do so in a strategic manner with a well-prepared business plan and to explore all finance options available to them.
- The Seedcorn Investor Readiness Competition mirrors the real life investment process and aims at improving firms' ability to attract investment. The competition is aimed at early and new start companies that have a new equity funding requirement and has a total cash price fund of EUR 280 000.
- An annual venture capital conference and regular "Meet the Funder" events aimed at companies with growth ambitions, providing information on and access to a range of funding providers, and advice on how to approach the funding process. At the events companies are also given opportunity to network with funding providers.

In addition, InterTradeIreland offers Funding Advisory Services, mostly in the form of online material that firms can download from the organisation's website. The materials include guidance on how venture funding works, what investors are looking for, a breakdown of all the venture funds and business angel networks on the island and their contact details in one searchable database, as well as hints and tips on refining the business plan and tailoring it to specific investor needs.

Source: www.intertradeireland.com/.

every member, and gathers useful business documents for network management and deal flow processing. It also created a forum to quickly answer to a variety of questions. Moreover, France Angels provides national and regional support and service by creating partnership and co-investment with seed and VC funds. France Angels organises around 40 events with over 3 000 participants a year and is also responsible for collecting data on the angel market in France (OECD, 2016).

In Germany, BAND (*Business Angels Netzwerk Deutschland*) is the recognised umbrella organisation of German Business Angels and their networks, funded by the Federal Ministry for Economic Affairs and Energy. For sustained professionalisation of the German business angels market, BAND organises training events (BANDacademy) and offers practical assistance (BAND Best Practice Case and BANDquartel) in areas such as idea generation, writing a business plan, support/coaching the entrepreneur in starting up and financing, informal studies, stakeholder brainstorming, and other useful tools for entrepreneurs. Plans are underway to train the stakeholder groups – business angels, investors and entrepreneurs (European Commission, 2006).

Support to industry networks, associations and the facilitation of links between entrepreneurs and investors

The majority of OECD countries have programmes in place to develop "social networks" linking entrepreneurs seeking finance with investors, for example by providing support to business angel networks (BANs). These networks often also aim to connect investors with other financial players in the financial eco-system, such as government agencies, stock exchanges, financial consultants, venture capital associations, banks, incubators and crowdfunding platforms. The creation of links between investors, entrepreneurs and larger companies, are of particular importance, since they can potentially lead to an increase of successful exits of investments (see Box 2.8 for an example from New Zealand). Matchmaking services are often complemented by additional support and mentoring services, both for (potential) investors and entrepreneurs and SMEs (OECD, 2013c).

Box 2.8. **"Better by Capital": Capital connections for New Zealand's SMEs**

"Better by Capital" is a programme developed by New Zealand Trade and Enterprise (NZTE), the government's international business development agency. Launched in July 2013, it is one of the numerous initiatives in the Building Capital Markets of the Government's Business Growth Agenda and run in partnership with New Zealand and international financial institutions, intermediaries, banks and investor networks.

The programme's overarching goal is to render the capital raising process more transparent and improve SMEs' chance of accessing the right type of funding that corresponds to the firm's stage in its lifecycle. It seeks to accelerate the ability of companies to access alternative capital markets, improve their capacity to be "match fit" when sourcing new capital, and shift their marketability away from traditional, more standard financial instruments to better support firm growth.

The programme consists of three-stages that first help companies understand their capital options (Orientation), subsequently improve their investment proposition (Readiness), and ultimately ensure companies attract the right capital, from the right providers at the right time (Connections). Since New Zealand-based and international investment managers administer the programme, which is delivered in partnership with private sector specialists with capital raising experience, a core element of the programme is to help SMEs build key relationships by facilitating introductions to targeted investors and networks.

In addition, NZTE also runs a series of annual investment showcases to present investment deals to international and domestic investors.

Source: www.nzte.govt.nz/en/.

Increased support for business angel networks is a good example of a 'demand-side' policy that seeks to improve the exposure of high-quality firms available to these investors. Currently, angel markets in many countries are essentially constituted by anonymous individuals operating within a fragmented system. For these investors to be in a position to make sizeable initial investments and undertake appropriate follow-on investments in a manner that mirrors the professionalism of institutional venture capital investors, markets would have to evolve considerably toward an increasingly co-ordinated network of professionally organised groups. Improving the flow of high quality deals from such networks to venture capital funds should thus be a priority for policy makers (Nesta/ BVCA, 2009).

With regard to the provision of general networking opportunities and exchange of knowledge among peers, SME Corp Malaysia, the Malaysian SME agency, has developed a number of programmes to support small firms. In recognition of the value of systematic and intelligent networking, which allows for the identification of synergies and the establishment of linkages between SMEs and large companies, the agency designed its Business Linkage (BLing) Programme to create such opportunities through Business Matching Sessions conducted at annual flagship events, as well as leveraging on various other platforms and opportunities. As of 31 December 2014, the programme had generated a total of RM 428.6 million in potential sales through 536 sessions involving 303 SMEs. In addition, SME Corp. Malaysia organises the SME Annual Showcase – SMIDEX, an annual event that showcases capabilities and capacities of Malaysian SMEs in offering products, services and technologies for the global market. SMIDEX also provides Business Matching Sessions with the aim of assisting SMEs to establish strategic business partnerships and business linkages, as well as to facilitate meaningful exchange of functional knowledge with large enterprises.

Conclusions and policy implications

Since credit is and will remain the main source of finance for SMEs, it is important to stress the complementarity of bank lending and alternative financing tools. This fact is also underscored in the G20/OECD High-Level Principles on SME Financing, which advocate a two-pronged approach to improve access to credit on the one hand, and develop a more diversified financial offer for SMEs on the other. This is all the more important given that some SMEs are not appropriate candidates for debt financing, owing e.g. to their lack of collateral or positive cash flows, their need for longer maturities to finance capital expenditure and investment, or other impediments to servicing debt, such as irregular cash flow generation. Available evidence suggests that there is an equity gap for risk financing, which is particularly pronounced for fast-growing companies. Yet it is precisely these types of instruments which, if developed further, could play an important role in funding the firms which have the greatest potential to grow and create jobs. Broadening the range of financing instruments is therefore essential to address diverse financing needs along the firm's life cycle. However, SME funding continues being viewed as an overall difficult business, mainly because the segment as a whole is characterised by low survival rates and large heterogeneity, which makes it considerably more challenging to assess risks or gauge the potential for positive returns on investment (Nassr and Wehinger, 2016).

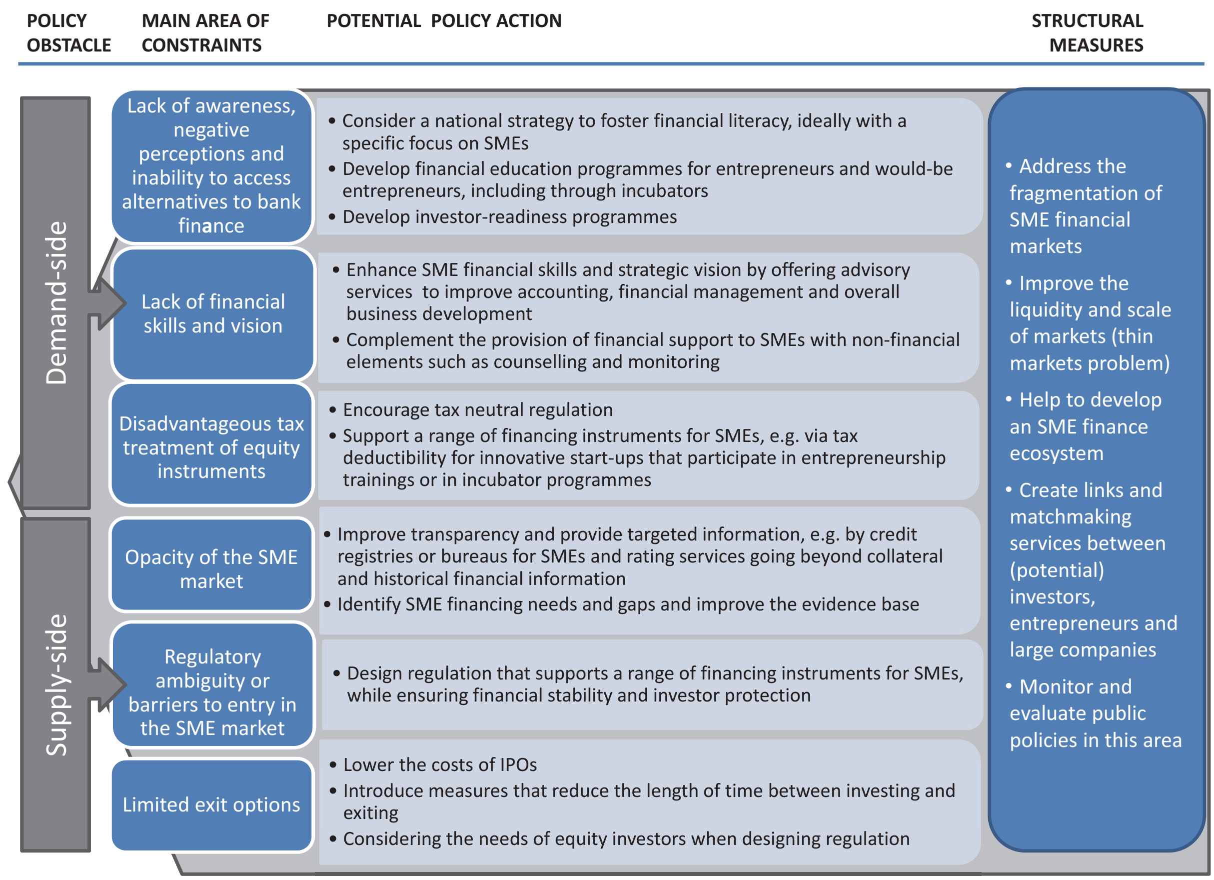
Challenges in the provision of finance to small firms can be motivated by both supply-side and demand-side factors. In addition, there is a complex interaction of both structural and cyclical variables that needs to be addressed through a holistic approach. However, disentangling these variables is often difficult, since changes in demand and supply are generally contemporaneous. In this context, so called "thin markets", where a limited number of investors and entrepreneurial high-growth firms have difficulty finding and contracting with each other at reasonable costs, stem from the difficulty of matching supply and demand efficiently due to the highly uncertain and complex nature of these markets, which are comprised of a range of different institutions. Moreover, these markets are knowledge intensive and usually have to operate over long periods of time before clear results on performance become available.

As a result, financial markets for SMEs often remain fragmented and underdeveloped. Their small scale and liquidity further limits the interest from potential entrants, most notably professional investors which, in turn, also limits the entrance of intermediaries and other participants in the financial ecosystem, such as brokers, market-makers, advisors, researchers, platforms (Nesta/ BVCA, 2009).

In recent years, many new initiatives with the explicit aim to encourage equity investments in innovative and high-potential SMEs have seen the light. Available evidence suggests that capital markets are already making a substantial contribution to the financing of SMEs in some OECD countries, particularly the United States, and have the potential to contribute more in other regions of the world. The private capital market, in particular, offers advantages to SMEs, mainly through its flexible form and conditions. Collective investment vehicles constitute another instrument that may have the potential to render the public segment of the capital market more accessible to SMEs. The momentum to develop these markets is thus building, and there is a growing need to share policy experiences and identify good practices that have the potential to address the above-mentioned challenges. Figure 2.1 provides a summary of the types of approaches used to address specific challenges.

Recognising the need for better access of SMEs to capital markets, there is a clear role for policy to catalyse institutional long-term investor participation. High monitoring costs, absence of track record and other information asymmetries can be addressed through measures and tools that improve transparency. The creation of an improved credit information infrastructure, for instance, is an element now widely recognised as central for the development of an efficient SME financing ecosystem. Furthermore, governments can help bridge the educational gap of SMEs by raising their awareness of available capital market financing options and enabling them to gain the skills required to tap these markets. A co-ordinated approach on regulation, including a neutral tax framework, which reduces asymmetric treatment of debt and equity, can help avoid distortions in risk pricing and stimulate investor appetite. Finally, the need for improving the evidence base on SME debt and non-debt financing should be recognised. The lack of hard data on SME access to diverse financing instruments represents an important limitation for the design, implementation and assessment of policies in this area. Overall, a better understanding of the challenges associated with SMEs' access to finance is called for. In order to develop complementary finance instruments for small firms, demand-side and supply side barriers need to be addressed in tandem. Even if supply-side barriers are lifted, alternative sources of finance will remain underdeveloped as long as entrepreneurs continue to turn to bank lending as their default option when seeking finance. Conversely, tackling demand-side barriers will lead to limited success if supply-side issues continue to be a bottleneck. At the same time, an integrated market perspective should also take account of cyclical and structural issues, along with the time needed to put in place the various conditions for a well-functioning framework for SME financing. Thus, a comprehensive approach to SME financing is needed when seeking to address existing obstacles. The OECD and the SME financing scoreboard will continue advance the state of knowledge of these issues and identify emerging trends and opportunities for well-functioning markets for SME finance.

Figure 2.1. **Challenges and policy responses for developing non-bank finance instruments for SMEs**



References

AFME (2015), "Why equity markets matter. The heart of Europe's economy", December 2015, *www.afme.eu/WorkArea/DownloadAsset.aspx?id=13535*.

The Association of Chartered Certified Accountants (2014), "Financial education for entrepreneurs: What's next?", *www.accaglobal.com/content/dam/acca/global/PDF-technical/small-business/pol-tp-fefe.pdf*.

Baeck, Collins and Zhang (2014), "Understanding alternative finance: The UK finance alternative finance industry report 2014", Nesta/University of Cambridge, November 2014, *www.nesta.org.uk/sites/default/files/understanding-alternative-finance-2014.pdf*.

Bain & Company and IIF (2013), "Restoring financing and growth for European SMEs: Four sets of impediments and how to overcome them", *www.bain.com/Images/REPORT_Restoring_financing_and_growth_to_Europe's_SMEs.pdf*.

Baldock, R. (2016), "An assessment of the business impacts of the UK's Enterprise Capital Funds", *Environment and Planning C: Government and Policy*, January 18, 2016, *http://epc.sagepub.com/content/early/2016/01/14/0263774X15625995.full.pdf+html*.

British Business Bank (2016), "Small Business Finance Market 2015/16", British Business Bank Plc, February 2016, *http://british-business-bank.co.uk/wp-content/uploads/2016/02/British-Business-Bank-Small-Business-Finance-Markets-Report-2015-16.pdf*.

Business Development Bank of Canada (2013), "Manufacturers: Accessing to financing and specific needs, BDC viewpoints study- May 2013", *www.bdc.ca/EN/Documents/analysis_research/manufacturing_survey.pdf*.

Cho and Honorati (2013), "Entrepreneurship Programs in Developing Countries; A meta regression analysis", The World Bank Human Development Network Social Protection and Labor Unit, *http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-6402*.

Credit Guarantee Corporation Malaysia Berhad (2012), "Catalysing SME growth", *www.cgc.com.my/wp-content/themes/crystalline/doc/CGC_Info%20Booklet.pdf*.

de Mooij, R.A. and M.A. Devereux (2011), "Alternative Systems of Business Tax in Europe: An applied analysis of ACE and CBIT Reforms", *International Tax and Public Finance*, February 2011, Volume 18, Issue 1, pp 93-120, *http://link.springer.com/article/10.1007%2Fs10797-010-9138-8#*.

European Commission (2015), "Survey on the access to finance of enterprises (SAFE)", *Analytical Report 2015*, *http://ec.europa.eu/DocsRoom/documents/7504/attachments/1/translations/en/renditions/native*.

European Commission (2014), "Directive 2014/65/EU on markets in financial instruments", *http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0065&from=EN*.

European Commission (2006), "Investment readiness: Summary report of the workshop, Brussels, 28 November 2006", *http://ec.europa.eu/enterprise/newsroom/cf/_getdocument.cfm?doc_id=1170*.

European Investment Fund (2015), "European Small Business Finance Outlook", December 2015, *Working Paper* 2015/32, *www.eif.org/news_centre/publications/eif_wp_32.pdf*.

G20/OECD High-Level Principles on SME Financing, 2015, *www.oecd.org/finance/G20-OECD-High-Level-%20Principles-on-SME-Financing.pdf*.

Gambacorta, L., J. Yang and K. Tsatsaronis (2014), "Financial structure and growth", *BIS Quarterly Review,* March.

Giovannini, A., C. Mayer, S. Micossi, C. Di Noia, M. Onado, M. Pagano and A. Polo 2015, "Restarting European Long-Term Investment Finance", *A Green Paper Discussion Document*, CEPR Press and Assonime, January.

Government of Canada (2002), "Gaps in SME Financing: An Analytical Framework", SME financing data initiative, prepared for Small Business Policy Branch, Industry Canada, by Equinox Management Consultants Ltd., February 2002, *www.ic.gc.ca/eic/site/061.nsf/vwapj/FinancingGapAnalysisEquinoxFeb2002_e.pdf/$FILE/FinancingGapAnalysisEquinoxFeb2002_e.pdf*.

Intuit Canada (2014), "Bridging the gap, How boosting financial literacy leads to small business success", *http://intuitglobal.intuit.com/delivery/cms/prod/sites/default/intuit.ca/downloads/quickbooks/bridging_the_gap.pdf*.

IOSCO (2015), "SME Financing through Capital Markets", The Growth and Emerging Markets Committee of the International Organization of Securities Commissions, *Final Report*, July 2015, *www.iosco.org/library/pubdocs/pdf/IOSCOPD493.pdf*.

Kestens, K., P. Van Cauwenberge and J. Christiaens (2013), "The effect of the notional interest deduction on the capital structure of Belgian SME", *Environment and Planning C: Government and Policy 2012*, Volume 30, pages 228-247, *www.envplan.com/fulltext_temp/0/c1163b.pdf*.

Lusardi and Mitchell (2014), "The economic importance of financial literacy: Theory and evidence", *Journal of Economic Literature*, Vol. 52(1), pp. 5-44, March, *www.nber.org/papers/w18952*.

Mason and Botelho (2014), "The role of the exit in the initial screening of investment opportunities: The case of business angel syndicate gatekeepers", to be published in *International Small Business Journal*, 34, March 2016, *www.gla.ac.uk/media/media_302905_en.pdf*.

Mason and Kwok (2014), "Facilitating access to finance: Discussion paper on investment readiness programmes", OECD Publishing, Paris, *www.oecd.org/investment/psd/45324336.pdf*.

Mouqué (2012), "What are counterfactual impact evaluations teaching us about enterprise and innovation support?", *European Commission Regional Focus 02/2012*, *http://ec.europa.eu/regional_policy/sources/docgener/focus/2012_02_counterfactual.pdf*.

Myers, S.C. (1984), "The Capital Structure Puzzle", *The Journal of Finance* 39 (3), pp. 575-592.

NBIA (2008), National Business Incubation Association, "Across state lines: U.S. incubators report how state governments support business incubation", *www.nbia.org/resource_library/review_archive/0807_01.php#*.

Nassr, I.K. and G. Wehinger (2016), "Opportunities and limitations of public equity markets for SMEs", *OECD Journal: Financial Market Trends*, Vol. 2015/1, *http://dx.doi.org/10.1787/fmt-2015-5jrs051fvnjk*.

NESTA/BVCA (2009), "From Funding Gaps to Thin Markets: UK Government Support for Early Stage Venture Capital", (Nightingale, Murray, Cowling, Baden, Mason, Siepel, Hopkins and Dannreuther), *http://admin.bvca.co.uk/library/documents/Thin_Markets_report_-_Final.pdf*.

OECD (2016), "Financing SMEs and entrepreneurs 2016: An OECD Scoreboard", OECD Publishing, Paris, *http://dx.doi.org/10.1787/fin_sme_ent-2016-en*.

OECD (2015a), "New approaches to SME and entrepreneurship finance: Broadening the range of instruments", OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264240957-en*.

OECD (2015b), "Taxation of SMEs in OECD and G20 Countries", *OECD Tax Policy Studies*, No. 23, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264243507-en*.

OECD (2015c), "Growth Companies, Access to Capital Markets and Corporate Governance", OECD Report to G20 Finance Ministers and Central Bank Governors, September 2015, *www.oecd.org/g20/topics/framework-strong-sustainable-balanced-growth/OECD-Growth-Companies-Access-to-Capital-Markets-and-Corporate-Governance.pdf*.

OECD (2014a), "New approaches to SME and entrepreneurship finance: The case of crowdfunding", Draft final report, CFE/SME(2013)7/REV2/ANN1.

OECD (2014b), *OECD Observer*, No. 301 Q4 2014, *SME equity financing: Culture and home truths*.

OECD (2014c), *PISA 2012 Results: Students and Money (Volume VI): Financial Literacy Skills for the 21st Century*, PISA, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264208094-en*.

OECD (2013a), "The role of banks, equity markets and institutional investors in long-term financing for growth and development", *Report for G20 Leaders*, Report presented at the Meeting of the G20 Finance Ministers and Central Banks Governors in Moscow, 15-16 February 2013.

OECD (2013b), "OECD Pension Market in Focus 2013" (brochure), OECD, Paris, *www.oecd.org/pensions/PensionMarketsInFocus2013.pdf*.

OECD (2013c), "Policies for seed and early stage finance: Summary of the 2012 OECD Financing Questionnaire", OECD, Paris, DSTI/IND(2013)5.

OECD (2012a), Facilitating access to finance: Discussion paper on credit information sharing, OECD Publishing, Paris, *www.oecd.org/investment/psd/45370071.pdf*.

OECD (2012b), "SME and Entrepreneurship Financing: The Role of Credit Guarantee Schemes and Mutual Guarantee Societies in supporting finance for small and medium-sized enterprises", *Final Report*, CFE/SME(2012)1/FINAL.

OECD (2011), *OECD Observer* No. 285, Q2 2011, *Start-up nation: An innovation story*, *www.oecdobserver.org/news/fullstory.php/aid/3546/Start-up_nation:_An_innovation_story.html*.

OECD/INFE (2015), "OECD/INFE Progress Report on financial education for MSMEs and potential entrepreneurs", *www.gpfi.org/sites/default/files/documents/08-%20OECD-INFE%20Progress%20Report%20on%20Financial%20Education%20for%20MSMEs.pdf*.

SBA (2014), "Credit Scores and Credit Market Outcomes: Evidence from the Survey of Small Business Finances and the Kauffman Firm Survey", Rebel A. Cole Krahenbuhl Global Consulting Chicago, *www.sba.gov/sites/default/files/files/rs419tot.pdf*.

Veron (2013), "Bank versus non-bank financing in the United States, Europe and China", *Bruegel Policy Contribution*, Issue 2013/7, *www.bruegel.org/download/parent/781-bank-versus-non-bank-credit-in-the-united-states-europe-and-china/file/1664-bank-versus-non-bank-credit-in-the-united-states-europe-and-china/*.

World Bank (2015), "Capital market instruments to mobilize institutional investors to infrastructure and SME financing in emerging market economies: Report for the G20", Washington, DC, World Bank Group.

World Bank (2014a), "Facilitating SME financing through improved Credit Reporting", Report of the International Committee on Credit Reporting, chaired by the World Bank, April 2014, *http://siteresources.worldbank.org/EXTFINANCIALSECTOR/Resources/282884-1395933501015/Facilitating_SME_financing_through_CR_public_comments_web.pdf*.

World Bank (2014b), "Getting credit: The importance of credit registries", Doing Business 2015: Going Beyond Efficiency, Washington, DC, World Bank, *http://dx.doi.org/10.1596/978-1-4648-0351-2_Getting_Credit*.

World Bank (2014c), "Global Financial Development Report 2014: Financial inclusion", Washington, DC, World Bank, *http://dx.doi.org/10.1596/978-0-8213-9985-9*.

Yoshino and Taghizadeh-Hesary (2014), "Hometown Investment Trust Funds: An Analysis of Credit Risk", *Asian Development Bank Working Paper Series* No. 505, November 2014, *www.adbi.org/files/2014.11.27.wp505.hometown.investment.trust.funds.pdf*.

Xu and Zia (2012), "Financial literacy around the world: An overview of the evidence with practical suggestions on the way forward", *World Bank Policy Research Working Paper* 6107, *http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-6107*.

Zangari, E. (2014), "Addressing the debt bias: A comparison between the Belgian and the Italian ACE Systems", *European Commission Taxation Papers*, N.44-2014, *http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_44.pdf*.

Financing SMEs and Entrepreneurs 2017
An OECD Scoreboard

Chapter 3

Country snapshots

This chapter contains a snapshot view of SME and entrepreneurship finance developments, as well as the Scoreboard with core indicators for countries covered in this report. A more comprehensive discussion is provided in the full country profiles published online.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Australia

The Australian Bureau of Statistics defines SMEs as firms employing 0 to 199 employees.

The Australian economy is transitioning, as a decade long mining investment boom has given way to a large and sustained increase in mining exports and broader based growth.

In 2014 and 2015, credit to SMEs rose at relatively high rates, continuing the growth which has occurred since 2007.

The average interest rate charged to SMEs is high compared to most other OECD countries, but has come down by 3 percentage points between 2007 and 2015. The relatively high interest rate charged to SMEs is at least in part, due to Australia's relatively strong economic performance and hence, relatively high cash rate. The interest rate spread between loans to SMEs and to large firms increased during the financial crisis and has remained higher since. This, at least in part, reflects a reassessment of the riskiness of SME lending.

Venture and growth capital investments increased by 11% between 2014 and 2015, with 2015 levels well above their pre-crisis value.

Leasing and hire purchase volumes rose by 18% in 2015 to peak levels. Factoring and invoice discounting volumes increased significantly during the financial crisis but show no clear trend after this period.

Bankruptcies rose slightly between 2014 and 2015, but are at lower levels than in 2007 and 2008. Non-performing loans as a percentage of all business loans decreased to 1% in 2015.

The Australian Government has a comprehensive SME agenda aimed at promoting growth, employment and opportunities across the economy. Its policies for promoting SMEs focus on reducing red tape, improving the operating environment for business and increasing incentives for investment.

In late 2015, the Australian Government announced a new Financial System Programme which will support SMEs' access to finance by creating a more resilient, fairer and innovative financial system. It includes commitments to remove legislative impediments to the development of a crowd-sourced equity funding market, and support industry efforts to implement the comprehensive credit reporting regime. As part of the programme, a review is being undertaken into data accessibility and use.

In late 2015 a suite of new tax and business incentive measures was announced under the National Innovation and Science Agenda, including tax concessions for early stage investors in innovative start-ups. In addition, the 2016-17 budget included a commitment to progressively reduce the tax rate of small businesses from 28.5% to 25% over time.

Table 3.1. **Scoreboard for Australia, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	AUD million	188 709	203 880	203 598	223 624	234 271	238 267	241 240	249 581	259 682
Outstanding business loans, total	AUD million	708 971	769 855	719 400	703 980	712 686	735 790	748 053	782 955	833 054
Share of SME outstanding loans	% of total outstanding business loans	26.62	26.48	28.30	31.77	32.87	32.38	32.25	31.88	31.17
New business lending, total	AUD million	375	336	265	266	311	274	290	358	387
New business lending, SMEs	AUD million	78	80	70	83	82	74	78	82	88
Share of new SME lending	% of total new lending	20.67	23.77	26.20	31.04	26.25	26.91	26.79	22.98	22.85
Non-performing loans, total	% of all business loans	0.5	2.07	3.27	3.55	3.16	2.68	2.03	1.39	1.01
Interest rate, SMEs	%	8.56	7.99	7.56	8.29	7.94	7.07	6.44	6.18	5.58
Interest rate, large firms	%	7.6	6.16	5.85	6.67	6.37	5.29	4.29	4.15	3.59
Interest rate spread	% points	0.96	1.83	1.71	1.62	1.57	1.78	2.15	2.03	1.99
Non-bank finance										
Venture and growth capital	AUD million	6 939	8 315	7 903	8 912	8 700	7 652	8 348	7 907	8 802
Venture and growth capital	%, Year-on-year growth rate		19.83	-4.95	12.77	-2.38	-12.05	9.10	-5.28	11.32
Leasing and hire purchases	AUD million	9 546	9 342	6 904	7 140	7 579	8 691	7 549	8 690	10 257
Factoring and invoicing	AUD million	54 757	64 991	63 101	58 661	61 422	63 361	63 272	62 391	64 400
Other indicators										
Bankruptcies, Unincorporated	Number	5 045	4 427	4 425	5 615	5 265	5 857	4 762	4 002	4 104
Bankruptcies, Unincorporated	Per 10 000 enterprises	42	36	36	45	43	50	42	35	34
Bankruptcies, Corporates	Number	7 489	9 069	9 463	9 607	10 440	10 580	10 847	8 818	10 083
Bankruptcies, Corporates	Per 10 000 companies	48	55	56	54	57	55	54	41	45
Bankruptcies, Total	Per 10 000 businesses	45	47	47	50	51	53	49	39	41
Invoice payment days, average	Number of days	53	56	54	53	54	53	54	53	47
Outstanding business credit, Unincorporated business		111 551	117 802	119 097	122 333	125 244	131 673	137 173	142 566	150 499
Outstanding business credit, Private trading corporations		498 777	553 893	513 187	499 020	513 414	522 793	529 787	555 475	591 218

Source: See Table 3.1.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467137

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-11-en

Austria

In 2014, SMEs made up 99.7% of all firms and they employed approximately 68% of the labour force.

New lending has been in continuous decline since 2009, except in 2011. This downward pattern continued in 2015 with new lending to SMEs falling by 1.5%, mainly driven by a contraction in short-term lending. New loans to all enterprises decreased more than lending to SMEs, resulting in a significant increase in the share of SME loans in total business loans.

Austrian banks slightly tightened their credit standards in 18 out of 34 quarters since 2008, and eased them only twice during this period. Despite large firms being affected more strongly than SMEs by this development, demand for SME loans has been declining over 2008-16, and a preference for using internal financing methods has been observed since the end of 2015.

While demand for loans shows no clear trend, the percentage of applicants rejected for a loan increased from 0.4% in 2012 to 5.5% in 2015.

SME interest rates were at a historical low in 2015 and more than halved since 2007 from a level of 5.11% to 2.02%. The share of variable rate loans decreased by 4 percentage points over the past 3 years, but still account for a large portion of loans (92%). This leaves Austrian SMEs exposed to interest rate risks, should rates increase in the future.

Alternative forms of financing (venture capital, mezzanine capital, silent partnerships, business angels or crowdfunding), are on the rise and hold high potential as a finance source for SMEs in the future.

In 2015, bankruptcies declined to their lowest level since 2009, to only 10 per 1 000 firms compared to 18 per 1 000 in 2009.

Austria *Wirtschaftsservice GmbH (aws)* guarantees for SMEs have implemented a new framework for the 2014-16 period, aiming to not exclude entrepreneurs from subsidies or support for re-structuring or re-launching, shifting from grants to guarantee programmes, and reducing administrative burdens. The use of counter-guarantees for government guarantees has also increased as a result. Additionally, access to crowdfunding was facilitated by an increase in the threshold for capital market prospectuses (Alternative Financing Act).

Austria has set itself as a pioneer in the crowdfunding and alternative investment realm through new regulation. The Austrian government has established two initiatives to facilitate access to capital markets for SMEs. The "aws Equity Finder" platform increases access to alternative forms of financing and provides SMEs with subsidies to help cover the cost of publishing the capital market prospectus. Additionally, the Capital Market Act raised the threshold for capital market prospectuses. A new tax reform became effective on 1 January 2016, with a total volume EUR 5.2 billion, and a reduction of the basic tax rate from 36.5% to 25%.

Table 3.2. **Scoreboard for Austria, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, total	EUR million	123 067	134 897	132 413	135 465	138 840	140 384	140 329	136 606	137 203
New business loans, SMEs (flows)	EUR million	..	..	10 054	9 414	9 476	9 347	8 884	8 237	8 116
New business loans, total (flows)	EUR million	..	..	85 490	74 896	73 041	80 867	73 460	73 126	61 711
SME loan share	% of total business loans	..	..	11.76	12.57	12.97	11.56	12.09	11.26	13.15
New long-term loans, SMEs (flow)	EUR million	..	..	4 040	4 275	4 532	4 446	4 348	4 221	4 771
New short-term loans, SMEs (flow)	EUR million	..	..	6 014	5 139	4 944	4 901	4 536	4 016	3 345
Government loan guarantees, SMEs	EUR million	341	164	214	173	143	158	167	172	204
Government guaranteed loans, SMEs	EUR million	429	211	279	226	185	207	211	225	258
Government direct loans, SMEs		535	579	574	607	633	539	594	490	543
Interest rate, SME, loans up to EUR 1 million	%	5.11	5.47	2.89	2.43	2.92	2.46	2.28	2.27	2.02
Interest rate, large firms, loans over EUR 1 million	%	4.69	5.04	2.33	1.96	2.55	1.98	1.77	1.74	1.61
Interest rate spread	%	0.42	0.43	0.56	0.47	0.37	0.48	0.51	0.53	0.41
SME rejection rate	%			10.2	2.6	0.8	0.4	2.7	6.0	5.5
SME loan applications	%			26.3	27.5	25.5	28.3	27.6	25.7	28.7
Non-performing loans, total	%	..	..	..	..	..	..	..	4.1	4.2
Equity										
Venture and growth capital (seed, start-up, later stage)	EUR million	79.9	50.8	75.9	43.6	93.8	42.5	65.1	61.6	110.8
Venture and growth capital (growth capital)	EUR million	25.2	32.3	43.2	29	112	25.8	25.2	46.1	77.6
Other										
Payment delays, B2B	Days	..	8	8	11	12	11	12	13	..
Payment delays, B2C	Days	20	16	6	11	11	9	9	9	..
Bankruptcies, total	Number	6 295	6 315	6 902	6 376	5 869	6 041	5 459	5 423	5 150
Bankruptcies, per 1 000 firms	Number	18	17	18	16	14	14	12	12	10

Source: See Table 3.2.6 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467160

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-12-en

Belgium

In 2012, a change in the methodology of collecting data was introduced. Reporting since 2012 has become more comprehensive and loans of less than EUR 25 000 are included, in contrast to previous years.

The outstanding stock of SME loans expanded moderately in 2015, following two years of decline.

SME interest rates continued their downward path, and stood at 1.83% in 2015. The interest rate spread between loans charged to large enterprises and to SMEs also further narrowed to 23 basis points in 2015. Survey data similarly illustrate that lending conditions eased between 2013 and the end of 2015.

Leasing volumes increased in 2015 by more than 10%. Factoring continues to be overall more widely used by Belgian SMEs, with growth rates of more than 10% in every year between 2012 and 2015. While factoring volumes accounted for 6.3% of GDP in 2008, this percentage increased to almost 15% in 2015.

Venture capital investments more than halved between 2014 and 2015, but continue to show considerable variation due to the small number of deals conducted every year.

Both payment delays and bankruptcy rates were down in 2015 compared to 2014.

Policy initiatives to ease SMEs' access to finance are taken at the federal and regional level.

A novelty in the Flemish region is that PMV will market combined financial products to provide a customised "financial engineering" solution for its specific target groups, instead of marketing its different financial products separately. Moreover, the rules of the ARKimedes fund have been adapted. From 2015 onwards, the regulation of ARKimedes has been adapted for ARKimedes-Fonds II from a closed end to an open-end duration: ARKimedes can now re-invest the revenues from ARK investments in ARKIV opportunities and can accredit ARKIVs on an ongoing basis.

In Wallonia, the first two InnovFin and COSME guarantee agreements in Belgium were signed in September 2015, supported under the European Fund for Strategic Investment. Moreover, a new investment fund for Walloon digital start-ups, W.IN.G (Wallonia Innovation and Growth) was recently established.

In 2015, the federal Government launched the so-called "tax shelter," an income tax credit for people who invest in shares or securities issued by young companies. In addition, tax incentives for investors in equity-type crowdfunding projects were introduced.

Table 3.3. **Scoreboard for Belgium, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	EUR million	82 833	89 066	88 925	93 900	100 031	109 646	109 487	100 743	102 628
Outstanding business loans, total	EUR million	134 211	149 389	141 761	150 610	153 739	167 571	161 973	151 734	162 094
Share of SME outstanding loans		61.72	59.62	62.73	62.35	65.07	65.43	67.60	66.39	63.31
Outstanding short-term loans , total	EUR million	37 394	40 355	34 120	35 414	36 476	34 484	33 829	31 275	30 801
Outstanding long-term loans, total	EUR million	59 676	66 092	72 233	77 194	79 329	82 484	83 893	80 330	84 664
Government loan guarantees, SMEs	EUR million	..	157	412	554	318	266	480	266	448
Government guaranteed loans, SMEs	EUR million	..	313	833	888	562	484	826	477	806
Direct government loans, SMEs	EUR million	..	114	142	142	148	171	236	..	..
Interest rate, SMEs	%	5.45	5.70	3.01	2.51	2.88	2.32	2.06	2.09	1.83
Interest rate, large firms	%	5.05	2.09	1.70	2.22	0.02	1.74	1.76	1.77	1.60
Interest rate spread	% points	0.73	0.65	0.92	0.81	0.66	0.58	0.3	0.32	0.23
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	74.30	71.90	78.60	..	..	..
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	22.22	26.46	30.20	29.33	29.36	39.33	36.61
Rejection rate	%, SME loans authorised/ requested	..	..	0.523	5.126	6.437	10.395	10.908	5.877	5.705
Utilisation rate	SME loans used/authorised	77.80	79.05	80.69	80.07	80.16	77.45	77.79	79.76	79.67
Non-bank finance										
Venture and growth capital	EUR million	380 123	340 604	446 298	285 143	221 509	286 295	258 427	332 758	120 937
Venture and growth capital	%, Year-on-year growth rate	..	-10.40	31.03	-36.11	-22.32	29.25	-9.73	28.76	-63.66
Other indicators										
Payment delays, B2B	Number of days	..	..	17	17	15	19	18	19	13
Bankruptcies, total	Number	7 680	8 476	9 420	9 570	10 224	10 587	11 740	10 736	9 762
Bankruptcies, total	%, Year-on-year growth rate	..	10.36	11.14	1.59	6.83	3.55	10.89	-8.55	-9.07

Source: See Table 3.3.5 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467216

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-13-en

Brazil

Micro, small and medium-sized enterprises (MSMEs) form an essential part of the Brazilian economy, accounting for 99% of all legally constituted companies and providing about 65% of formal jobs. There are different definitions of MSMEs in Brazil, which can be classified by turnover, number of employees, or even by exported value.

After years of strong growth, Brazil experienced an economic recession, which began in mid-2014, and is believed to have reached its point of reversal and resumption of growth. Inflation rates have been rising in recent years, reaching 10.7% in 2015 (IPCA). Monetary policy to curtail inflation led to high interest rates of 14.8% for large corporate borrowers and to 30.6% for SMEs. These high and rising rates have created a lending climate with shrinking demand for new SME loans. Interest rates have increased more for micro-enterprises and SMEs than for large businesses. At the end of 2016, however, a reduction of the basic interest rate, as well as the first decline in the interest rates for SMEs since approximately two years was observed.

The stock of SME loans fell in 2015. New lending to SMEs declined in 2014 and 2015. Both observations are in contrast with lending to large businesses, where the outstanding stock of loans, as well as new lending was up in 2014 and 2015. Since 2008, large companies have been receiving a larger share of the business loans granted compared to SMEs. While close to 60% of all SME lending was short-term in 2008, this proportion fell in consequent years, reaching a low of 28.4% in 2015.

Non-performing business loans remained practically constant at 2% of all business loans between 2008 and 2015. Non-performing loans are more common for loans to SMEs and especially to micro-enterprises, which amounted to 7.5% of all loans to micro-enterprises in 2015.

As MSMEs are increasingly considered a policy priority in Brazil and sufficient access to finance a necessary precondition for their success, the government has taken on a more active role in this area, often with the aim to providing financial services to small businesses underserved by formal financial institutions. Notable developments include a micro-credit programme, a quota to use 2% of demand deposits of the National Financial System to finance loans to low-income individuals and micro-entrepreneurs, and a strong increase in the number of service points where financial services are provided.

The regulatory framework for angel investors has been revised in 2016, removing some long-standing barriers for investors in SME markets, most notably by offering more legal protection in the case of company closures. New regulation concerning investment-based crowdfunding is under consideration.

SEMPE, the Special Secretariat for Micro and Small Enterprises, directly linked to the structure of the Presidency of the Republic, is the main body of the Brazilian government responsible for formulating, coordinating, articulating and defining public policy guidelines aimed at strengthening, expanding and formalizing artisans, individual entrepreneurs and micro and small enterprises. In addition, SEMPE leads the articulation of actions aimed at improving aspects of the business environment, aiming to make it more favourable to the flourishing of entrepreneurship, contributing to the expansion and sustainability of micro and small enterprises, with the consequent generation of employment and income.

Table 3.4. **Scoreboard for Brazil, 2008-15**

Indicator	Unit	2008	2009	2010	2011	2012	2013	2014	2015
Outstanding business loans, SMEs	BRL billion	323.47	362.98	437.04	525.78	598.88	659.11	682.45	667.11
Outstanding business loans, total	BRL billion	611.99	728.22	865.56	1 030.37	1 204.13	1 378.14	1 541.79	1 685.04
Share of SME outstanding loans	% of total outstanding business loans	52.86	49.84	50.49	51.03	49.74	47.83	44.26	39.59
New business lending, total	BRL billion					324.95	364.56	386.37	424.83
New business lending, SMEs	BRL billion					191.63	200.76	190.57	177.31
Share of new SME lending	% of total new lending					58.97	55.07	49.32	41.74
Outstanding short-term loans, SMEs	BRL billion	108.38	102.46	111.51	141.98	156.83	159.16	155.78	147.26
Outstanding long-term loans, SMEs	BRL billion	184.96	219.24	279.00	358.23	440.56	498.68	525.27	518.32
Share of short-term SME lending	% of total SME lending	58.60	46.73	39.97	39.63	35.60	31.92	29.66	28.41
Government guaranteed loans, SMEs	BRL billion					8.44	6.55	7.43	9.44
Direct government loans, SMEs	BRL billion	11.18	12.99	14.20	15.89	17.74	21.09	23.36	25.78
Non-performing loans, total	% of all business loans	1.45	2.66	2.08	1.96	2.22	2.01	1.92	2.23
Non-performing loans, micro-enterprises	% of all business loans	5.48	8.00	6.91	7.02	7.38	6.32	6.32	7.53
Non-performing loans, small and medium-sized enterprises	% of all SME loans	1.31	3.08	2.30	1.99	2.62	2.77	2.70	3.55
Interest rate, small and medium-sized enterprises	%					20.28	21.63	25.18	30.60
Interest rate, large firms	%					12.25	13.93	14.88	15.75
Interest rate spread	% points					8.03	7.70	10.30	14.85

Source: See Table 3.4.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467268

The full country profile is available at
http://dx.doi.org/10.1787/fin_sme_ent-2017-14-en

Canada

In 2015, Canadian small businesses (1-99 employees) constituted 98% of all businesses and employed 8.2 million individuals, which translates into 70.5% of the private sector labour force.

Data from the supply-side survey show that debt outstanding by all businesses increased by 10.5% in 2015, to CAD 710 billion, while debt outstanding to small businesses increased by 1.4%, to CAD 95.3 billion.

Indicators show that small business credit conditions have remained relatively stable since 2011. In 2015, request rates for debt financing slightly decreased to 23%, and the 2015 ratio of funds authorised to funds requested increased to 92.7%, from 83.9% in 2014. The average interest rate charged to small businesses decreased by 0.2 percentage points since 2011, reaching 5.1% in 2015. The business risk premium is back to its 2011 level of 2.3% in 2015. This reflects stable access to financing for small businesses in Canada.

The small business 90-day loan delinquency rate has returned to pre-recession levels. Over 2015, the 90-day loan delinquency rate increased by 0.22 percentage points to 0.68%, back to the level observed at the end of 2010.

Since 2011, the request rate for lease financing has varied between 7% and 11%, and the approval has been above 94% every year.

Equity financing (provided in the form of venture capital) increased by 13.4% in 2015 to reach CAD 2.7 billion, thereby surpassing the level reached in 2007.

In 2015-16, the Government of Canada undertook various measures in support of small and medium-sized enterprises. As announced in the 2016 budget, the government is making available up to CAD 800 million over 5 years, starting in 2017-18, to support innovation networks and clusters. In addition, it will be launching a new initiative in 2016-17 to help high-impact firms scale up and further their global competitiveness.

Furthermore, the Canada Small Business Financing Programme implemented a series of legislative and regulatory amendments to make the programme more appealing to lenders and to better meet the needs of small businesses. These changes included extending programme eligibility to small businesses with gross annual revenues of CAD 10 million or less, from CAD 5 million or less, increasing the maximum loan amount for real property from CAD 500 000 to CAD 1 000 000, and increasing the maximum loan term for real property from 10 years to 15 years.

Since 2015, the Business Development Bank of Canada (BDC) has earmarked CAD 700 million of its existing funds over three years to specifically finance women-owned businesses.

Table 3.5. **Scoreboard for Canada, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	CAD million	83 422	83 363	86 428	85 676	89 090	87 155	91 135	94 008	95 335
Outstanding business loans, total	CAD million	479 793	533 951	482 290	489 480	503 161	548 025	592 561	642 855	710 083
Share of SME outstanding loans	% of total outstanding business loans	17.39	15.61	17.92	17.50	17.71	15.90	15.38	14.62	13.43
New business lending, total	CAD million	..	..	..	..	126 181	141 640	151 027	168 677	187 659
New business lending, SMEs	CAD million	..	..	..	..	20 176	21 670	22 806	23 179	24 110
Share of new SME lending	% of total new lending	..	..	..	..	15.99	15.30	15.10	13.80	12.85
Outstanding short-term loans, SMEs	CAD million	15 056	..	..	..	6 911	..	..	15 600	..
Outstanding long-term loans, SMEs	CAD million	21 118	..	..	..	12 763	..	..	12 400	..
Total short and long-term loans, SMEs	CAD million	36 174	..	..	..	19 674	..	..	28	..
Short-term loans, SMEs	% of total SME loans	41.62	..	43.40	36.30	35.13	39.00	46.00	55.60	47.20
Government loan guarantees, SMEs	CAD billion	1.2	1.3	1.2	1.3	1.3	1.1	1.1	1.5	1.2
Direct government loans, SMEs	CAD billion	4.4	4.1	5.5	4.7	6.0	5.8	4.6	6.5	6.7
Loans authorized, small business	CAD million	36 174	..	..	..	19 674	..	..	23 000	..
Loans requested, small business	CAD million	42 259	..	..	..	21 647	..	..	27 400	..
Ratio of total amount authorised to total amount requested, small business)	%	85.6	..	72.1	87.9	90.9	91.5	88.6	83.9	92.7
Percentage of SME loan applications (Debt Financing Request Rate)	Debt financing applications/ total number of SMEs	17	..	14.9	18	24	26	30	27.8	23
Interest rate, SMEs	%	7.5	..	6.2	5.8	5.3	5.4	5.6	5.1	5.1
Interest rate, business prime	%	6.1	..	3.1	2.6	3	3	3	3	2.8
Interest rate spread	% points	1.4	..	3.1	3.2	2.3	2.4	2.6	2.1	2.3
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	47.7	..	56.1	66.7	64.8	76	56	66.6	80
Rejection rate	Debt financing request denied (%)	..	..	..	9	8	7	9	12.8	7
Non-bank finance										
Venture and growth capital	CAD billion	2.35	1.38	1.00	1.20	1.50	1.50	1.90	2.40	2.70
Venture and growth capital	%, Year-on-year growth rate	NA	-41.26	-27.58	20.00	25.00	0.00	26.67	26.32	12.50
Leasing request rate	%	20.8	..	1	2	7	8	11	7.9	8
Leasing approval rate	%	93	..	76	97	97.3	95	95	98.6	94
Other indicators										
90-Day Delinquency Rate Small business	% of loans outstanding	0.69	1.03	1.41	0.79	0.58	0.42	0.33	0.35	0.63
90-Day Delinquency Rate Medium business	% of loans outstanding	0.07	0.07	0.54	0.24	0.03	0.02	0.04	0.03	0.03
Bankruptcies, SMEs	Per 1 000 firms with employees	7	6.6	5.9	4.6	4.3	3.8	3.6	3.4	3.3

Source: See Table 3.5.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467281

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-15-en

Chile

Economic growth in Chile has slowed down in recent years. GDP grew by 1.9% in 2014 and by 2.1% in 2015, considerably below the levels of 2011-12 of 5.8% and 5.5%, respectively. This situation has severely impacted credit lending to businesses, especially in those sectors that are sensitive to swings in the business cycle. A recovery has been apparent since the second half of 2015, but growth remains below levels observed before 2013.

The SME loan share in total outstanding loans has been increasing since 2007, with micro and small enterprise having better access to commercial loans. Banco Estado has been one of the main advocates for improving the access to finance for SMEs and micro enterprises.

The costs for obtaining credit have been very low by historical standards, but credit demand has fallen in recent years, compared to the 2010-11 period, especially among small enterprises, due to a lack of viable investment opportunities. This explains the coincidence of low costs of credit and generally accommodative credit conditions on the one hand, and slow to even negative credit growth on the other.

Rejection rates were down in 2013, compared to 2011, both for large businesses as for SMEs. No more recent data are available. A negative correlation can be observed between the size of an enterprise and its probability to accesses bank finance. At the same time, 93% of surveyed businesses reported that they did not receive a bank loan because they did not apply.

Non-performing loans were slightly down in 2015 compared to 2014, but remain relatively high, with the overall credit risk indicators of the banking system remaining broadly stable.

The FOGAPE Credit Guarantee Scheme provides guarantee rights to financial intermediaries through an auction process. During 2015, the number of operations and value of guarantees decreased compared to previous years.

CORFO (*Corporacion del Fomento de la Produccion*) is a governmental institution that also provides guarantees. It conducted 66 038 credit guarantee coverage operations during 2015, worth a total of USD 2 billion in credit.

CORFO currently operates three programmes that support VC funds; the Early-Stage Fund (*Fondo de Etapa Temprana, FT*), the Development and Growth Fund (*Fondo de Desarrollo y Crecimiento, FC*) and the Technology Early-Stage Fund (*Fondo de Etapas Tempranas Tecnológicas*). In 2015, the CORFO Venture Capital Committee approved new credit lines for three managers in the areas of aquiculture, copper and energy. Outstanding venture capital funds invested in 48 firms, resulting in a total amount of investment of USD 50.1 million.

Table 3.6. **Scoreboard for Chile, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	CLP million	6 811 534	7 578 831	8 101 937	8 817 987	9 995 088	11 456 256	11 775 344	13 745 500	15 763 238
Outstanding business loans, total	CLP million	40 905 328	49 889 809	46 293 290	48 379 040	57 178 487	64 564 005	69 771 313	76 406 573	84 924 091
Share of SME outstanding loans	% of total outstanding business loans	16.65	15.19	17.50	18.23	17.48	17.74	16.88	17.99	18.56
New business lending, total	CLP million	..	..	..	75 058 602	90 942 869	84 517 124	58 070 254	63 900 050	67 800 301
New business lending, SMEs	CLP million	..	..	..	2 610 446	3 085 131	3 762 485	3 806 206	4 360 591	5 114 943
Share of new SME lending	% of total new lending	..	..	..	3.48	3.39	4.45	6.55	6.82	7.54
Outstanding short-term loans, SMEs	CLP million	..	..	..	1 571 498	1 951 916	2 268 028	1 817 851	1 828 660	1 885 788
Outstanding long-term loans, SMEs	CLP million	..	..	..	1 038 948	1 133 215	1 494 457	1 988 355	2 531 931	3 229 156
Government guaranteed loans, SMEs	CLP million	313 712	493 330	1 441 688	1 834 883	2 118 339	2 885 703	3 147 216	2 317 108	2 217 707
Non-performing loans, total	% of all business loans	..	..	2.47	2.17	2.13	2.24	2.44	2.59	2.41
Non-performing loans, SMEs	% of all SME loans	..	..	7.12	6.62	6.47	6.33	7.09	7.06	6.69
Interest rate, SMEs	%	..	..	..	..	..	..	11.80	10.33	9.29
Interest rate, large firms	%	..	..	..	..	..	..	4.67	4.02	3.80
Interest rate spread	% points	..	..	..	..	..	..	7.13	6.32	5.49
Rejection rate	SME loans authorised/ requested	..	..	..	..	13	..	11	..	..
Non-bank finance										
Venture and growth capital	CLP million	26 804	20 251	22 157	27 484	34 623	43 356	31 257	44 378	35 573
Venture and growth capital	%, Year-on-year growth rate	..	-24.45	9.41	24.04	25.98	25.22	-27.91	41.98	-19.84
Other indicators										
Payment delays, B2B	Number of days	..	..	..	..	..	..	41	44	30
Bankruptcies, SMEs	Number	2 849	2 957	2 912	3 163	3 403	3 404	3 817	3 932	..
Bankruptcies, SMEs	%, Year-on-year growth rate	..	3.79	-1.52	8.62	7.59	0.03	12.13	3.01	..

Source: See Table 3.6.5 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467325

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-16-en

China (People's Republic of)

In China, micro, small and medium enterprises (SMEs) represent an important part of the economy. Small businesses with 300 or fewer employees account for 98.6% of all firms.

The stock of SME loans increased to RMB 33 301.8 billion in 2014. As loan growth for SMEs usually outpaced total business loan growth in the period, the SME loan share increased from 54.6% to 63.8% over the 2009-14 period. New SME business lending increased by 2.7%, while total new business lending dropped by 10.4% over the 2010-14 period. In 2015, 85.1% of large companies tried to apply for a bank loan, while only 69.9% of SMEs did so.

In 2015, Chinese SMEs enjoyed looser credit conditions. The surveyed-based lending rate for SMEs and large firms decreased from 7.51% and 7.47% in 2014, to 5.23% and 5.26% in 2015, respectively. The great drop in lending costs is the result of both, weak demand and slack supply The interest rate spread between large companies and SMEs has narrowed from 0.68 percentage points in 2013 to 0.04 percentage points in 2014, and reversed to -0.03 percentage points in 2015.

Collateral requirements increased steadily year-on-year in the period of 2009-14, from 50.6% in 2009 to 54.8% in 2014. Stricter collateral requirements were due to an increase in loan rejection rates. In 2015, about 11.7% of SME loan applications were rejected, up from 6.2% in 2013, while only 6.8% of applications from large companies were rejected in 2015.

In 2015, the bankruptcy rate for SMEs was 5.5%, year-on-year down by 24.6%, and payment delays for the B2B (business to business) and B2C (business to customer) sectors decreased to 64.4 days and 27.4 days, respectively, shortened by 7.8 days and 15.2 days with respect to previous the year. In 2014, the ratio of SME non-performing loans to total SME loans stood at 1.97%, increasing slightly by 0.31 percentage points compared to the previous year.

The Chinese government started to reform the commercial registration system, and shortened registration procedures in 2014. These reforms had a big impact on business creation, and pushed the daily business creation from 10 600 in 2014, to 12 000 new companies on average in 2015.

The national SME development fund and national guide fund for venture investment in emerging industries were established in 2015. Unlike most government interventions in this area, a PPP model is used to absorb more investment from the private sector, and to follow market-oriented rules.

Equity financing and other alternative financing instruments are increasingly on the radar of Chinese policy makers. In 2015, SMEs obtained RMB 479.7 billion from the SME Board and the Venture Board in Shenzhen Stock Exchange, and 5 129 small companies were listed in National Equities Exchange and Quotations (NEEQ), receiving a total of RMB 121.6 billion in investment, up by 226.3% in listed numbers, and by 820.7% in financing value. Total venture capital investment was RMB 293.3 billion in 2014, up by 11.2%.

Table 3.7. **Scoreboard for China, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	RMB billion	..	..	13 616	17 139	21 168	25 356	28 585	33 302	..
Outstanding business loans, total	RMB billion	..	..	24 940	30 292	35 017	39 283	44 019	52 162	..
Share of SME outstanding loans	% of total outstanding business loans	..	..	54.60	56.58	60.45	64.55	64.94	63.84	..
New business lending, total	RMB billion	..	..	..	5 286	4 790	4 470	4 742	4 738	..
New business lending, SMEs	RMB billion	..	..	..	3 505	3 202	3 390	3 896	3 600	..
Share of new SME lending	% of total new lending		..	..	66.31	66.86	75.83	82.17	75.97	..
Share of Short-term loans, SMEs	% of total loans in SMEs	..	..	..	..	..	..	56.10	49.24	47.56
Direct government loans, SMEs	RMB billion	..	..	..	1 223	1 550	1 813	2 082	2 470	2 820
Non-performing loans, total	RMB billion	..	..	642	532	443	477	549	780	..
Non-performing loans, SMEs	RMB billion	..	..	522	432	370	418	476	657	..
Non-performing loans, total	% of all business loans	..	..	2.58	1.76	1.26	1.21	1.25	1.49	..
Non-performing loans, SMEs	% of all SME loans	..	..	3.83	2.52	1.75	1.65	1.66	1.97	..
Interest rate, SMEs	%	..	..	..	..	..	..	8.39	7.51	5.23
Interest rate, large firms	%	..	..	..	..	..	..	7.72	7.47	5.26
Interest rate spread	% points	..	..	..	..	..	..	0.67	0.04	-0.03
Loan fee, SMEs	% of loan amount	..	..	..	..	..	..	3.7	1.38	1.29
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	50.55	51.64	51.59	52.98	54.52	54.76	..
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	..	..	..	69.88
Curtail rate in loan amount requested, SME	1-SME loans authorised/ requested	..	..	..	..	..	..	40.33	32.07	31.90
Rejection rate(Rejection to loan application)	the share of rejected cases in loan application	..	..	..	..	..	..	6.19	11.97	11.72
Utilisation rate	SME loans used/authorised	..	..	..	..	..	..	93.51	94.75	94.48
Non-bank finance										
Venture and growth capital (seed and early stage)	RMB billion	24.04	41.34	52.49	66.42	61.08	85.80	91.31	74.34	..
Venture and growth capital (growth and later stage)	RMB billion	87.25	104.23	108.02	174.24	258.72	245.49	172.59	218.99	..
Venture and growth capital, total	RMB billion	111.29	145.57	160.51	240.66	319.80	331.29	263.90	293.33	..
Venture and growth capital	%, Year-on-year growth rate	..	30.80	10.26	49.93	32.88	3.59	-20.34	11.15	..
Leasing and hire purchases	RMB billion	24	155	370	700	930	1 550	2 100	3 200	4 440
Factoring and invoicing	EUR million	..	55 000	67 300	154 550	274 870	343 759	378 128	406 102	..
Other										
Payment delays, B2B	Number of days	..	..	..	..	..	..	95.91	72.31	64.44
Payment delays, B2C	Number of days	..	..	..	..	..	..	48.38	42.64	27.43
Bankruptcies, total	percent rate?%	..	..	..	..	..	..	8.11	7	5.45
Bankruptcies, total	%, Year-on-year growth rate	..	..	..	..	..	..	..	-13.69	-22.14
Bankruptcies, SMEs	Percent rate?%	..	..	..	..	..	..	7.57	7.24	5.46
Bankruptcies, SMEs	%, Year-on-year growth rate	..	..	..	..	..	..	..	-4.36	-24.59

Source: See Table 3.7.6 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467352

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-17-en

Colombia

In Colombia, micro-enterprises and SMEs (MSMEs) represent an important part of the economy, employing 80.8% of the country's workforce and contributing to 40% of GDP.

Bank credit is the main financing source for SMEs. In 2015, bank lending accounted on average for 45% of total financing received, followed by suppliers' finance, leasing, own resources or internal funding and factoring. The stock market, on the other hand, represents only a marginal source of financing for SMEs in Colombia.

During 2014-15, the value of loans to MSMEs experienced an increase of 5%. In turn, total business loans grew at a rate almost three times as high, thus leading to a decrease in the SME loan share to 25.7% in 2015, compared to 28% in 2014, and to around 30% in 2010-13.

Similarly, in the last two years, SME short-term credit grew at a rate of 6.8%, compared with long-term credit which grew at 4.8%. As of 2015, short-term SME loans represented 23.7% of total SME lending, compared to 23.4% in 2014, thus remaining largely on the same level since 2013.

The average interest rate charged on SME loans decreased from 20% in 2007, to 14.7% in 2015. When compared to large firms, however, SMEs faced stricter conditions throughout the reference period, as evidenced by the spread between interest rates charged on SME loans and those charged on large firms' loans, which stood at around 5.9% in 2015.

The average payment delay in days has increased significantly from 48.8 days in 2007 to 91.4 days in 2015.

Total bankruptcies decreased by 9.6% year-on-year from 2013 to 2014, from 156 to 141, but increased again to 164 in 2015.

Bancoldex is the Colombian business development bank, under the Ministry of Commerce, Industry and Tourism, operating as a second-tier bank. It designs and offers new financial and non-financial instruments to boost competitiveness, productivity, growth and development of MSMEs and large Colombian firms, whether they are exporters or focus on the national market.

In 2015, Bancoldex provided credit disbursements to MSMEs through financial institutions, for a total amount of USD 6 278 429 040, benefiting a total of 112 441 MSMEs.

The National Fund of Guarantees supports MSMEs through guarantees via a financial intermediary, whom the company asks for a loan. The guaranteed portion is on average 50% of the loan. A new regulation on moveable assets, introduced in 2015, opens up new possibilities to obtain credit for smaller businesses, since they can spread their obligations to an extended set of movable property.

Table 3.8. **Scoreboard for Colombia, 2011-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	COP trillion	25.61	28.59	26.58	29.12	39.97	46.76	51.60	55.23	58.17
Outstanding business loans, total	COP trillion	78.39	94.70	95.94	113.84	134.78	152.78	171.38	197.16	226.31
Share of SME outstanding loans	% of total outstanding business loans	32.67	30.18	27.70	25.58	29.66	30.61	30.11	28.01	25.71
New business lending, total	COP trillion									
New business lending, SMEs	COP trillion									
Share of new SME lending	% of total new lending	..	..	..	..	25.02	24.69	23.96	23.4	23.73
Outstanding short-term loans, SMEs	COP trillion									
Outstanding long-term loans, SMEs	COP trillion									
Share of short-term SME lending	% of total SME lending									
Direct government loans, SMEs	COP trillion	..	..	..	..	..	..	..	..	..
Non-performing loans, total	COP trillion	0.74	1.20	1.53	1.21	1.35	1.58	1.85	2.62	3.03
Non-performing loans, SMEs	COP trillion	0.65	1.05	1.34	1.07	0.70	0.85	1.03	1.36	1.31
Non-performing loans, total	% of all business loans									
Non-performing loans, SMEs	% of all SME loans	2.52	3.66	5.05	3.68	1.76	1.81	1.99	2.45	2.25
Interest rate, SMEs	%	20.09	23.13	20.43	18.66	14.34	14.68	13.24	13.54	14.69
Interest rate, large firms	%	12.53	14.24	10.09	7.23	9.28	9.25	7.98	8.33	8.78
Interest rate spread	% points	7.56	8.89	10.34	11.43	5.06	5.43	5.26	5.21	5.91
Collateral, SMEs	Number of credits	226 252	260 772	255 968	276 309	1 702 546	1 860 597	1 976 209	2 014 219	2 462 825
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	51.64	53.65	59.12	56.86	51.42
Percentage of SME loan applications	SME loan applications/ total number of SMEs									
Rejection rate	1-(SME loans authorised/ requested)	2.0	4.0	9.0	5.0	3.0	4.0	7.0	3.0	7.5
Utilisation rate	SME loans used/authorised	..	..	..	..	97	96	93	97	92.5
Non-bank finance										
Venture and growth capital	COP trillion									
Venture capital investments	COP trillion	..	..	..	..	..	..	..	..	0.087
Venture and growth capital (growth rate)	%, Year-on-year growth rate									
Growth capital investment	COP trillion									
Leasing and hire purchases	COP trillion	11.012	12.298	12.882	14.059	17.733	21.081	24.071	27.794	33.342
Factoring and invoice discounting	COP trillion	5.774	6.039	7.152	7.011	12.845	10.552	17.555	23.747	31.474
Other indicators										
Payment delays, B2B	Average number of days	49	50	61	62	59	55	56	65	66
Bankruptcies, total	Number of businesses	33	95	149	159	178	116	156	141	164
Bankruptcies, total	%, Year-on-year growth rate	..	187.88	56.84	6.71	11.95	-34.83	34.48	-9.62	16.31

Note: Due to methodological changes in determining the size of the company, data from 2011 and 2015 are not comparable with previous years. Colombia uses the naming system large scale. However, for English-speaking countries the short scale is used, so these figures are in billions of pesos (1012).

Source: Colombian financial government institutions (Bank of the Republic of Colombia, Financial Superintendence, Colcapital, Superintendence of Societies) through the Ministry of Commerce, Industry and Tourism. See Table 3.8.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467402

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-18-en

Czech Republic

In 2015, there were roughly 1.1 million active enterprises in the Czech Republic, most of them SMEs with less than 250 employees (99.8% of all enterprises), employing almost 1.6 million people (58.9 % of the Czech Republic's workforce). The bulk of them were micro firms, covering 92.7% of all SMEs.

SME interest rates were down by 106 base points in 2014 vis-a-vis 2015, reaching a new record low and thereby continuing their decline since 2007. Over the 2007-15 period, SME interest rates dropped by 46.3% in total

Venture capital investments peaked in 2008, and then declined dramatically up to and including 2015 by a factor of more than ten. Growth capital declined even faster: whereas more than EUR 191 million of growth capital was invested in 2009, this amount plummeted to EUR 4 million in 2012.

Government support for enterprises and entrepreneurs comprises primarily measures with respect to developmental and operational financing, export support, support of the energy sector, development of key competences, including for instance entrepreneurial skills, financial literacy of entrepreneurs, technical education and research, as well as development and innovation. In December 2012, the Czech government adopted a Small and medium enterprises support strategy 2014-2020 (SME 2014+), which represents the key strategic document for the preparation of the EU cohesion policies over the 2014-20 programming period in the area of enterprises, specifically for the preparation of the Operational Programme Enterprise and Innovations for Competitiveness (OPEIC), and for similarly important national SME support programmes.

SME 2014+ also pays attention to the need for supporting social enterprises and strengthening the education of social entrepreneurs. The SME 2014+ concept is implemented through national programmes supporting enterprises, such as the "Guarantee", REVIT or Inostart programmes, and via the Operational Programme Enterprise and Innovations for Competitiveness.

SME 2014+ also addresses some of the more general business environment issues that impact SMEs and entrepreneurs, and aims to motivate firms to make use of the funding available for the development of SMEs through EU programmes. These include several tools, such as government loan guarantees, financing schemes for exporting SMEs (Czech Export Bank) and innovative businesses (INOSTART programme), as well as a programme to draw financial resources from the EU structural funds (OPEI), which provides support to SMEs through grants, preferential loans and guarantees.

The Czech-Moravian Guarantee and Development (CMZR) Bank is a specialised state-owned banking entity with a mission to facilitate primarily SME access to financing. In 2015, the organisation signed a "COSME counter-guarantee agreement" – an EU funding programme for SMEs.

Table 3.9. **Scoreboard for the Czech Republic, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	CZK million	476 267	555 030	527 545	550 072	587 908	589 675	610 789	621 521	652 590
Outstanding business loans, total	CZK million	745 797	850 765	784 069	783 538	831 206	840 593	871 578	890 229	935 364
Share of SME outstanding loans	% of total outstanding business loans	63.86	65.24	67.28	70.20	70.73	70.15	70.08	69.82	69.77
New business lending, total	CZK million	852 729	866 109	780 874	667 977	599 089	694 944	500 502	544 725	607 585
New business lending, SMEs	CZK million	208 216	207 237	147 986	123 398	124 117	129 830	86 660	97 764	118 217
Share of new SME lending	% of total new lending	24.42	23.93	18.95	18.47	20.72	18.68	17.31	17.95	19.46
Outstanding short-term loans, SMEs	CZK million	..	..	..	73 626	72 433	77 853	45 531	40 360	41 742
Government loan guarantees, SMEs	CZK million	1 925	3 529	6 369	6 593	472	1 534	3 251	4 010	6 913
Government guaranteed loans, SMEs	CZK million	2 959	5 094	9 550	10 070	630	2 215	4 616	5 771	9 947
Direct government loans, SMEs	CZK million	931	286	209	629	1090	782	101	86	65
Non-performing loans, total	CZK million	22 816	35 340	61 904	70 166	67 876	61 480	62 032	58 694	52 642
Interest rate, SMEs	%	5.03	5.57	4.64	4.01	3.73	3.48	3.13	3.76	2.7
Interest rate, large firms	%	4.05	4.84	3.46	3.34	2.63	2.43	1.89	2	1.8
Interest rate spread	% points	0.98	0.73	1.18	0.67	1.1	1.05	1.24	1.76	0.9
Non-bank finance										
Venture and growth capital	EUR thousand	120 430	103 946	219 595	139 190	18 256	9 449	7 321	34 953	10 419
Venture and growth capital	%, Year-on-year growth rate	..	-13.69	111.26	-36.62	-86.88	-48.24	-22.52	377.43	-70.19
Other indicators										
Payment delays, B2B	Number of days	16	18	19	14	14	15	14	14	14
Bankruptcies, SMEs	Number	839	873	1 280	1 301	1 263	1 345	1 379	1 228	1 001
Bankruptcies, SMEs	%, Year-on-year growth rate	..	4.05	46.62	1.64	-2.92	6.49	2.53	-10.95	-18.49

Source: See Table 3.9.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467447

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-19-en

Denmark

In 2014, SMEs accounted for 99.6% of all enterprises in Denmark.

SME lending suffered disproportionately in the aftermath of the financial crisis. The share of outstanding SME loans declined from 12% in 2007, already low by international comparison, to 9% in 2009, but recovered again afterwards to 14% in 2015.

New lending to SMEs increased by 39.7% in 2015 on a year by year basis.

A break in the data on SME and business lending in 2013 hampers inter-temporal comparisons between 2012 and 2014.

Survey data illustrates that credit conditions have become more favourable in Denmark since 2014, although the first quarter of 2016 bucked this positive trend. Nonetheless, one in five SMEs described their financial conditions as bad in the first quarter of 2016, down from 40% in the second quarter of 2012. Credit demand among small enterprises was much lower in 2014 than in 2010, however. Overall demand for bank credit by SMEs declined in Q4 2015 and Q1 2016.

Interest rates for SMEs more than halved over the 2008-15 period, from an average of 6.4% in 2008 to 3.1% in 2015. As interest rates for large enterprises declined even more strongly over this period the interest rate spread has widened from an average of 0.4% in 2008 to 1.5% in 2015.

Venture capital investments increased by almost 20 % between 2014 and 2015, but remain well below pre-crisis levels. Growth financing increased three-fold in 2015, reaching the highest level recorded since 2007.

Payment delays declined from 9 days in 2014 to 4 days in 2015, following a continuous downward trend since 2012. Bankruptcies were up by almost 20% in 2015, but remain significantly below levels observer in 2009 and 2010.

Vaekstfonden (the Danish Growth Fund) is a government backed investment fund created in 1992. Vaekstfonden offers guarantees and loans to established SMEs and entrepreneurs, invests equity in young companies with growth potential and has a fund of funds activity focusing on both venture and small and mid-cap funds. In 2013, Vaekstfonden introduced new direct loans for SMEs. In addition, the former scheme for start-up loans and the credit guarantee programme were merged into a single scheme.

Over the 2007-15 period, the amount of growth loan guarantees issued increased from a total loan amount of DKK 174 million in 2007, to DKK 470 million in 2015.

Table 3.10. **Scoreboard for Denmark, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, total	DKK billion	8 781	9 712	9 769	9 744	9 704	9 956	10 618	12 544	12 755
New business lending, total	DKK million	332 336	385 286	317 537	312 736	291 909	240 774	303 223	471 171	520 593
New business lending, SMEs	DKK million	40 847	35 235	28 458	35 062	34 165	39 136	36 609	54 389	73 001
Share of new SME lending	% of total new lending	12.29	9.15	8.96	11.21	11.70	16.25	12.07	11.54	14.02
Government loan guarantees, SMEs	DKK million	210	178	209	769	1 192	1 222	783	658	668
Government guaranteed loans, SMEs	DKK million	..	..	..	..	17	61	286	746	1
Interest rate, SMEs	%	6.08	6.37	5.13	4.31	4.31	3.59	3.53	3.54	3.05
Interest rate, large firms	%	5.34	6.01	4.38	3.41	3.45	2.55	2.26	1.62	1.53
Interest rate spread	% points	0.73	0.36	0.75	0.90	0.86	1.03	1.27	1.92	1.53
Non-bank finance										
Venture and growth capital	EUR thousand	259 522	261 967	187 526	188 717	128 293	99 520	90 666	117 841	226 866
Venture and growth capital	%, Year-on-year growth rate	..	0.94	-28.42	0.64	-32.02	-22.43	-8.90	29.97	92.52
Other indicators										
Payment delays, B2B	Number of days	7.20	6.10	12.00	12.00	13.00	12.00	10.00	9.00	4.00
Bankruptcies, SMEs	Number	..	..	2 563	2 583	1 938	1 958	1 698	1 328	1 584
Bankruptcies, SMEs	%, Year-on-year growth rate	..	..	..	0.78	-24.97	1.03	-13.28	-21.79	19.28

Source: See Table 3.10.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467471

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-20-en

Estonia

In 2014, Estonian SMEs employed 78.5% of the workforce and accounted for 75.8% of value added. 90.6% of all firms were micro-enterprises, i.e. firms with less than 10 employees, employing 32% of the workforce and accounting for 26.6% of value added in 2014

Lending to Estonian SMEs contracted significantly in the aftermath of the financial crisis, with new SME loans almost halving from EUR 3.6 billion in 2007 to EUR 1.9 billion in 2010. Following the rebound of the Estonian economy, new SME lending began to slowly pick up again from 2011 onwards, but remained below pre-crisis levels in 2015, as was the case for outstanding SME loans.

The base rate for the interest rate on SME loans up to EUR 1 million decreased steadily from 4% in 2012, to 3% in 2015. For larger loans, the interest rate declined from 3% to 2.4% over the same period.

Venture and growth capital peaked in 2007 and 2008, and fell sharply in the following years, dropping to a low point in 2011, thus broadly following the trend of other European countries. However, in 2015, venture capital investments decreased further and considerably so, to the lowest level in recent years.

Both, new leasing and the outstanding stock of leasing declined sharply between 2008 and 2009, and only recovered somewhat in 2011. While the total outstanding factoring stock remained quite stable in recent years, factoring flows grew considerably and more than doubled between 2009 and 2015, from EUR 909 million to EUR 2 239 million.

Payment delays, bankruptcies and non-performing loans all increased sharply in the aftermath of the financial crisis, peaking in 2009-10, and starting to level out again in the following years. In 2015, payment delays had dropped below their 2007 pre-crisis level; data on bankruptcies and non-performing loans show a marked and continuous decline from 2010 onwards. Non-performing loans in 2015 amounted to a 2.8% share in total SME loans, almost three times lower than its peak in 2010; SME bankruptcies declined by 12.1 % year-on year and were similarly at about one third of their 2009 peak.

The Estonian government does not provide any direct loans to companies. Instead, different guarantees are offered to SMEs, whose amounts have been rising in recent years. Up to and including June 2016, subordinated loans financed 47 projects for a total amount of EUR 9.4 million and start-up loans added 422 projects financed for a total amount of EUR 11 million.

In 2016, the “EstFund“ was created. EstFund is a fund of funds, set up by the Estonian government and the European Investment Fund with the purpose to increase venture capital investments, mainly into Estonian SMEs. Together, EstFund invests EUR 60 million into venture capital funds to which EUR 40 million shall be added by private investors.

Table 3.11. **Scoreboard for Estonia, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	EUR million	2 436	2 488	2 126	1 896	1 681	1 613	1 653	1 699	1 671
Outstanding business loans, total	EUR million	6 800	7 203	6 858	6 455	5 945	6 148	6 249	6 437	6 803
Share of SME outstanding loans	% of total outstanding business loans	35.8	34.5	31.0	29.4	28.3	26.2	26.5	26.4	24.6
New business lending, total	EUR million	8 553	7 307	4 457	4 258	5 062	5 612	6 168	6 412	6 682
New business lending, SMEs	EUR million	3 600	3 523	2 126	1 866	1 955	2 122	2 370	2 463	2 254
Share of new SME lending	% of total new lending	42.1	48.2	47.7	43.8	38.6	37.8	38.4	38.4	33.7
Outstanding short-term loans, SMEs	EUR million	480.5	475.1	377.1	317.8	325.9	302.4	317.4	333.4	300.8
Outstanding long-term loans, SMEs	EUR million	1 955.6	2 013.2	1 749.3	1 578.0	1 355.1	1 311.0	1 335.5	1 365.9	1 369.9
Government loan guarantees, SMEs	EUR million	15	19	36	42	32	43	34	46	44
Government guaranteed loans, SMEs	EUR million	27	32	55	64	50	66	53	71	67
Non-performing loans, total	EUR million	41	267	601	551	351	233	126	127	106
Non-performing loans, SMEs	EUR million	23	89	157	155	106	84	54	50	47
Interest rate, SMEs	%	6.1	6.7	5.3	5.0	4.9	4.0	3.4	3.3	3.0
Interest rate, large firms	%	5.7	6.0	4.2	3.9	3.8	3.0	2.8	2.6	2.4
Interest rate spread	% points	0.4	0.7	1.1	1.1	1.1	1.0	0.6	0.6	0.7
Non-bank finance										
Venture and growth capital	EUR thousand	..	4 744	4 507	17 745	5 529	17 631	27 054	22 950	10 564
Venture and growth capital	%, Year-on-year growth rate	..	..	-5.0	293.7	-68.8	218.9	53.4	-15.2	-54.0
Leasing and hire purchases	EUR million	891	710	223	281	519	650	546	537	543
Factoring and invoicing	EUR million	1 290	1 406	989	909	1 129	1 924	1 981	2 094	2 239
Other indicators										
Payment delays, B2B	Number of days	9	8	13	13	10	10	9	7	7
Bankruptcies, SMEs	Number	202	423	1 0 55	1 028	623	495	459	428	376
Bankruptcies, SMEs	%, Year-on-year growth rate	..	109.4	149.4	-2.6	-39.4	-20.5	-7.3	-6.8	-12.1

Source: See Table 3.11.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467517

The full country profile is available at
http://dx.doi.org/10.1787/fin_sme_ent-2017-21-en

Finland

The vast majority of Finnish businesses are SMEs, employing 62.4% of the labour force in 2014.

New SME lending declined by more than 40% over 2008-14, but appears to have turned the corner in 2015, witnessing a robust expansion of 23%.

The average interest rate charged to SMEs, as well as the difference in interest rates to large firms and SMEs, increased in 2015, suggesting a tightening of financing conditions between 2014 and 2015. Data on collateral requirements, the relative number of discouraged borrowers and survey data shed light on the financing difficulties of small businesses and illustrate that financing conditions in 2015 remained tighter than in 2007-08. Loan rejections, by contrast, were at a low point in 2015.

Venture capital investments showed an erratic pattern between 2007 and 2015, but remained at a relatively high level compared to other European countries, and are generally buoyed by a supportive environment and an entrepreneurial culture.

Finnish business owners are aging and many businesses are in the process of changing ownership as a consequence, or will do so in the next few years. This poses challenges, but also opportunities to the business community and policy makers.

While demand-side data suggests that the demand for bank loans has remained stable in recent years, supply-side evidence points to a drop in the demand over the same period. These conflicting findings could be explained by an increasing discouragement to apply for a bank loan and/or by the increased importance of public financing, potentially crowding out demand for loans from private institutions.

Finnvera is a financing company owned by the government of Finland and the official export credit agency of Finland. Finnvera provides financing for the start-up, growth and internationalisation of enterprises, and guarantees against risks arising from exports. The company acquires its funds mainly from the capital market.

Finnvera's activities expanded significantly in the aftermath in the financial crisis and after a decline in 2012 and 2013, were on the increase again in 2014 and 2015. Finnvera has increased its risk-taking in recent years (especially in the financing of start-up and growth companies, and companies expanding their international operations), and has raised the upper limit of micro-financing it provides to its beneficiaries, as well as provides financing with a lower amount of collateral than before since 2015. Moreover, Finnvera introduced an instrument (the Growth Loan) for financing major growth and internationalisation investments in SMEs and mid-cap companies.

Table 3.12. **Scoreboard for Finland, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, total	EUR million	48 386	57 594	54 093	56 471	60 361	63 282	66 727	68 373	72 503
New business lending, total	EUR million	42 698	54 368	50 850	54 422	37 438	34 856	39 516	35 560	34 976
New business lending, SMEs	EUR million	11 576	11 881	9 944	8 300	7 902	7 749	7 330	6 697	8 444
Share of new SME lending	% of total new lending	27.1	21.9	19.6	15.3	21.1	22.2	18.5	..	24.1
Outstanding short-term loans, SMEs	EUR million	..	..	..	839	1 615	1 613	1 312	1 250	1 655
Outstanding long-term loans, SMEs	EUR million	..	..	..	3 314	6 287	6 136	6 018	5 583	6 789
Government loan guarantees, SMEs	EUR million	416	438	474	447	497	408	379	476	522
Direct government loans, SMEs	EUR million	385	468	593	397	369	342	284	287	385
Non-performing loans, total	% of all business loans	..	..	..	..	..	..	..	3.5	3.4
Interest rate, SMEs	%	5.39	5.58	3.02	2.66	3.23	2.86	2.81	2.94	2.96
Interest rate, large firms	%	4.83	5.08	2.24	1.86	2.59	2.07	1.91	1.92	1.46
Interest rate spread	% points	0.56	0.50	0.78	0.80	0.64	0.79	0.90	1.02	1.50
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	33.0	34.0	35.0	41.0	41.0	38.0
Rejection rate	SME loans authorised/ requested	..	..	..	..	1	5	10	8	3
Non-bank finance										
Venture and growth capital	EUR million	193	248	140	352	145	183	170	166	186
Venture and growth capital	%, Year-on-year growth rate	..	28.5	-43.5	151.4	-58.8	26.2	-7.1	-2.4	12.0
Leasing and hire purchases	EUR million	..	..	1 067	1 361	1 566	1 765	1 658	1 858	..
Other indicators										
Payment delays, B2B	Number of days	6	5	7	7	7	7	6	6	5
Bankruptcies, SMEs	Number	2 254	2 612	3 275	2 864	2 947	2 961	3 131	2 986	2 574
Bankruptcies, SMEs	%, Year-on-year growth rate	..	15.9	25.4	-12.5	2.9	0.5	5.7	-4.6	-13.8

Source: See Table 3.12.5 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467550

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-22-en

France

France has approximately 3 million SMEs and they account for 99.8% of all enterprises.

SME lending has remained relatively constant in the 2007-15 period, once amounts are adjusted for inflation, with the share of SME loans compared to total loans remaining around 20% during this time.

Overall, interest rates have decreased, but the interest rate spread indicates that this has occurred more to the advantage of large firms than to SMEs and micro-enterprises.

Only 10% of SMEs perceive access to finance as a problem, with 75% of SMEs obtaining the totality of their required loans, while the euro zone average is at 68%. This is due to the continuous progression of credit loans, easing of credit conditions (interest rates, softer loan conditions), and increasingly successful credit requests rates.

The value of venture and growth capital invested followed a consistently growing pattern since its low in 2002, reaching EUR 3 537 million in 2011, largely driven by a continuous increase in growth capital. This pattern was reversed in 2012, with a sharp decline in both venture and growth capital, overall amounting to a decrease by almost 32% year-on-year. From 2013 onwards, VC investments started recovering again, growing by 42% to EUR 4 610 million in 2015.

Factoring has continued to increase in France since 2009, reaching EUR 29 916 million in 2014, a year-on-year increase of 42.5% compared to the previous year.

Bankruptcies have been on the increase, and delayed payments saw an increase in 2015, partly due to a lagging economy.

In terms of government efforts to keep funding available, the credit mediation scheme has been extended in 2015 in with respect to time (until the end of 2017) as well as to coverage (difficulties encountered by firms in their relation with their factors). It is interesting to note that the *Mediation du Credit* has signed an agreement with *Finance Participative France*, the association of crowdfunding platforms in 2015: Firms in mediation will be informed of the possibility to use crowdfunding to address their financing needs, and crowdfunding platforms will inform firms which are not selected on their website, that they can turn to the *Médiation du Crédit*.

Special financing efforts have been made for companies on the “technological frontier”. As of last year, Bpifrance has increased its production of certain loans, called *prêts de développement,* focusing on robotics, digital equipment, green loans, training and other intangibles with funds increasing by 18% from 2014-15. In addition, two new government funds have been implemented; one with business angels for companies looking for a first round in institutional funding, as well as a special purpose vehicle to take equity stakes in joint ventures.

Table 3.13. **Scoreboard for France, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	EUR million	180 630	189 216	189 731	199 786	210 362	214 173	216 752	219 472	224 141
Outstanding business loans, total	EUR million	868 629	927 299	938 583	974 103	1 012 289	1 010 011	1 026 058	1 036 353	1 077 307
Share of SME outstanding loans	% of total outstanding business loans	20.79	20.41	20.21	20.51	20.78	21.21	21.12	21.18	20.81
Outstanding short-term loans, SMEs	EUR million	43 082	42 669	37 540	38 110	40 343	41 108	42 854	43 287	43 611
Outstanding long-term loans, SMEs	EUR million	115 304	123 407	127 856	134 463	142 720	146 586	146 429	148 738	151 822
Government loan guarantees, SMEs	EUR million	5 850	6 861	11 267	11 883	9 826	8 465	8 925	7 800	8 000
Government guaranteed loans, SMEs	EUR million	2 707	3 219	5 752	5 326	4 231	4 157	4 394	4 783	4 984
Non-performing loans, total	% of all business loans	3.70	3.66	4.71	4.56	3.97	4.06	4.25	4.14	4.05
Interest rate, SMEs	%	5.10	5.42	2.87	2.48	3.11	2.43	2.16	2.08	1.78
Interest rate, large firms	%	4.52	4.76	1.96	1.57	2.23	1.72	1.46	1.30	1.18
Interest rate spread	% points	0.58	0.66	0.91	0.91	0.89	0.71	0.70	0.78	0.59
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	..	9.42	8.52	7.28	6.33
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	38.42	35.64	35.73	37.88
Rejection rate	SME loans authorised/ requested	..	..	..	..	..	11.12	8.00	6.61	7.55
Utilisation rate	SME loans used/ authorised	87.69	87.77	87.17	86.38	87.02	87.64	87.33	87.49	87.19
Non-bank finance										
Venture and growth capital	EUR million	1 987	2 411	2 385	2 915	3 537	2 389	2 469	3 234	4 610
Venture and growth capital	%, Year-on-year growth rate	..	21.34	-1.08	22.22	21.34	-32.46	3.35	30.98	42.55
Leasing and hire purchases	EUR million	9 343	9 532	9 018	8 472	8 125	6 591	6 086	5 713	7 122
Factoring and invoicing	EUR million	20 867	22 463	19 353	21 855	24 746	25 288	28 252	29 916	..
Other indicators										
Payment delays, B2B	Number of days	60.4	57.3	54.9	54.6	53.6	51.8	51.2	49.7	..
Bankruptcies, SMEs	Number	48 109	52 100	58 907	56 647	55 876	57 070	58 426	58 156	59 078
Bankruptcies, SMEs	%, Year-on-year growth rate	..	8.30	13.07	-3.84	-1.36	2.14	2.38	-0.46	1.59

Source: See Table 3.13.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467604

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-23-en

Georgia

In 2015, 99.7% of all firms in Georgia were SMEs, accounting for 43.1% of total private employment (and for only 20.8% of private sector value added in 2015), illustrating that the national economy remains more strongly dependent on large enterprises, compared to other OECD countries.

In line with the recent economic expansion, credit to SMEs rose year after year between 2010 and 2015 by more than 158% in total. Throughout that period, total business loans grew at a similar rate, although the proportion of SME loans as a percentage of total business loans remained relatively constant at around 35%, with significant growth to 43% in 2015 year.

The average interest rate charged to SMEs in Georgia is high by OECD standards, but has significantly declined in recent years, from 16.5% in 2010 to 10.7% in 2014. However, in 2015, SME interest rates increased again to 12.7%, in large parts due to political and economic instability in the region.

Although exact data on the availability and use of alternative finance instruments are lacking, available evidence strongly suggests that Georgian SMEs are very dependent on the banking sector for meeting their financing needs and that non-bank instruments play a very marginal role in meeting their financing needs.

Procedures of enterprises' liquidation and bankruptcies have increased by a factor of more than 40 between 2009 and 2010, following the introduction of new legislation which allowed individual entrepreneurs to initiate the procedures. In 2011, this trend continued with another 52% growth. From 2012 to 2015, the number of official producers decreased again by 62%.

Despite the rapid expansion of credit to SMEs, non-performing SME loans continuously declined between 2010 and 2014, from GEL 144.6 billion to GEL 101 billion. In 2015, NPLs increased again to GEL 161 billion, with 4.4% of all SME loans being non-performing, down from more than 10% in 2010. Non-performing loans for all businesses followed a more erratic pattern, but increased overall over the same period.

Thanks to the reforms implemented by the government in recent years, administrative barriers were significantly reduced and public services streamlined, including a more liberal tax regime, simplification of customs procedures, as well as the licences and permits system, and modernisation of the public administration, including provision of e-government services.

In order to promote SME development and support growth of SMEs' competitiveness, the Entrepreneurship Development Agency (Enterprise Georgia) as well as the Innovation and Technology Agency (GITA) were established under the Ministry of Economy and Sustainable Development of Georgia (MoESD). Both agencies provide financial support to SMEs, as well as a broader range of services, such as mentoring, trainings and various advisory services. In addition, there are a number of other organisations providing assistance to Georgian SMEs, among which the most active ones are the Georgian Chamber of Commerce and Industry and the Georgian Employers' Association.

Table 3.14. **Scoreboard for Georgia, 2007-15**

Indicators	Units	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Business loans, SME	GEL million	..	..	..	1 400	1 548	1 738	2 051	2 422	3 621
Business loans, total	GEL million	2 984	3 458	3 097	3 843	4 501	4 989	5 663	6 715	8 433
Business loans, SMEs	% of total business loans	..	..	..	36.4	34.4	34.8	36.2	36.1	42.9
Non-Performing Loans, total	GEL million	121	766	926	784	667	810	791	988	1 200
Non-performing loans, SMEs	GEL million	..	..	..	144	134	111	102	101	161
Non-performing loans, SMEs	% of total SME loans	..	..	..	10.3	8.7	6.4	5	4.2	4.4
Interest rate, SME	%	..	..	..	16.5	15.5	14.5	11.6	10.7	12.7
Interest rate, large firms	%	..	..	..	13.6	14.1	12.8	11.2	10	11.4
Interest rate spread		..	..	..	2.9	1.4	1.7	0.4	0.7	1.4
Collateral, SMEs	%	..	..	..	..	..	..	95.6	..	..
Rejection rate	%	..	..	..	..	..	..	4.6	..	..
Utilisation rate	%	..	..	..	..	..	..	95.4	..	..
Procedures of enterprises' liquidation (incl. bankruptcy)	Number	119	61	52	2 094	3 176	2 524	1 775	1 785	1 560
Procedures of enterprises' liquidation (incl. bankruptcy)	Year-on-year growth rate		-48.74	-14.75	3 926.92	51.67	-20.53	-29.68	0.56	-12.61

Source: See Table 3.14.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467640

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-24-en

Greece

The Greek economy is dominated by small enterprises. Compared to other European countries, micro-enterprises are more numerous and add more to employment and value added in Greece.

The financial crisis and ensuing sovereign debt crisis hit Greece very hard and the economy is only slowly and hesitantly recovering.

Bank funding dried up for Greek SMEs in the aftermath of the financial crisis. In 2009, new lending shrank by more than a tenfold when compared to data from 2007 and 2008. Although lending to SMEs recovered somewhat in 2010, the data show a clear downward path over the 2011-15 period. In 2015, new loans to SMEs more than halved vis-a-vis 2014.

The downward trend in SME lending coincides with an improvement of the overall economic climate since 2014 and the forecasts of positive GDP growth in 2016 and 2017.

Credit conditions tightened significantly after the financial crisis and remain very restrictive compared to the other EU28 countries as evidenced by survey data.

The SME interest rate has decreased in recent years, but remains much higher compared to other Eurozone countries, illustrating that the accommodative stance of the European Central Bank (ECB) had relatively little impact for Greek SMEs.

The coincidence of lower rejection rates and fewer SMEs applying for bank credit suggests a high and increasing level of discouragement on the part of Greek borrowers. Survey data provides evidence for this assumption.

Venture and growth capital dried up significantly since 2008. In 2015 not a single Greek SME received growth or venture capital investments.

Leasing and hire purchases also suffered from the economic crisis and remain well below pre-crisis levels in 2015. By contrast, factoring and invoice discounting activities have remained relatively stable over 2007-15.

The Greek Government operates a number of loan guarantee programmes. There was a spike in these programmes between 2010 and 2011, but the sovereign debt crisis prevented Greece from continuing such support in 2012 when loan guarantees declined by 50% and they are on a declining path since.

The government also supports equity financing through minority participation in venture capital funds, venture capital companies, and similar vehicles. In addition, the Institution for Growth (IfG) was established in 2014 as a non-bank financial institution aiming to support innovation and growth in Greece by catalysing private sector financing, especially for SMEs.

Table 3.15. **Scoreboard for Greece, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	EUR million	..	..	..	44 853	41 649	39 114	48 063	48 140	46 928
Outstanding business loans, total	EUR million	102 160	124 131	123 820	116 514	113 044	100 758	96 610	95 197	89 141
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	38.50	36.84	38.82	49.75	50.57	52.65
New business lending, total	EUR million	..	36 544	36 345	20 740	29 386	21 796	24 301	14 929	6 940
New business lending, SMEs	EUR million	..	12 502	12 954	4 437	5 217	4 115	3 654	2 332	1 178
Share of new SME lending	% of total new lending	..	34	36	21	18	19	15	16	17
Outstanding short-term loans, SMEs	EUR million	..	..	..	..	..	..	..	18 088	17 634
Outstanding long-term loans, SMEs	EUR million	..	..	..	..	..	..	..	30 052	29 294
Government loan guarantees, SMEs	EUR million	19 929	23 232	25 587	22 438	19 951	19 315	17 234	16 509	14 527
Non-performing loans, total	% of all business loans	4.6	4.3	6.7	8.7	14.2	23.4	31.8	33.5	34.3
Interest rate, SMEs	%	6.57	6.82	4.62	5.53	6.77	6.87	6.51	5.8	5.38
Interest rate, large firms	%	5.32	5.71	3.52	4.27	5.74	5.92	5.77	5.55	4.82
Interest rate spread	% points	1.25	1.11	1.1	1.26	1.03	0.95	0.74	0.25	0.56
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	51.41	40.52	49.43	46.69	45.93	46.24	49.20
Percentage of SME loan applications	SME loan applications/total number of SMEs	..	..	37.91	39.64	30.75	29.92	21.36	25.53	18.80
Rejection rate	SME loans authorised/ requested	..	..	25.84	24.49	33.84	28.33	25.99	21.45	19.90
Non-bank finance										
Venture and growth capital	EUR million	19 027	32 715	16 679	25 030	10 097	0	4 833	198	0
Venture and growth capital	%, Year-on-year growth rate	..	71.94	-49.02	50.07	-59.66	..	..	-95.90	..
Leasing and hire purchases	EUR million	7 278	7 874	7 496	7 284	6 845	6 215	3 362	4 083	4 725
Factoring and invoicing	EUR million	1 279	1 725	1 767	1 730	1 493	1 534	1 410	1 694	1 693
Other indicators										
Payment delays, B2B	Number of days	..	25	34	30	35	40	43	41	36
Bankruptcies, SMEs	Number	513	359	355	355	445	415	392	330	189
Bankruptcies, SMEs	%, Year-on-year growth rate	..	-30.02	-1.11	0.00	25.35	-6.74	-5.54	-15.82	-42.73

Source: See Table 3.15.5 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467675

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-25-en

Hungary

Compared to the EU 28 average, micro-enterprises in Hungary are more numerous and employ a higher share of the work force, but contribute less to value added.

The Hungarian economy is performing relatively well in recent years and the near-term economic outlook is broadly favourable.

Outstanding SME loans declined strongly between 2007 and 2009 and followed an uneven path afterwards. SME loans increased by 2.3% year-on-year in 2015, but levels are still far below their pre-crisis peak. In contrast to SME loans, outstanding loans for the business sector as a whole declined in 2015. SME loans made up 67.2% of all business loans in 2015, the highest percentage for the period observed. Flow data illustrates that new long-term lending, after peaking in 2013, declined strongly in 2014 and 2015.

Between 2012 and 2015, the interest rate charged to Hungarian SMEs went down, as well as the interest rate spread between loans to large enterprises and to SMEs.

Collateral requirements loosened in 2015, and the number of loan applications approved went up sharply. The percentage of loan applications was down in 2015 compared to the 2014 number, but sharply up from 2013.SME non-performing loans fell sharply in 2015, reaching their lowest level since 2010.

Venture capital investments rose in 2014 and 2015, and exceeded pre-crisis levels, the latter in contrast to many other OECD countries.

A new macro-prudential framework has been introduced recently by the National Bank of Hungary (MNB) and came into force in early 2015, creating the basis for a more prudential operation of the banks.

The "Funding for Growth Scheme" (FGS) seeks to raise the number of new investments by providing loans at an affordable interest rate. The MNB announced in November 2015 the extension of FGS (the third, exit stage) with an additional HUF 600 billion available in financing.

In Hungary, a microfinance network provides loans mainly regionally, with micro enterprises as the main target group. Their lending conditions are not as tight as the conditions of commercial banks, and they might take higher risks, but the cost of lending is also higher.

In the context of an agreement with the EBRD, the government has made a commitment not to increase its strategic involvement in the banking sector and sold its 5% stake in the OTP Bank last October. The MKB Bank is planned to be sold in the course of 2016.

Table 3.16. **Scoreboard for Hungary, 2008-15**

Indicators	Units	2008	2009	2010	2011	2012	2013	2014	2015
Debt									
Business loans, SMEs	HUF billion	5 823	5 379	4 783	4 797	5 014	5 064	4 831	4 942
Business loans, total	HUF billion	9 613	8 959	8 770	8 825	7 892	7 648	7 761	7 355
Business loans, SMEs	% of total business loans	60.6	60.0	54.5	54.4	63.5	66.2	62.24	67.19
Short-term loans, SMEs	HUF billion	2 966	2 832	2 775	2 767	3 052	2 654	2 570	2 424
Long-term loans, SMEs	HUF billion	1 418	828	756	818	818	2 008	1 732	1 241
Total short and long-term loans, SMEs	HUF billion	4 384	3 660	3 531	3 585	3 870	4 662	4 302	3 665
Short-term loans, SMEs	% of total short and long-term SME loans	67.7	77.4	78.6	77.1	78.8	56.9	59.7	66.1
Government loan guarantees, SMEs	HUF billion	352	409	377	343	252	350	346	349
Government guaranteed loans, SMEs	HUF billion	436	600	472	437	315	458	434	429
Non-performing loans, total	HUF billion	-	-	832	1 155	1 272	1 124	961	697
Ratio of non-performing business loans within total business loan portfolio	%	4.7	10.1	12.8	17.4	19.1	17.5	15.6	9.6
Ratio of SME non-performing loans within total SME loan portfolio	%	5.4	8.9	12.8	15.9	20.5	18.6	20.7	13.7
Percentage of SME loan applications (SME Loan applications/total number of SMEs	%						13.5	24.6	23.9
Rejection rate	1-(SME loans authorised/ requested)						10.9		15.6
Utilisation rate	SME loans used/authorised						81.5		
Collateral, SMEs	%							71	65
Average interest rate, SMEs	%	11.25	12.31	8.99	9.38	9.7	7.4	5.1	4.7
Interest rate spread	Percentage points	.97	1.24	1.74	1.3	3.2	3.1	2.7	2.4
Equity									
Venture and growth capital	HUF billion	13.782	0.72	6.982	11.308	19.361	15.88	18.759	19.626
Venture and growth capital	Year-on-year growth rate, %	249.0	-94.8	869.7	62.0	71.2	-18.0	18.1	4.6
Other									
Payment delays	Days	19	19	15	22.0	20	-	17	17
Bankruptcies, total	Per 10 000 firms	168	212	232	279	301	376	644	488
Bankruptcies, total	Year-on-year growth rate, %	10.3	25.6	9.5	20.4	7.9	24.7	71.3	-24.2

Source: See Table 3.16.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467729

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-26-en

Ireland

Irish SMEs contribute to around two-thirds of employment, and this figure increases to 69% when proprietors and family members engaged in the SME are taken into account.

New lending continued to grow with a 10% or EUR 245 million increase in 2015. Loan approval rates similarly continued to increase with 89% of applications either fully or partially approved in 2015.

The interest rate spread between large (2.43%) and small loans (4.77%) continues to increase.

The result of the UK European Union membership referendum may have an impact on credit conditions in Ireland, due to uncertainties surrounding trading conditions.

Venture capital raised by Irish SMEs continued to grow, reaching a total of EUR 522.1 million in 2015, a 30% increase on 2014.

Bankruptcies continued to decline, with a total decline of 42% since their peak in 2011, and a 19% decline on 2014 in comparison to 2015 figures.

Significant progress has also been made in resolving SME NPLs in recent years, and NPL trends continue to move in a positive downward trajectory.

The SME State Bodies Group, which is an inter-departmental steering group, provides a forum for the development and implementation of policy measures to enhance SMEs' access to a stable and appropriate supply of finance.

The Supporting SMEs Online Tool, a cross-government initiative, where on answering 8 simple questions, the small business will receive a list of available government supports.

The Strategic Banking Corporation is an initiative designed to increase the availability of funding to SMEs at a lower cost and on more flexible terms than have recently been available on the Irish market.

The Credit Guarantee Scheme encourages additional lending to small businesses by offering a partial government guarantee to banks against losses on qualifying loans to eligible SMEs.

The Microenterprise Loan Fund provides support in the form of loans for up to EUR 25 000, available to start-up, newly established, or growing micro enterprises employing less than 10 people, with viable business propositions.

The Credit Review Office helps SME or farm borrowers who have had an application for credit of up to EUR 3 million declined or reduced by the main banks, and who feel that they have a viable business proposition. They also examine cases where borrowers feel that the terms and conditions of their existing loan, or a new loan offer, are unfairly onerous or have been unreasonably changed to their detriment.

Table 3.17. **Scoreboard for Ireland, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	EUR million	..	..	..	27 103	27 339	25 697	24 516	21 402	19 313
Outstanding business loans, total	EUR million	56 076	59 568	52 496	42 419	40 309	38 064	36 651	31 792	29 815
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	63.89	67.82	67.51	66.89	67.32	64.78
New business lending, SMEs	EUR million	..	..	..	2 284	2 211	1 990	1 905	2 401	2 646
Outstanding short-term loans, SMEs	EUR million	17 264	15 022	10 931	6 049	3 814	3 057	3 022	2 392	1 785
Outstanding long-term loans, SMEs	EUR million	2 118	1 929	1 338	929	575	536	604	778	1 092
Interest rate, SMEs	%	6.23	6.67	3.98	3.88	4.68	4.34	4.3	4.78	4.77
Interest rate, large firms	%	5.95	6.19	3.22	2.86	3.33	2.81	2.76	2.98	2.43
Interest rate spread	% points	0.28	0.48	0.76	1.02	1.35	1.53	1.54	1.8	2.34
Collateral, SMEs									41	40
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	36	39	36	31	30
Rejection rate	SME loans authorised/requested	..	..	..	..	30	24	20	14	15
Utilisation rate	SME loans used/authorised	..	..	..	..	..	..	81	82	84
Non-bank finance										
Venture and growth capital	EUR million	225.9	242.9	288.1	310.2	274.4	268.9	284.9	400.7	522.1
Venture and growth capital	%, Year-on-year growth rate	..	7.53	18.61	7.67	-11.54	-2.00	5.95	40.65	30.30
Other indicators										
Bankruptcies, SMEs	Number	344	613	1 245	1 386	1 410	1 317	1 119	1 007	816
Bankruptcies, SMEs	%, Year-on-year growth rate	..	78.20	103.10	11.33	1.73	-6.60	-15.03	-10.01	-18.97
NPLs	% of total business loans	..	..	..	..	17.69	23.66	26.14	23.88	17.16

Source: See Table 3.17.9 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467752

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-27-en

Israel

Small and medium enterprises (SMEs) constitute the overwhelming majority of business enterprises in Israel. As of 2014, there were 504 224 businesses in the country, 99.5% of them were SMEs which employ up to 100 workers

Data on SME lending from the five major banking groups indicates a consistent increase in the volume of bank credit to SMEs. Since 2007, there has been a combined increase of 34% of bank credit to small firms (including a sharp decrease in 2009).

Since 2016, the Bank of Israel collects data from the banks of the credit issued, deposits and interest rates by firm segment. In February 2016, the SME interest rate was at 3.02% and the interest rate spread between SMEs and large firms was at 1.1%.

The high-tech industry is the leading beneficiary of venture capital investments, receiving almost all of this equity. 2015 was the most prolific year for high-tech capital raising activity in Israel – 708 deals accounted for USD 4.43 billion – the highest annual amount or number of financing rounds ever recorded. VC-backed deals accounted for 72% of capital raised in 2015.

SME and entrepreneurship policies in Israel are primarily designed by the Ministry of Economy and implemented by its Office of the Chief Scientist (OCS) and the Small and Medium Business Agency (SMBA). While the OCS has a longstanding presence in the Israeli policy framework and focuses on R&D policy, mainly for technology-based start-ups, the SMBA has recently been established to cater to SMEs in all sectors through business management training and coaching, subsidised access to finance (through the management of the national loan guarantee programme), and a new network of business support centres (MAOF centres) which is based on 35 branches across the country.

In late 2015, the government loan guarantees programme for SMEs was expanded, so as to incorporate institutional organs into the fund, along with the private banks. In addition, two private equity funds for growth capital investment in medium businesses were established in 2015.

Table 3.18. **Scoreboard for Israel, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	NIS billion	169.3	171.2	161.6	173.8	177.7	187	186.7	211.9	226.6
Outstanding business loans, total	NIS billion	413.9	460.9	452.2	438.9	458.6	450.4	445.7	447.9	444.9
Share of SME outstanding loans	% of total outstanding business loans	40.90	37.14	35.74	39.60	38.75	41.52	41.89	47.31	50.93
Government loan guarantees, SMEs	NIS million	119	76	530	720	632	1 057	1 951	2 112	2 340
Government guaranteed loans, SMEs	NIS million	27	17	121	164	116	116	215	232	257
Non-performing loans, total	% of all business loans	..	..	..	..	0.39	0.41	0.25	0.12	0.18
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	0.53	0.47	0.4	0.35	0.37
Interest rate, SMEs	%	..	..	..	5	5.6	5.52	4.89	4.22	3.9
Interest rate, large firms	%	..	..	..	3	3.15	3.62	3.45	2.87	2.71
Interest rate spread	% points	..	..	..	2	2.45	1.9	1.44	1.35	1.19
Non-bank finance										
Venture and growth capital	USD million	1 759	2 076	1 120	1 219	2 076	1 831	2 335	3 422	4 428
Venture and growth capital	%, Year-on-year growth rate	..	18.02	-46.05	8.84	70.30	-11.80	27.53	46.55	29.40
Other indicators										
Payment delays, B2B	Number of days	..	74	80	90	122	122	110	109	..
Bankruptcies, SMEs	Number	..	..	2 061	2 834	3 737	5 000	5 610	5 322	..
Bankruptcies, SMEs	%, Year-on-year growth rate	..	..	..	37.51	31.86	33.80	12.20	-5.13	..

Source: See Table 3.18.17 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467842

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-28-en

Italy

The Italian economy is dominated by SMEs and, more than the EU average, by micro-enterprises. Over the last few years, micro and, most notably, small firms were hit hard by economic downturns: the latter experienced a steep drop in terms of number, employment and, to a slightly lesser extent, value added.

Helped by a recovering economy, the decline in total business loans virtually halted in late 2015. SME lending still fell during the year, resulting in a slight drop in the share of SME loans in overall corporate lending, but signs of improvement became evident for the SME lending market as well.

Credit standards further eased in 2015 and the first half of 2016, albeit collateral requirements, which increased steadily throughout the crisis, kept rising in 2015. The average interest rate charged to SMEs also declined in every year since 2012, standing at historically low levels in 2015. The interest rate spread between SMEs and large enterprises stabilised.

As a legacy of the long and deep recession, bad debts remained relatively high in 2015, partly fuelled by lengthy credit recovery procedures. Nonetheless, signs of improvement in credit quality were observed. The Italian government also enacted reforms to speed up credit recovery times.

On the equity financing side, early stage and expansion capital investments for SMEs kept largely constant in 2015, while resources devoted to firms of all sizes plummeted by almost two-thirds.

Payment delays, on a declining path since 2012, confirmed this trend in 2015. In the same year, bankruptcies were down by 6.1%, marking a break with preceding years.

The Central Guarantee Fund continued to be the main means of support for SME financing in 2015, with just under EUR 70 billion of loans activated since 2009. Its activities expanded strongly over the period in response to the upsurge in borrowers' credit risk and thanks to the progressive increase in its endowment, the inclusion of additional categories of potential beneficiaries, the easing of eligibility criteria and the provision of a government backstop guarantee.

Between 2009 and 2015, the financial resources made available through debt moratoria and the interventions of the Central Guarantee Fund and the Deposits and Loans Fund amounted to over EUR 110 billion, just under 10% of disbursement of bank loans below EUR 1 million over the same period.

Table 3.19. **Scoreboard for Italy, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Business loans, SMEs	EUR million	186 699	190 628	192 856	205 637	201 682	198 415	191 423	184 707	179 790
Business loans, total	EUR million	994 469	1 063 053	1 052 639	1 083 758	1 099 721	1 080 128	1 025 290	976 206	961 739
Business loans, SMEs	% of total business loans	18.8	17.9	18.3	19.0	18.3	18.4	18.7	18.9	18.7
Short-term loans, SMEs	EUR million	59 026	56 335	51 607	49 984	47 532	46 467	42 047	38 665	34 611
Long-term loans, SMEs	EUR million	114 912	120 437	124 801	136 284	132 867	128 237	121 974	115 151	111 935
Total short and long-term loans, SMEs		173 938	176 772	176 408	186 268	180 399	174 704	164 021	153 816	146 546
Short-term loans, SMEs	% of total short and long-term SME loans	34	32	29	27	26	27	26	25	24
Direct government loans, SMEs		354	373	255	276	272	252	390	597	290
Government guaranteed loans, SMEs (CGF)	EUR million, flows	2 299.7	2 353.2	4 914.2	9 118.6	8 378.0	8 189.6	10 810.6	12 935.2	15 064.9
Government loan guarantees, SMEs (CGF)	EUR million, flows	1 146.0	1 159.8	2 756.2	5 225.1	4 434.5	4 035.5	6 414.0	8 391.7	10 215.5
Non-performing loans, SMEs	EUR million	12 760	13 857	16 449	19 368	21 283	23 710	27 403	30 890	33 244
Non-performing loans, SMEs	% of total SME loans	6.8	7.3	8.5	9.4	10.6	11.9	14.3	16.7	18.5
Interest rate, SMEs	%	6.3	6.3	3.6	3.7	5.0	5.6	5.4	4.4	3.8
Interest rate, large firms	%	5.7	4.9	2.2	2.2	3.3	3.8	3.4	2.6	2.1
Interest rate spread	%	0.6	1.4	1.4	1.5	1.7	1.8	2.0	1.8	1.8
Collateral, SMEs		54	54	52	53	55	55	57	57	58
Rejection rate, SMEs	% of firms reporting that they had not obtained some or all of the credit requested	3.1	8.2	6.9	5.7	11.3	12.0	9.0	8.4	6.1
Utilisation rate	SME loans used/authorised	79.7	80.7	80.7	82.8	83.6	85.7	86.5	86.9	86.5
Non-bank finance										
Venture capital investments (early stage), SMEs	EUR million	66	115	98	89	82	135	82	43	74
Growth capital investments (expansion), SMEs	EUR million	295	440	260	263	500	504	438	230	170
Growth capital investments (expansion), total	EUR million	641	796	371	583	674	926	914	1179	333
Other										
Payment delays, B2B (all firms)	Average number of days	..	23.6	24.6	20.0	18.6	20.2	19.9	18.5	17.3
Bankruptcies, total		6 159	7 505	9 384	11 231	12 154	12 534	14 126	15 671	14 713
Bankruptcies, total	%, Year-on-year growth rate	..	21.9	25.0	19.7	8.2	3.1	12.7	10.9	-6.1
Incidence of insolvency, total	Per 10 000 enterprises	11.2	13.7	17.0	20.2	21.6	22.0	25.0	27.9	26.3

Source: See Table 3.19.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933467983

The full country profile is available at
http://dx.doi.org/10.1787/fin_sme_ent-2017-29-en

Japan

Lending to SMEs decreased continuously between 2007 and 2012, by 6.6% in total. 2013 saw a reversal of this trend, with outstanding SME loans picking up again by 1.5%, then by 1.8% in 2014, and by another 2.7% in 2015, reaching JPY 258.4 billion and thus almost back at its 2007 level.

The decline of the total outstanding stock of loans was more pronounced for SMEs than for large business loans in the aftermath of the financial crisis. Moreover, the recovery regarding the amount of outstanding loans to large enterprises is more evident than for SMEs. As a result, the share of SME lending to all enterprises decreased from almost 70% in 2007 to slightly over 65% in 2015.

Average interest rates on new short-term loans in Japan were very low and continuously declined between 2007 and in 2015, halving from 1.6% to 0.8%. Long-term interest rates on new loans followed a broadly similar pattern, declining from 1.7% in 2007 to 0.94% in 2015, and were thus only slightly higher than short-term interest rates.

Japanese venture capital investments were at a height in FY 2007 at JPY 193 billion, and decreased by 29.5% and by a further 36% in FY 2008 and 2009, respectively. Total investments recovered in FY 2010 and 2011, but were down again in FY 2012. In FY 2013, venture capital investment added up to JPY 181 billion, thus approaching their pre-crisis level. In reversal, 2014 saw once more a decrease by 35% compared to the previous year, but volumes recovered again in 2015, increasing by 11.1% up to JPY 130 billion.

Leasing volumes to SMEs plummeted in the aftermath of the financial crisis by almost 40% between 2007 and 2009. Between 2010 and 2013, leasing volumes recovered year after year. In 2014, leasing volumes decreased again for the first time by 11% compared to the previous year, but increased once more in 2015, reaching JPY 2.6 billion, remaining still well below 2007 levels, however.

SME bankruptcies increased by 10.8% in 2008, to 15 523. As the financial crisis subsided, the number of bankruptcies also dropped year after year, reaching a low of 8 806 in 2015, almost 43% lower than their peak in 2009.

Total non-performing business loans have been in continuous decline since 2013, after showing an erratic movement over the 2007-12 period, declining from 2008-10 and then increasing again over the following two years, peaking at JPY 17 523 billion in 2011. In 2015, total NPLs declined by 8.9%, down to JPY 14 406 billion.

The Japanese government offers substantial financial support for SMEs, such as a credit guarantee programme and direct loans. In March 2016, while the total amount of lending outstanding for SMEs was approximated at JPY 219 trillion (provided by domestically licensed banks and credit associations), the outstanding amount of the national credit guarantee programme amounted to JPY 25.8 trillion and the outstanding amount of the direct loan programme to JPY 21.6 trillion. The credit guarantee programme covers 1.4 million SMEs, and the direct loan programme 1 million out of 3.81 million SMEs.

Table 3.20. **Scoreboard for Japan, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	JPY billion	260 800	259 100	253 100	248 300	245 600	243 600	247 200	251 700	258 400
Outstanding business loans, total	JPY billion	374 476	384 962	379 347	366 103	366 907	370 438	369 680	387 211	395 206
Share of SME outstanding loans	% of total outstanding business loans	69.64	67.31	66.72	67.82	66.94	65.76	66.87	65.00	65.38
Value of CGCs loan guarantees (Government loan guarantees, SMEs)	JPY billion	29 368	33 919	35 850	35 068	34 446	32 078	29 778	27 701	25 761
Non-performing loans, total	JPY billion	17 068	17 122	16 782	16 628	17 186	17 274	15 319	13 937	12 778
Prime lending rate for short-term loans	%	1.88	1.68	1.48	1.48	1.48	1.48	1.48	1.48	1.48
Prime lending rate for long-term loans	%	2.30	2.40	1.65	1.60	1.40	1.20	1.20	1.10	1.10
New short-term interest rate (Not only for businesses)	%	1.64	1.53	1.23	1.10	1.04	1.02	0.91	0.88	0.80
New long-term interest rate (Not only for businesses)	%	1.73	1.67	1.46	1.29	1.21	1.16	1.10	1.00	0.94
Outstanding short-term interest rate (Not only for businesses)	%	1.67	1.49	1.26	1.19	1.10	1.03	0.88	0.85	0.78
Outstanding long-term interest rate (Not only for businesses)	%	2.05	1.99	1.76	1.65	1.54	1.42	1.30	1.19	1.10
Non-bank finance										
Venture capital investments (all stages total)	JPY billion	193	136	87	113	124	102	181	117	130
Venture capital investments (all stages total)	%, Year-on-year growth rate	..	-29.53	-36.03	29.89	9.73	-17.74	77.45	-35.36	11.11
Venture capital (seed and early stage)	% (share of all stages)	..	..	36.80	32.50	44.30	57.80	64.50	57.20	62.8
Venture capital (expansion and later stage)	% (share of all stages)	..	..	63.20	67.50	55.70	42.20	35.50	42.80	37.2
Leasing, SMEs	JPY billion	3 471	2 822	2 100	2 139	2 231	2 284	2 645	2 363	2 604
Other indicators										
Bankruptcies, SMEs	Number	14 015	15 523	15 395	13 246	12 687	12 077	10 848	9 723	8 806
Bankruptcies, SMEs	%, Year-on-year growth rate	..	10.76	-0.82	-13.96	-4.22	-4.81	-10.18	-10.37	-9.43
Bankruptcies, total	Number	14 091	15 646	15 480	13 321	12 734	12 124	10 855	9 731	8 812
Bankruptcies, total	%, Year-on-year growth rate	..	11.04	-1.06	-13.95	-4.41	-4.79	-10.47	-10.35	-9.44

Source: See Table 3.20.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468025

The full country profile is available at
http://dx.doi.org/10.1787/fin_sme_ent-2017-30-en

Korea

SMEs constituted 99.9% of Korean enterprises in 2013, with the vast majority being micro enterprises employing up to 9 employees (93.2% of employer enterprises). In 2011, SMEs employed for the first time more than 50% of the country's economically active population, with the number of SME employees standing at 1.3 million, according to Statistics Korea.

SME and total business loans increased over the period 2007-15 period by 51.7% and 78%, respectively. As loan growth for all business loans outpaced SME loan growth, the SME share of business loans declined from 86.8% in 2007 to 74.2% in 2015, which is still a high percentage by international standards, though.

The average interest rate charged on outstanding SME loans peaked in 2008 at 7.5%, then declined steadily to 4.7% in 2014, and decreased once more significantly to 3.9% in 2015 by 74bp, but still a relatively high interest rate compared with Western economies, which had taken loose monetary stances, in contrast to Korea.

Venture and growth capital investments declined between 2007 and 2008, as in other countries, but rebounded over 2009-11, exceeding their 2007 level. In 2015, venture capital investments grew strongly by 27.2% year-on-year, compared to 18.4% in 2014.

In 2015, payment delays again rose again somewhat to 9.2 days, but still well below the 12.1 days-level observed in 2008 and 2010. Bankruptcies decreased to 720 from 841 in 2014, by 14.3% year-on-year. It should be noted that while SMEs avoided bankruptcy because of the policies of the central and regional governments, they were still financially stressed due to low economic growth. The proportion of NPLs decreased sharply in 2011, decreased modestly over 2012-14, and decreased to 1.2% in 2015.

In 2015, the outstanding government guaranteed loans were at KRW 60.9 trillion which included loans that were backed by two nationwide funds. Direct loans provided by the SBC totalled KRW 3.9 trillion in 2015. These loans try to remedy market failures and enhance the competitiveness of SMEs. The Korean Government is now actively looking for other cost effective ways to support SME lending. In addition, it is planning on improving the policy-based financial system, in order to intensively support innovative small and medium enterprises via high-quality policy, rather than through quantitative expansion. For example, the new fund of funds for the Creative Economy (which is the current administration's main focus), that started to invest in innovative SMEs in 2014, raised additional funds worth of KRW 1.6 trillion in 2015.

The Bank of Korea raised the ceiling on its key loan facility for small and medium-sized enterprises by KRW 5 trillion in 2015. Additionally, as Korea's National Assembly has passed the legislation to legalise crowdfunding, SMEs can easily access equity financing through crowdfunding. Moreover, individual investors can diversify the investment on several SMEs without any additional operational cost.

Table 3.21. **Scoreboard for Korea, 2007-15**

Indicators	Units	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	KRW billion	368 866	422 439	443 474	441 024	454 899	461 556	488 980	522 426	560 703
Outstanding business loans, total	KRW billion	424 796	511 201	531 072	541 070	585 697	618 117	654 366	705 956	755 958
Share of SME outstanding loans	% of total business loans	86.8	82.6	83.5	81.5	77.7	74.7	74.7	74	74.2
Outstanding Short-term loans, total; loans for operation	KRW trillion	319	375	373	372	388	395	405	419	426
Outstanding Long-term loans, total; loans for equipment	KRW trillion	106	136	158	169	197	223	249	287	330
Total short and long-term loans, total	KRW trillion	425	511	531	541	586	618	654	706	756
Short-term loans ; loans for operation	% of total business loans	75	73.4	70.3	68.7	66.3	63.9	61.9	59.4	56.4
Government loan guarantees, SMEs	KRW billion	39 730	42 961	56 381	56 195	55 457	56 940	59 517	60 336	60 947
Government guaranteed loans, SMEs	% of SME business loans	10.8	10.2	12.7	12.7	12.2	12.3	12.2	11.5	10.9
Direct government loans, SMEs	KRW billion	2 480	2 635	4 812	3 098	2 957	3 149	3 715	3 269 951	3 901 944
Loans authorised, SMEs	KRW billion	2 721	3 201	5 821	3 416	3 353	3 345	4 178	3 579	4 190
Loans requested, SMEs	KRW billion	4 653 212	6 057 369	9 819 052	6 657 082	5 927 739	5 737 913	6 937	6 717	7 091
Ratio of loans authorised to requested, SMEs	%	0.1	0.1	0.1	0.1	0.1	0.1	60.2	53.3	59.1
Non-performing loans, SMEs	KRW billion	3 446	7 711	6 851	9 997	7 903	7 511	7 995	7 778	6 833
Non-performing loans, SMEs	% of SME business loans	0.93	1.83	1.54	2.27	1.74	1.64	1.64	1.49	1.22
Average interest rate	%	6.95	7.49	6.09	6.33	6.25	5.83	5.06	4.65	3.91
Interest rate spread (between average rate for SMEs and large firms)	%	0.76	0.79	0.56	0.54	0.55	0.43	0.24	0.18	0.16
Equity										
Venture capital, total amount invested	KRW million	991 692	724 690	867 096	1 090 987	1 260 836	1 233 300	1 384 500	1 639 300	2 085 800
Venture capital	Year-on-year growth rate, %	..	-26.9	19.7	25.8	15.6	-2.2	12.3	18.4	27.2
Other										
Payment delays, SMEs	Number of days past due date	11	12.1	9.9	12.1	11.7	9.1	9.7	10	9.2
Bankruptcies, total	Number	2 294	2 735	1 998	1 570	1 359	1 228	1 001	841	720
Bankruptcies	Year-on-year growth rate, %	..	19.2	-26.9	-21.4	-13.4	-9.6	-18.5	-16	-14.4

Source: See Table 3.21.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468049

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-31-en

Luxembourg

In 2014, SMEs made up 99.5% of all non-financial business economy firms. SMEs employed approximately 68.5% of the labour force.

Large new loans to enterprises continue to decrease since 2008. In 2015, large loans were nearly one third of their amount in 2008. New loans to SMEs (defined as loans of less than EUR 1 million) were generally also decreasing over this period, but to a lesser extent in 2015. As a consequence the share of new loans to SME in 2015 increases up to 14%, not far from the peak value of 16% observed in 2011.

In 2015, the interest rate for SMEs amounted to 1.89%, down from 5.52% in 2007. The interest rates for SMEs remained systematically higher than the interest rate for large corporations for the period 2007-15 with a gap of 47 basis points in 2015. This spread may appear small in absolute terms but in relative terms, SMEs were paying 33% more than large corporation in interests.

Alternative forms of financing (venture capital, factoring), are on the rise and may hold high potential for SMEs seeking finance. In 2015, nearly EUR 29 million of venture capital have been invested in Luxembourgish firms.

In 2015, 873 firms went bankrupt in Luxembourg. Bankruptcies per 1 000 firms declined to 7 in 2015, compared to 9 in 2014.

In 2016, the Luxembourgish Parliament adopted a bill introducing a simplified form of the *société à responsabilité limitée* ("*S.à r.l.-S*"). The simplified Sarl, also dubbed 1-1-1 companies (one person, one euro in one day) can be created more quickly with fewer start-up funds. The S.à r.l.-S is reserved to physical persons and intended to facilitate the start-up and development of new business activities.

Table 3.22. **Scoreboard for Luxembourg, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
New business lending, total	EUR million	113 817	181 792	166 287	111 898	111 568	105 854	100 444	93 591	73 001
New business lending, SMEs	EUR million	12 800	14 555	14 754	15 441	17 979	15 593	13 713	10 766	10 476
Share of new SME lending	% of total new lending	11.25	8.01	8.87	13.80	16.11	14.73	13.65	11.50	14.35
Non-performing loans, all	% of all business loans	0.12	0.18	0.44	0.48	0.64	0.59	0.52	0.41	0.40
Interest rate, SMEs	%	5.51	5.72	2.81	2.71	2.68	2.22	2.05	2.08	1.89
Interest rate, large firms	%	4.96	4.97	2.59	2.30	2.62	1.86	1.64	1.48	1.42
Interest rate spread	% points	0.54	0.75	0.21	0.41	0.06	0.35	0.41	0.61	0.47
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	18.2	..	25.8	16.4	0.23
Non-bank finance										
Venture and growth capital	EUR thousand	90 857	314 851	35 182	10 813	147 218	40 034	26 589	23 041	31 180
Venture and growth capital	%, Year-on-year growth rate	..	246.53	-88.83	-69.27	1261.49	-72.81	-33.59	-13.34	35.33
Leasing and hire purchases	EUR million	..	..	226.80	233.00	..	..	..	..	..
Factoring and invoicing	EUR million	..	..	349	321	180	299	407	339	..
Other indicators										
Bankruptcies, Total	Number	659	574	693	918	978	1 050	1 049	850	873
Bankruptcies, Total	%, Year-on-year growth rate	..	-12.90	20.73	32.47	6.54	7.36	-0.10	-18.95	2.19

Source: See Table 3.22.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468073

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-32-en

Malaysia

SMEs represent the vast majority of firms in the Malaysian economy, outnumbering large enterprises, both in terms of number and employment. According to the latest 2011 Economic Census, SMEs account for 97.3% (or 645 136) of total business establishments.

The key role played by the financial system was reflected in the double-digit expansion of 13.8% in total financing outstanding, amounting to MYR 241 billion at the end of 2014, compared to MYR 211.8 billion in 2013. Outstanding SME loans continued to grow in 2015, albeit at a slightly slower pace than in 2014, increasing by 9.3% to MYR 263.5 billion. Similarly, the share of SME lending in total business lending increased to 45.9% in 2015, from 45.3% in the previous year, and from 43.6% in 2013.

The annual average lending rate on SME loans by banking institutions (BIs) increased significantly in recent years, from 5.8% in 2013, to 7.2% in 2014, and further up to 7.4% in 2015. This represents an increase of 160 basis points over this period.

As of end December 2015, there were a total of 121 registered venture capital corporations in the country, with a total of MYR 7.1 billion in committed funds under management, which represented an increase of 15.2% year-on-year. Investments made in 2015 increased by 14.8% to MYR 365 million, from MYR 318 million in 2014.

In 2015, the Credit Guarantee Corporation Malaysia Berhad (CGC) approved a total of MYR 1.7 billion worth of Portfolio Guarantees (PGs), which made up 50% of total loan approvals.

Impaired financing, a proxy for non-performing loans, of the overall financial sector stood at 3.2% of total business loans, remaining constant compared to 2014 and improving from 3.7% in 2013. Despite the rapid expansion of bank credit to SMEs, SME impaired financing substantively decreased from a peak of 7.5% in 2010, to 3.3% in 2015, and was thus almost on par with the share of large firms.

Since its inception in 2004, the National SME Development Council (NSDC) has continued to steer SME development in Malaysia by setting the strategic direction, and by formulating policies to promote the growth of SMEs across all economic sectors. The success of the NSDC can be measured through a number of outcomes, including the adoption of a national definition for SMEs, developing an SME database and statistics, monitoring and analysing SME performance to facilitate policy formulation, streamlining dissemination of information on SMEs, developing the SME financial infrastructure and endorsing the formulation of an SME Masterplan.

There is an emergence of new market-based funding to meet SMEs' changing needs, particularly within new growth areas and for innovative of Malaysian SMEs. The advent of Financial Technology (FinTech) is transforming the financial landscape. These developments are expected to open up greater financing options for SMEs, including an equity crowdfunding framework, investment account platforms (IAP) and peer-to-peer (P2P) lending.

Table 3.23. **Scoreboard for Malaysia, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	MYR million	127 984	138 859	141 608	141 159	165 316	187 625	211 783	240 953	263 460
Outstanding business loans, total	MYR million	290 682	328 252	343 054	375 277	422 022	465 090	485 311	531 726	573 482
Share of SME outstanding loans	% of total outstanding business loans	44.0	42.3	41.3	37.6	39.2	40.3	43.6	45.3	45.9
New business lending, total	MYR million	163 133	128 978	104 944	141 126	171 382	169 540	174 916	181 677	176 207
New business lending, SMEs	MYR million	63 240	58 946	50 896	62 181	75 241	84 667	87 511	69 302	68 828
Share of new SME lending	% of total new lending	38.8	45.7	48.5	44.1	43.9	49.9	50.0	38.1	39.1
Outstanding short-term loans, SMEs	MYR million	..	..	..	..	..	..	4 746	5 132	5 018
Outstanding long-term loans, SMEs	MYR million	..	..	..	..	..	..	137 526	164 235	184 738
Impaired financing*, total	% of all business loans	..	5.4	4.2	4.6	3.6	2.7	3.7	3.2	3.2
Impaired financing*, SMEs	% of all SME loans	..	7.1	6.3	7.5	5.8	4.5	4.0	3.3	3.3
Interest rate, SMEs	%	..	6.4	5.5	5.7	5.7	5.7	5.8	7.2	7.4
Interest rate, large firms	%	..	6.1	5.1	5.0	4.9	4.8	3.5	5.1	4.3
Interest rate spread	% points	..	0.3	0.4	0.7	0.8	0.9	2.3	2.0	3.0
SME loans requested	MYR million	..	..	..	..	..	..	102 479	75 610	90 577
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	..	..	52.9	56.4	54.6
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	12.5	..	..	..	..	..
Non-bank finance										
Leasing and factoring	MYR million	..	..	..	..	721	918	1 099	1 170	1 086
Venture and growth capital	MYR million	1 784	1 929	2 586	3 389	3 586	2 757	3 433	3 246	2 221
Venture and growth capital	%, Year-on-year growth rate	53.9	8.1	34.1	31.1	5.8	-23.1	24.5	-5.4	-31.6
Additional information										
Guarantee and financing schemes	No. of accounts	13 004	10 368	14 073	7 670	7 504	2 152	2 368	6 839	8 225
Guarantee and financing schemes	MYR million	4 567	3 014	3 112	2 495	2 861	1 066	1 546	3 175	3 356

Note: Malaysia uses the term “Impaired financing” instead of non-performing loans.
Source: See Table 3.23.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468100

The full country profile is available at
http://dx.doi.org/10.1787/fin_sme_ent-2017-33-en

Mexico

There are 4 million SMEs in Mexico, which account for 99.7% of all private enterprises, representing 62.6% of private-sector employment and 35.2% of national total gross production.

Lending to SMEs gained importance in recent years, with total bank credit growing at an average annual real rate of 12% over the 2009-14 period. The number of SMEs obtaining a bank loan increased from 248 000 in 2009, to 316 000 in 2014. This growth coincided with an increase in the average loan amounts.

The interest rate depends on the size of the company and credit type. For large companies the average interest rate lies between 6% and 7% for simple and revolving credit, respectively. For SMEs, the rate oscillates between 10% and 11% for the same products, while business credit cards have an average annual rate of 13.43%, making them the most expensive product for SMEs.

Lending to SMEs gained importance in recent years, with outstanding SME loans growing at an average annual real rate of 12% in the 2009-14 period. This trend continued in 2015, with outstanding SME loans growing by 11.7% year-on-year. The share of SME outstanding loans in total business loans has remained relatively constant at around 23.8% since 2012.

Over the last couple of years, the Mexican Government has developed a number of initiatives to support entrepreneurs and strengthen SME access to finance in particular, including programmes to promote youth and female entrepreneurship, as well as various measures to strengthen alternative financing instruments, most notably SMEs' use of venture capital.

Since 2011, the Mexican Government incentivises commercial banks to extend credit to entrepreneurs with feasible projects by covering 100% of the credit risk during the first two years of the credit term, and then 75% for the third and fourth years for enterprises eligible for the Financing Programme for Entrepreneurs.

Likewise, it has become possible to develop programmes that leverage credit in sectors that have hitherto been disregarded, such as the construction industry, travel agencies, real estate development SMEs, rural tourism SMEs, small contributors, and government-supplier SMEs, among others.

Moreover, the increased competition between financial intermediaries has generated a significant improvement in credit conditions, such as longer loan maturities, lower interest rates, and in most cases (9 out of 10), the absence of security interest.

Table 3.24. **Scoreboard for Mexico, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	MXN million	89 000	104 000	178 133	198 826	230 293	275 188	320 940	359 537	401 424
Outstanding business loans, total	MXN million	682 000	843 000	891 220	967 938	1 122 058	1 217 075	1 339 533	1 449 026	1 686 340
Share of SME outstanding loans	% of total outstanding business loans	13.05	12.34	19.99	20.54	20.52	22.61	23.96	24.81	23.80
New business lending, Entrepreneurs	MXN million	..	..	..	..	39.8	88.1	26.7	14.4	33.4
Government loan guarantees, SMEs	MXN million	825	1 136	1 935	2 300	3 002	3 000	3 679	4 272	3 160
Government guaranteed loans, SMEs	MXN million	21 854	63 751	77 656	67 390	74 285	96 941	115 126	101 562	107 757
Direct government loans, SMEs	MXN million	..	..	29 538	30 796	53 335	62 995	88 118	135 363	183 770
Non-performing loans, total	% of all business loans	..	..	1.92	1.93	2.17	2.09	3.61	3.19	3.13
Interest rate, SMEs	%	..	..	11.88	11.7	11.26	11.04	9.8	9.14	9.08
Interest rate, large firms	%	..	..	8.13	7.92	7.69	7.59	6.56	6.04	6
Interest rate spread	% points	..	..	3.75	3.78	3.57	3.45	3.24	3.1	3.08
Non-bank finance										
Private equity	USD million	4 334	1 550	1 402	2 291	3 007	3 485	1 565	3 972	8 330
Private equity	%, Year-on-year growth rate	..	-64.24	-9.55	63.41	31.26	15.89	-55.09	153.77	109.73
Venture and growth capital	USD million	..	102	203	..	203	261	283	375	173
Venture and growth capital	%, Year-on-year growth rate		..	99.02	..	..	28.32	8.50	32.47	-53.87
Leasing and hire purchases	MXN million	..	..	4 528	3 889	3 210	2 012	400	..	..
Factoring and invoicing	MXN million	6 651	4 447	1 979	1 120	1 125	1 017	797	..	..

Source: See Table 3.24.2 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468127

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-34-en

The Netherlands

The largest part of the Dutch business population consists of SMEs, employing almost two-thirds of the labour force.

Despite an uptick in economic activity in 2015, new loans to SMEs declined by 6.7% year-on-year in 2015. In contrast, the outstanding stock of all corporate loans rose by 6.4% in the same year.

In 2015, the interest rate for large enterprises declined by 40 basis points on a year-to-year basis, while the average interest rate charged to Dutch SMEs increased by 30 basis points, resulting in a sharply widening interest rate spread of 2 percentage points.

Only 29% of SMEs reported having to provide collateral when applying for a bank loan in 2015, a sharp decrease from 2014.

The number of loans authorised in full shows a great increase from 2013 on. The 2013-14 year-on-year growth rate was 18.5%, and in 2014-15 even 39%.

Venture capital investments in the Netherlands almost doubled between 2013 and 2015.

Crowdfunding investments rose from EUR 14 million in 2012 to EUR 128 million in 2015.

Payment delays, as well as the number of total bankruptcies declined substantially between 2014 and 2015, illustrating the improved health of the Dutch economy.

Loan guarantees were up in 2015, especially for SMEs. Presumably this is driven by the increasing demand for credit. The Guarantee Scheme for SMEs (BMKB) assists SMEs that have a shortage of collateral to obtain credit from banks, while the Growth Facility (GFAC) offers banks and private equity enterprises a 50% guarantee on newly issued equity or subordinated loans, while the Guarantee for Entrepreneurial Finance (GO) guarantees new bank loans.

In October 2015, the Dutch Investment Institution (NLII) was founded by a group of Dutch institutional investors, which introduced a subordinated loan fund of EUR 300 million with at least the same amount co-financed by bank loans. Besides the subordinated loan fund, NLII introduced the Business loan fund. This fund, with a size of EUR 480 million, will also be co-financed by banks for at least 50%.

The government of the Netherlands also undertook a number of measures to improve alternative sources of financing, such as the establishment of a fund of funds for later stage venture capital investments, a micro-credit institution, the provision of seed capital by regional development agencies and the Business Angel co-investment fund.

Table 3.25. **Scoreboard for the Netherlands, 2007-15**

Indicators	Units	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt - new loans										
New business loans, SMEs	EUR billion	21.8	20.7	15.7	16.5	19.4	18.7	18.8	18.0	16.8
Renegotiated business loans	EUR billion	-	-	-	-	-	-	-	-	7.1
Short-term loans, SMEs (new loans)	EUR billion	12.1	11.3	8.9	7.9	10.2	9.2	9.4	8.7	7.1
Long-term loans, SMEs (new loans)	EUR billion	9.7	9.4	6.7	8.6	9.2	9.5	9.4	9.3	9.7
Share of short-term loans, SMEs (new loans)	% of new SME business loans	55.5	54.6	57.1	47.9	52.6	49.2	49.8	48.3	42.2
Debt - outstanding amounts										
Business loans, total (outstanding amounts)	EUR billion	258.5	304.8	313.5	325.7	341.1	350.0	346.5	330.3	351.6
Business loans, SMEs (outstanding amounts)	EUR billion	-	-	-	-	-	-	-	-	130.4
Short-term loans, SMEs	EUR billion	-	-	-	-	-	-	-	-	23.1
Long-term loans, SMEs	EUR billion	-	-	-	-	-	-	-	-	107.3
Non-performing loans, SMEs	EUR billion	-	-	-	-	-	-	-	-	12.4
Debt - other										
Government loan guarantees, total	EUR million	634	647	1 060	1 318	1 161	687	415	516	591
Government loan guarantees, SMEs	EUR million	409	400	370	945	1 040	590	415	480	554
Loans authorised, SMEs	% of SMEs which requested a bank loan and received it in full	-	72	49	60	66	60	54	64	89
Loans requested, SMEs	% of SMEs requesting a bank loan	-	19	29	22	18	22	21	21	16
Interest rate, SMEs	%	-	-	4.50	6.00	6.40	5.10	4.30	4.10	4.40
Interest rate, large firms	%	-	-	-	-	3.50	3.60	3.40	2.80	2.40
Collateral, SMEs	% of SMEs required to provide collateral for last bank loan	-	-	47.0	45.0	44	47	50	43	29
Alternative finance										
Venture capital	EUR million	508	601	418	388	575	391	341	434	607
Venture capital, growth	Year-on-year growth rate, %	-	18.3	-35.0	-7.2	48.2	-32	-12.8	27.3	39.8
Crowdfunding	EUR million	-	-	-	-	-	14	32	63	128
Crowdfunding, growth	Year-on-year growth rate, %	-	-	-	-	-	-	129.0	96.9	103.1
Other										
Payment delays	Average number of days	13.2	13.9	16.0	17.0	18.0	18.0	17.0	16.0	6.0
Bankruptcies, total	Number	-	-	6 942	6 162	6 117	7 349	8 376	6 645	5 271
Bankruptcies, growth	Year-on-year growth rate, %	-	-	82.1	-11.2	-0.7	20.1	14	-20.7	-20.7
Bankruptcies, total	Per 10 000 firms	58	56	189	169	168	203	237	188	150

Source: See Table 3.25.2 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468147

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-35-en

New Zealand

Bank lending to businesses in 2015 lifted sharply, rising by another 6% above its all-time high level of the previous year. SME lending increased by 6.3% in 2015 to NZD 36.5 billion. The 2015 lending rate was 18% higher than the 2010 low following the global financial crisis (GFC).

In 2015, the interest rate for bank lending to SMEs the interest rate reduced to 9.4%, its lowest rate since this report commenced.

Rejection rates increased strongly over the post-crisis period, more than doubling between 2007 and 2008, and then increasing further over the following two years. In 2010, almost a quarter of SME loan applications were rejected. Rejection rates then decreased again markedly over the 2011-15 period and at 7.4% in 2015, they had almost fallen back to their pre-crisis level.

Venture capital and angel investment increased to NZD 62.5 million and NZD 61.2 million, respectively, in 2015. Around 64% of angel investment in 2015 was made in software and services.

The first full year of licensed equity crowdfunding activity saw four licensed operators raise NZD 14.9 million of retail investment for 27 companies.

In 2015 the proportion of non-performing loans for all business compared with SMEs was about the same.

The government has no general loan guarantee facility or direct loan programme for SMEs, although there is a working capital guarantee for exporting SMEs. This programme is delivered through the New Zealand Export Credit Office (NZECO). In 2016, the Government made changes to the mandate and some operational criteria and products to enable NZECO to support a wider range of SME firms and larger exporters, while helping NZECO develop a more diversified risk portfolio.

The Financial Markets Conduct (FMC) Act came into force in April 2014 and seeks to help improve access to capital by raising investor confidence. It reduces compliance costs for some SMEs through clearer disclosure regulations, including exemptions from full disclosure requirements for some firms. It also permits new forms of capital-raising, such as crowd-funding and peer-to-peer lending. The Government actively monitors the implementation of the FMC Act and has issued 75 regulatory instruments to improve its functioning since its enactment in 2014.

Table 3.26. **Scoreboard for New Zealand, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	NZD billion	..	..	31.6	32.4	32.1	33.8	32.4	34.2	36.5
Outstanding business loans, total	NZD billion	74.2	82	75	73.6	74.7	77.4	80.3	83.9	89.5
Share of SME outstanding loans	% of total outstanding business loans	..	..	42.13	44.02	42.97	43.67	40.35	40.76	40.78
Non-performing loans, total	% of all business loans			1.7	2.1	1.8	1.5	1.1	0.8	0.6
Non-performing loans, SMEs	% of all SME loans			2.7	2.9	2.8	2.7	2.4	1.6	0.7
Interest rate, SMEs	%	12.15	11.19	9.82	10.12	10.02	9.55	9.53	10.26	9.41
Interest rate, large firms	%	9	8.23	5.7	6.3	6.05	6.01	5.38	5.95	5.38
Interest rate spread	% points	3.15	2.96	4.12	3.82	3.97	3.54	4.15	4.31	4.03
Rejection rate	% of SMEs	6	13	18	22	13	14	10	13	7.4
Equity										
Venture and growth capital (seed and early stage)	NZD million	29.5	32.6	43.2	53.1	34.8	29.9	53.2	55.9	61.2
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	10.5	32.5	22.9	-34.5	-14.1	77.9	5.1	9.5
Venture and growth capital (growth capital)	NZD million	81.9	66.1	34.0	94.4	36.6	26.8	54.8	55.8	62.5
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	-19.3	-48.6	177.6	-61.2	-26.8	104.5	1.8	12.0
Other										
Payment delays, B2B	Average no. days	43.1	50.8	44.5	44	45.6	40.1	39.6	37	35.5
Bankruptcies, total	Number	3 593	2 469	2 521	3 054	2 718	2 434	2046	1 905	1 986
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	-31.28	2.11	21.14	-11.00	-10.45	-15.94	-6.89	4.25

Source: See Table 3.26.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468168

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-36-en

Norway

97% of all firms in Norway employ less than 50 people. The SME definition in Norway differs from the definition in use in most EU countries.

After two years of decline, the outstanding stock of SME loans rose in 2014 by almost 10% year-on-year and by more than 11% in 2015. SME lending made out a larger share of overall business lending in 2015 compared to previous years.

Short term lending to SMEs as a share of overall lending to SMEs increased in recent years, but the vast majority of SME lending is long-term, possibly due to the strength of legal rights and the depth of credit information in Norway.

Credit standards have tightened between the first quarter of 2015 and the second quarter of 2016, after several years of easing. Demand for credit has weakened considerably since the second half of 2015.

As opposed to previous years, venture and growth capital investments contracted in 2015, decreasing by 4.75 %, and thus standing in contrast to the strong, double-digit growth observed in 2013 and 2014.

After an uptick in the number of bankruptcies in 2013 and 2014 by 16.3% and 3.1% year-on-year respectively, bankruptcies went down by 1.9% in 2015.

In 2015, the Norwegian government introduced a new action plan for entrepreneurship. The plan outlines the government's policies to improve conditions for starting and developing new businesses in Norway, with an emphasis on capital, competence and culture. The action plan has a wide-reaching set of actions, including increased entrepreneurship grants; it strengthened the financing of commercialisation of publicly financed research, established new seed capital funds, and introduced a pre-seed capital fund that will invest in young companies in collaboration with private investors.

Table 3.27. **Scoreboard for Norway, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	NOK million	358 963	451 130	416 407	433 844	454 031	452 815	433 061	474 908	527 209
Outstanding business loans, total	NOK million	837 193	1 033 477	1 030 787	1 057 299	1 125 193	1 131 028	1 195 203	1 289 199	1 388 997
Share of SME outstanding loans	% of total outstanding business loans	42.88	43.65	40.40	41.03	40.35	40.04	36.23	36.84	37.96
Outstanding short-term loans, SMEs	NOK million	69 147	83 925	69 906	72 953	75 895	85 430	81 126	90 487	107 611
Outstanding long-term loans, SMEs	NOK million	289 816	367 205	346 501	360 081	378 136	367 385	351 935	384 421	419 598
Non-bank finance										
Venture and growth capital	NOK million	39 888	29 597	14 577	30 305	39 262	37 699	63 228	74 553	71 013
Venture and growth capital	%, Year-on-year growth rate	..	-25.80	-50.75	107.90	29.56	-3.98	67.72	17.91	-4.75
Other indicators										
Bankruptcies, SMEs	Number	952	1 427	2 059	1 804	1 725	1 525	1 774	1 829	1 794
Bankruptcies, SMEs	%, Year-on-year growth rate	..	49.89	44.29	-12.38	-4.38	-11.59	16.33	3.10	-1.91

Source: See Table 3.27.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468193

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-37-en

Portugal

In 2014, SMEs comprised 99.7% of enterprises in Portugal and employed 80.2% of the labour force.

In 2015, the global stock of business loans decreased by 3.2% year-on-year, slightly below the decrease in SME lending which stood at 3.7%. The decline was thus less pronounced than in 2014 which saw a drop of more than 5% for both total and SME outstanding loans. The share of SME loans in total business loans remained slightly above the 80% level

The decline in SME lending was more pronounced in short-term SME loans, having dropped by 65.5% over the 2009-15 period, and registered a further 12.3% decrease in 2015 compared to the previous year, whereas long-term SME loans decreased by only 2.7% year-on-year.

The share of government guaranteed loans in total SME loans grew significantly, from 5.4% in 2009 to 8.2% in 2015, demonstrating the sustained public efforts to support SME access to finance.

The average interest rate for SME loans decreased to 4.6% in 2015, marking the third year in a row where this value was in decline, which peaked at 7.6% in 2012. The interest rate spread between SMEs and large firms increased from 1.9% in 2009 to 2.2% in 2012, and has similarly been on a decrease since, to 1.6% in 2014 and further down to 1.35% in 2015, indicating an improvement in SME financing conditions

After a continuous decline since 2007 in venture capital investments, there were signs of recovery since 2012, with total venture capital investments in 2015 having increased again by 438% to EUR 70 million compared to their 2011 value.

Payment delays rose from 35 days in 2009 to 41 days in 2011, and then almost halved again from 40 days in 2012 to 21 days in 2015.

Following four years of continuous increase in the number of bankruptcies (2009-12), 2014 ended with a significant and encouraging reduction of almost 34% in comparison with 2012, a value which however rose again by 17.3% in 2015, to 4 714

In the framework of anti-crisis measures adopted by Portugal, SMEs' access to finance has been a major priority for the government. In this context, twelve "SME Invest and SME Growth" credit lines to facilitate SME access to credit were launched. These credit lines, with a total stock of bank credit of EUR 15.8 billion, have long-term maturities (up to 7 years) and preferential conditions, partially subsidised interest rates and risk-sharing public guarantees, which cover between 50% and 75% of the loan. These credit lines aim to support fixed investment as well as SME working capital.

In August 2016, the Portuguese government launched *Program Capitalizar*, comprising over 60 new measures, that aims to assess the constraints that limit firms' access to equity financing instruments.

Table 3.28. **Scoreboard for Portugal, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	EUR million	83 829	91 720	92 274	90 843	87 038	79 814	73 586	70 914	68 310
Outstanding business loans, total	EUR million	102 018	112 449	113 973	111 532	107 282	98 846	91 832	86 282	83 490
Share of SME outstanding loans	% of total outstanding business loans	82.17	81.57	80.96	81.45	81.13	80.75	80.13	82.19	81.82
New business lending, total	Currency	64 265	61 787	46 288	45 558	44 984	45 562	49 108	41 230	33 815
New business lending, SMEs	Currency	28 852	26 431	23 128	8 984	14 229	12 539	11 866	11 871	11 899
Share of new SME lending	% of total new lending	44.90	42.78	49.97	19.72	31.63	27.52	24.16	28.79	35.19
Outstanding short-term loans, SMEs	Currency	..	..	28 890	26 710	23 788	16 732	14 217	11 379	9 981
Outstanding long-term loans, SMEs	Currency	..	..	58 817	59 213	56 127	53 242	47 763	47 251	45 974
Share of short-term SME lending	% of total SME lending	..	..	32.94	31.09	29.77	23.91	22.94	19.41	17.84
Government guaranteed loans, SMEs	EUR million	740	1 552	4 961	6 825	6 147	5 698	5 802	5 461	5 595
Non-performing loans, total	% of all business loans	1.83	2.44	4.22	4.59	6.94	10.54	13.46	15.05	15.76
Non-performing loans, SMEs	% of all SME loans	4.14	4.38	4.95	5.41	8.18	12.33	15.77	17.32	18.09
Interest rate, SMEs	%	7.05	7.64	5.71	6.16	7.41	7.59	6.82	5.97	4.6
Interest rate, large firms	%	5.29	5.92	3.84	3.91	5.4	5.43	4.97	4.37	3.25
Interest rate spread	% points	1.76	1.72	1.87	2.25	2.01	2.16	1.85	1.6	1.35
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	85.95	86.30	85.16	84.76	83.42	84.88	84.13
Non-bank finance										
Venture and growth capital	EUR million	137	92	42	65	13	17	29	47	70
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	-32.82	-54.18	54.98	-80.43	35.94	64.37	64.69	48.20
Leasing and hire purchases	Currency	..	..	5 324	5 242	3 442	3 037	2 666	2 425	2 329
Factoring and invoice discounting	Currency	..	..	621	733	402	338	376	476	542
Other indicators										
Payment delays, B2B	Number of days	40	33	35	37	41	40	35	33	21
Bankruptcies, SMEs	Number	2 612	3 528	3 815	4 091	4 746	6 688	6 030	4 019	4 714
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	35.07	8.13	7.23	16.01	40.92	-9.84	-33.35	17.29

Source: See Table 3.28.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468220

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-38-en

Russian Federation

SMEs in the Russian Federation are defined differently than in EU countries, hindering international comparisons.

SMEs play a smaller role in the Russian economy than in most other countries, employing around 30% of the workforce and contributing to 21% of GDP.

In 2016, the government approved the State Strategy of SMEs Development of the Russian Federation. It aims to expand the SME sector so that it would generate 40% of Russian GDP by 2030.

SME loans doubled between 2008 and 2013, both in terms of new loans approved, as in terms of the outstanding stock of loans. In 2014, however, this upward trend was reversed and new lending started to decline, accelerating in 2015. New lending to all businesses, by contrast, rose in 2014 and fell less in 2015, resulting in a declining share of SME loans to total corporate lending.

Lending conditions loosened a lot in 2014, but this trend reversed in 2015 and the first quarter of 2016. The demand for credit is in a broadly declining path since the beginning of 2014.

Interest rates charged to SMEs are high by international comparison and rose between 2014 and 2015. The interest rate spread between loans charged to SMEs and to large enterprises also increased in 2015. Both trends appear to have been reversed, however, according to data from the first quarter of 2016.

In contrast to most scoreboard countries, venture capital activities have been on the increase between 2008 and 2014, investments doubling over this period. Venture capital investments declined in 2015, however, as some foreign investors left the Russian market.

Non-performing SME loans almost doubled between 2014 and 2015 and make up 13.2% of all SME loans in 2015.

In 2014, the Russian Government established the Credit Guarantee Agency. The new agency aims to provide guarantee support to SMEs.

In 2015, the Federal Corporation on SME Development (Corporation) on the basis of the Credit Guarantee Agency, was set up. It provides a host of services, in addition to financial support. The volume of issued guarantees from Corporation is RUB 23 billion (EUR 310 million).

The SME Bank provides its assistance to SMEs via a number of regional commercial banks and non-bank financial institutions: leasing companies, micro-financing organisations, regional SME support funds, factoring companies and other organisations. The volume of total loans under the programme as of 1 January 2016 reached RUB 105.7 billion.

Table 3.29. **Scoreboard for the Russian Federation, 2007-15**

Indicator	Unit	2008	2009	2010	2011	2012	2013	2014	2015
Debt									
Outstanding business loans, SMEs (stock)	RUB million	2 522 995	2 647 973	3 227 570	3 843 458	4 494 204	5 160 644	5 116 828	4 885 336
Outstanding business loans, total (stock)	RUB million	12 996 829	12 412 406	13 596 593	17 061 389	19 580 176	22 242 321	27 785 305	29 884 615
New business loans, SMEs (flows)	RUB million	4 089 500	3 002 887	4 704 715	6 055 744	6 942 525	8 064 759	7 610 594	5 460 273
New business loans, total (flows)	RUB million	..	18 978 039	20 662 219	28 412 267	30 255 044	36 224 566	38 529 851	34 236 284
Business loans, SMEs	%	..	15.82	22.77	21.31	22.95	22.26	19.75	15.95
Government loan guarantees, SMEs	RUB million	..	..	..	..	87 400	116 900	138 736	..
Government guaranteed loans, SMEs	RUB million	..	..	..	..	185 000	249 000	297 386	..
Non-performing loans, total	RUB million	..	723 700	738 416	807 889	895 339	958 009	1 275 512	2 019 902
Non-performing loans, SMEs	RUB million	73 992	200 111	284 048	314 753	377 247	365 445	394 388	666 199
Non-performing loans, SMEs	% of SME loans	2.93	7.56	8.80	8.19	8.39	7.08	7.71	13.64
Interest rate, SMEs	%	..	..	..	..	..	..	16.09	16.44
Interest rate, all firms	%	..	..	..	..	..	..	12.94	12.95
Interest rate spread	%	..	..	..	..	..	..	3.15	3.49
Non-bank finance									
Venture capital investments	USD million	14 330	15 200	16 787	20 092	26 064	27 863	27 956	24 763
Bankruptcies, total	Number	13 916	15 473	16 009	12 794	14 072	13 144	14 500	14 624
Bankruptcies, total	%, Year-on-year growth rate	..	11.19	3.46	-20.08	9.99	-6.59	10.32	0.86

Source: See Table 3.29.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468251

The full country profile is available at
http://dx.doi.org/10.1787/fin_sme_ent-2017-39-en

Serbia

The Serbian economy is dominated by SMEs. In 2014, SMEs were employing almost 65% of the labour force and accounted for 56% of total gross value added, and for 44.8% of total exports. Between 2007 and 2014, the relative number of micro-enterprises rose, while the proportion of medium-sized firms declined.

In 2014, and in contrast to previous years, outstanding SME loans expanded by 15%, the average maturity rose, and SME loans increased their share in overall corporate lending. New lending to SMEs increased by 19.5%, and interest rates fell mainly due to government subsidised loan programmes. All of these positive trends continued in 2015. Although the government subsidised lending programme were terminated at the end of 2014 and these loans were maturing in 2015, the outstanding stock of SMEs loans continued to grow by 12.6% in 2015. In addition, the outstanding stock of SME long-term loans increased by 20.7% as a result of the strong impulse of corporate lending of investment loans.

Interest rates continued to decrease as well as the percentage of SMEs that were required to provide collateral. As a result of stronger monetary policy relaxation, that started in May 2013, the average interest rate on loans denoted in the local currency decreased by 600 basis points in over the 2013-15 period and stood at 12.3% in 2015. Over the same period the average interest rate charged to SMEs in foreign currencies decreased by 190 basis points to 6.6%, thus continuing a generally downward trend since 2007.

According to a survey conducted by the Statistical Office of the Republic of Serbia, SMEs' main source of financing comes from own funds, although every third SME is using external sources of financing, mostly bank lending (over 40%), as well as borrowing from friends and family members. Even though the regulatory framework for venture capital (VC) is still not in place in the Republic of Serbia, there are some sporadic investments of VC and equity funds established abroad. Activities of the West Balkans Enterprise Development & Innovation Facility programme (WB EDIF), mainly funded by European Commission, are thus of great significance for future progress and investment increases in the VC area.

According to data from the bank survey on SMEs lending, over the 2008-13 period SME non-performing loans as a share of total outstanding SME loans increased from 10.6% in 2008 to 28.4% in 2013, and a slight decrease has been observed in 2014 (to 28%) and in 2015 (to 27.7%). The share of non-performing loans to all business loans in 2015 also decreased to 21.7% from 24.6% in 2014.

At the beginning of 2015, the Government of the Republic of Serbia adopted the Development Strategy for Small and Medium Enterprises, Entrepreneurship and Competitiveness for 2015-20, which is a medium-term framework for SME and enterprise development policy for the coming period. The access to sources of financing pillar of the strategy presupposed several measures. The objective of these measures is to make loans to SMEs accessible under advantageous conditions as well as the implementation of the training in the field of financial management, in particular: improvement in the quality of offer of the banking sector to SMEs; development of new financial instruments; improvement of ability of SMEs to access various sources of financing.

Table 3.30. **Scoreboard for Serbia, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	EUR million	2 858	3 994	3 966	4 202	4 320	3 887	3 626	4 170	4 698
Outstanding business loans, total	EUR million	13 598	19 044	19 268	19 777	20 028	20 460	19 154	18 724	18 681
Share of SME outstanding loans	% of total outstanding business loans	21	21	21	21	22	19	19	22	25
New business lending, total	EUR million	..	..	..	..	8 862	9 043	7 093	6 765	8 463
New business lending, SMEs	EUR million	2 027	3 409	3 015	3 190	3 323	2 847	2 339	2 796	3 157
Share of new SME lending	% of total new lending	..	..	..	..	37.49	31.48	32.98	41.34	37.30
Outstanding short-term loans, SMEs	EUR million	1 000	1 265	1 356	1 436	1 308	1 058	1 208	1 233	1 153
Outstanding long-term loans, SMEs	EUR million	1 858	2 729	2 610	2 766	3 012	2 829	2 418	2 937	3 544
Government guaranteed loans, SMEs	EUR million	0.25	0.19	297.90	522.71	390.28	540.94	329.23	686.54	109.50
Non-performing loans, total	% of all business loans		14.56	19.84	20.70	22.33	19.19	24.52	24.64	21.71
Non-performing loans, SMEs	% of all SME loans	6.72	10.56	18.86	21.00	22.64	26.39	28.36	27.96	27.65
Interest rate, SMEs	%	10.7	10.9	10.6	10.1	9.7	8.6	8.5	8.0	6.6
Interest rate, large firms	%	6.32	8.04	7.23	7.36	7.88	7.17	6.89	5.82	4.48
Interest rate spread	% points	4.37	2.85	3.35	2.70	1.85	1.39	1.61	2.17	2.09
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	31.62	38.78	43.14	44.51	45.59	54.86	57.01	54.10	54.09
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	..	..	..	0.154
Rejection rate	SME loans authorised/ requested (%)	18.66	17.25	28.42	27.13	15.77	31.51	31.87	24.68	27.86
Utilisation rate	SME loans used/ authorised (%)	71.75	81.66	88.20	67.76	83.83	86.43	88.09	86.80	95.05
Other indicators										
Payment delays, B2B	Number of days	..	..	33	31	35	28	28	..	..

Source: See Table 3.30.2 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468285

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-40-en

Slovak Republic

SMEs dominate the Slovak economy, covering 99.5% of the enterprise population in 2015. Comparing to previous year there has been reported decrease of the number of SMEs by 13.25% which is a consequence to the changed methodology for monitoring of active enterprises.

Because of different SME definitions used in Slovak banking statistics and in the Tax Authority's financial statements database, it is not possible to provide harmonised and comparable data for all indicators. Total SME lending has been increasing constantly since 2011, as evidenced by banking statistics, and less significantly by the statistics from the financial statements database. Based on banking statistics, SME lending increased by 5.8% year-on-year in 2015, which is higher than the year before (3.6%), but remained below 2008 levels. The increase in new SME lending in 2015 (by 18.6%) took place despite the overall drop in new loans (-5.8%). There was a modest growth in the stock of short-term loans for SMEs from 2011, while outstanding long-term SME loans stagnated.

General business interest rates plummeted from 5.5% in 2007 to 3% in 2009, but rose again to 3.2% in 2010-11. Since the start of separate SME statistics in 2015, SME interest rates stagnated around 3.8%, however, and in 2015 decreased slightly to 3.4%, thus indicating a certain improvement of credit conditions and easier access of SMEs to bank financing. Interest rates for self-entrepreneurs were at 6% in 2012, increased slightly to 6.2% in 2013, and declined in the forthcoming years to 5.3% in 2015.

According to the survey on the use of external forms of funding realised at the end of 2015, less than a quarter (24%) of Slovak SMEs use alternative sources of financing, most of them leasing. The share of venture capital financing was only 2%. At the same time, venture capital investments in 2015 rose by 41%, mainly caused by the launch of venture capital instruments within the EU JEREMIE initiative. As not all of the funds allocated have been committed, a further increase of funding from these instruments is expected in the forthcoming year.

The share of non-preforming SME loans in 2015 decreased slightly less (-12.6%) than overall business non-preforming loans (-14%), but the difference between the two rates is derogating. SMEs account for the lion's share of total bankruptcies, covering 98.9% of the total in 2015, up from 94.2% in 2012. The decrease in the number of bankruptcies by 14.4% year on-year in 2015 was probably caused by improved conditions in the economy and higher demand.

In the Slovak Republic, there are financing instruments providing loans and guarantees for SMEs operated by specialised state banks and the Slovak Business Agency (SBA). In addition to that there are financing instruments targeted specifically to SME implemented within JEREMIE initiative that progressed in 2015, after their successful launch in 2014. As a consequence the amount of government loan guarantees in 2015 represented an increase by a factor of 2.3, compared to the previous year. Similarly, there was a year-on-year increase in government guaranteed loans by 31%, as well as in direct government loans by 7.7%.

Table 3.31. **Scoreboard for the Slovak Republic, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	EUR million	9 136	12 092	12 032	12 046	10 600	11 038 (1); 5 893 (2)	10 734 (1); 6 704 (2)	11 902 (1); 6 946 (2)	13 217 (1) 7 350 (2)
Outstanding business loans, total	EUR million	13 906	15 679	15 156	15 174	16 117	15 523	15 102	14 837	16 119
Share of SME outstanding loans	% of total outstanding business loans	65.7	77.1	79.4	79.4	65.8	71.1 (1)	71.1 (1)	80.2 (1)	82.0 (1)
New business lending, total	EUR million	8 493	9 437	7 559	9 124	10 689	11 528	11 735	12 368	11 650
New business lending, SMEs	EUR million	..	..	..	..	..	2 361	2 632	2 603	3 087
Share of new SME lending	% of total new lending	..	..	..	..	..	20.5	22.4	21.0	26.5
Outstanding short-term loans, SMEs	EUR million	4 609	4 797	4 981	4 987	4 188	4 481	4 532	5 385	2 631(2)
Outstanding long-term loans, SMEs	EUR million	4 527	7 295	7 051	7 059	6 412	6 557	6 202	6 517	4 721(2)
Government loan guarantees, SMEs	EUR million	82	99	81	70	84	87	38	26	59.7
Government guaranteed loans, SMEs	EUR million	115	157	143	139	167	136	157	186.3	244.2
Direct government loans, SMEs	EUR million	117	160	139	146	168	209	151.6	159.4	171.7
Non-performing loans, total	% of all business loans	..	..	6.8	8.4	8.3	7.9	8.3	8.6	7.4
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	10.4 (2)	9.9 (2)	10.3 (2)	9 (2)
Interest rate, SMEs	%	5.5	4.6	3	3.2	3.2	3.8	3.6	3.8	3.4
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	100	100	100	100	100	100	100	100	100
Rejection rate	SME loans authorised/ requested	..	..	..	..	57.2	..	53.2	..	57
Non-bank finance										
Venture and growth capital	EUR million	7	8	14.4	11.4	11.5	7	9	9.0	10.4
Venture and growth capital	%, Year-on-year growth rate	..	14.3	80.0	-20.83	0.88	-39.13	28.57	-0.33	15.83
Other										
Payment delays, B2B	Number of days	19.7	8	13	17	20	21	19	17	24
Bankruptcies, SMEs	Number	169	251	276	344	363	339	377	409	350
Bankruptcies, SMEs	%, Year-on-year growth rate	..	48.52	9.96	24.64	5.52	-6.61	11.21	8.49	-14.43

Note: 1. SME loans classified according to the national/EU definition of SMEs; 2. No EU definition used – SME loans classified based on banking standards.
Source: See Table 3.31.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468301

The full country profile is available at
http://dx.doi.org/10.1787/fin_sme_ent-2017-41-en

Slovenia

In 2015, 99.6% of all firms in Slovenia were SMEs and 89.1% of firms employed less than 10 employees.

While SME lending increased between 2007 and 2011, it more than halved between 2011 and 2015, decreasing from EUR 9.8 billion in 2011 to EUR 4.1 billion in 2015. Over this period, short-term SME lending declined more than long-term SME lending; short term SME loans accounted for 32% of SME loans in 2011, compared to 15% in 2015. Total business loans rose between 2007 and 2010, but fell afterwards, however not as dramatically as SME loans.

Interest rates for SMEs declined in recent years, from 6.4% in 2011 to 4.5% in 2015 for short-term loans, and from 6% in 2011 to 4.3% in 2015 for long-term loans, but not as much as in most other Eurozone countries, thus remaining at relatively high levels. The interest rate spread between bank loans to large enterprises and to SMEs for short-term lending rose in recent years, from -0.02% in 2011 to 0.4% in 2015. The interest rate spread for long-term loans decreased between 2010 (1%) and 2013 (0.2%), but rose again slightly in 2014 to 0.9%. Large enterprises enjoyed overall better credit terms.

Direct loans are mostly provided by Slovenian Investment and Development Bank (SID) as well as by public funds such as the Slovene Enterprise Fund (SEF), the Slovenian Regional Development Fund and the Housing Fund. The Ministry of Economic Development and Technology provides credit guarantees and interest rate subsidies through the Slovene Enterprise Fund.

At the end of 2009, the Slovenian Enterprise Fund introduced a new programme of financial engineering instruments for SMEs 2009-13 (PIFI) which was adopted by Slovene Government. The PIFI programme combines different financial instruments such as debt and equity instruments.

Slovenia is also preparing a new system of managing and implementing the financial instruments over the period 2014-20. The new model of implementing financial instruments through fund of funds is based on the ex-ante analysis that determined five areas of financial gaps: SMEs, RDI, urban development, energy efficiency and agriculture.

Table 3.32. **Scoreboard for Slovenia, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Total Business Loans	EUR million	16 796	19 937	19 863	20 828	20 090	18 643	14 135	11 213	10 040
SME Short-Term Loans	EUR million	2 088	2 532	2 149	2 760	3 090	3 191	1 738	786	605
SME Long-Term Loans	EUR million	5 209	5 585	5 714	6 911	6 703	6 343	3 957	3 528	3 512
SME Business Loans	EUR million	7 297	8 117	7 863	9 671	9 794	9 534	5 695	4 314	4 118
SME Short-Term Lending	Share of SME lending (%)	28.62	31.19	27.33	28.54	31.55	33.47	30.51	18.22	14.70
SME loans	% of business loans	43.45	40.71	39.59	46.43	48.75	51.14	40.29	38.47	41.01
Interest rate SME, new loans < EUR 1 million (%)	%	6.03	6.78	6.29	6.12	6.38	6.25	6.19	5.89	4.53
Interest rate SME, new loans >= EUR 1 million (%)	%	5.64	6.51	5.95	5.92	5.97	5.29	5.10	5.14	4.31
Interest rate LE, new loans < EUR 1 million (%)	%	5.72	6.47	6.07	6.10	6.36	6.46	6.27	5.35	4.11
Interest rate LE, new loans >= EUR 1 million (%)	%	5.04	6.13	5.58	5.00	4.99	5.14	4.89	4.27	3.43
Interest rate spread SME (between interest rate for loans of < 1 million and of >= 1million	% points	0.39	0.27	0.35	0.20	0.42	0.96	1.09	0.74	0.22
Interest rate spread LE (between interest rate for loans of < 1 million and of >= 1million	% points	0.68	0.34	0.49	1.10	1.37	1.32	1.38	1.08	0.68
Interest rate spread between SME and LE (< 1 million)	% points	0.31	0.31	0.22	0.02	0.02	-0.21	-0.08	0.54	0.42
Interest rate spread between SME and LE (>= 1 million)	% points	0.60	0.37	0.36	0.92	0.98	0.15	0.22	0.87	0.88
Government loan guarantees, SMEs	EUR million	3.28	22.22	45.2	32.93	19.15	3.07	1 011.6	552.1	..

Source: See Table 3.32.2 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468331

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-42-en

Spain

SMEs form the backbone of the Spanish economy, accounting for 99.7% of all firms and for 63.4% of the business labour force.

The financial crisis had a pronounced negative impact on SME financing in Spain. Buoyed by a recovering economy, a reversal of trends in SME lending took place in 2014, and gathered further strength in 2015, with new lending to SMEs up by 12.2% compared to 2014.

In addition, firms' debt levels decreased, which together with the growth in their operating results, prompted a further decline in their debt and interest burden ratios.

The expansionary monetary policy of the European Central Bank appears to have had an impact on financing conditions for SMEs as both, the average interest rate charged to SMEs, as well as the spread with the interest rate charged to large enterprises, went sharply down in 2015. Other indicators, such as collateral requirements, also point to an easing in financing conditions for SMEs.

Bankruptcies continued their downward trend in 2015, both because of various insolvency legislation reforms that have stimulated agreements between creditors and debtors, as well as due to the improving health of the Spanish economy.

In 2014, venture capital investments remained broadly stable compared to the previous year.

In Spain, many institutions provide support to ease SMEs' access to finance. Personal income tax incentives and other measures aim to support investment in newly created firms or those listed on an alternative markets. Evaluating the effectiveness and efficiency of these measures through cost-benefit-analyses, as well simplifying the current framework, may improve policy making in this area.

The Official Credit Institute (ICO) has financing programmes such as its so-called *líneas de mediación* (credit intermediation facilities), which are loans that are studied and granted by credit institutions, the role of the ICO being to provide liquidity.

The Centre for Industrial Technological Development (CDTI) is a public enterprise, whose main activity consists in evaluating and financing research projects, usually of SMEs, with a high technological content, and usually in providing loans.

In January 2015, the European Investment Bank and the European Investment Fund launched a lending facility specifically aimed at SMEs and the self-employed for investment projects in Spain, in which they assume 50% of the borrower's credit risk. The public contribution budgeted for this initiative was EUR 800 million.

Table 3.33. **Scoreboard for Spain, 2007-15**

Indicator	Units	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	EUR billion	..	..	..	..	..	..	..	293	283
Outstanding business loans, total	EUR billion	893	952	915	896	840	708	609	545	518
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	..	..	..	..	53.74	54.78
New business lending, total	EUR billion	991	929	868	665	527	485	393	357	393
New business lending, SMEs	EUR billion	394	357	263	210	174	146	134	147	165
Share of new SME lending	% of total new lending	39.76	38.43	30.30	31.58	33.02	30.10	34.10	41.18	41.98
Outstanding short-term loans, SMEs	EUR billion	379	346	246	196	166	139	126	135	154
Outstanding long-term loans, SMEs	EUR billion	15	11	17	14	8	7	9	11	12
Government loan guarantees, SMEs	EUR million	5 550	7 700	11 000	10 100	12 000	11 000	13 000	9 100	7 600
Government guaranteed loans, SMEs	EUR million	5 210	7 053	5 906	7 236	7 502	4 974	2 064	938	273
Direct government loans, SMEs	EUR million	10 103	12 384	19 916	23 740	26 222	23 599	23 359	22 483	21 672
NPLs	% of total business loans	0.74	3.67	6.25	8.09	11.64	16.06	12.08	11.38	9.4
Interest rate, SMEs	%	5.96	5.51	3.63	3.78	4.95	4.91	4.79	3.86	3.01
Interest rate, large firms	%	5.33	4.3	2.16	2.57	3.36	2.61	2.69	1.99	1.97
Interest rate spread	% points	0.63	1.21	1.47	1.21	1.59	2.3	2.1	1.87	1.04
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	35.19	34.36	31.45	30	31.22	28.1
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	38.07	36.25	34.67	31.89	31.49	34.36	35.79
Rejection rate	SME loans authorised/ requested	..	..	22.74	15.87	12.83	18.47	12.85	9.77	10.17
Non-bank finance										
Venture and growth capital	EUR million	..	3 336	3 596	3 600	2 675	2 145	1 473	1 437	1 628
Venture and growth capital	%, Year-on-year growth rate			7.79	0.11	-25.69	-19.81	-31.33	-2.44	13.29
Other indicators										
Payment delays, B2B	Number of days	5	5	14	12	6	9	16	13	..
Bankruptcies, SMEs	Number	894	2 550	4 463	4 187	4 912	6 627	7 517	5 096	3 742
Bankruptcies, SMEs	%, Year-on-year growth rate	..	185.23	75.02	-6.18	17.32	34.91	13.43	-32.21	-26.57

Source: See Table 3.33.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468353

The full country profile is available at
http://dx.doi.org/10.1787/fin_sme_ent-2017-43-en

Sweden

99% of all enterprises in Sweden are SMEs, accounting for 60% of employment and 48% of value added. Most SMEs operate in the services, wholesale trade and retail, and construction sectors.

The stock of SME debt to banks and other financial institutions was SEK 1 003 billion in 2014 (up by 4.1% in comparison to 2013). SME debt as a share of total outstanding debt was 35.7% in 2014, up by 0.3 percentage points compared to the previous year.

Surveys of bank managers' views on business loan volumes indicate that loans to SMEs have been increasing since Q1 2012; this development corresponds with decreasing interest rates on bank loans over the period.

The Swedish Central Bank (*Sw. Riksbanken*) continuously increased the repo rate up until the eve of the financial crisis. As the crises hit, the rate was lowered in steps until it reached a low of 0.25%. It stayed at this level for a year before the Central Bank started to increase the repo rate again towards the end of 2010. The repo rate reached 2% in mid-2011. Since then, it has only stagnated or lowered. In February 2015, the Central Bank introduced a negative policy rate of -0.10%; the rate has since decreased even further and was at -0.50% in July 2016. The difference in interest rates between small and large enterprises (proxied by loans above and below EUR 1 million) has decreased significantly since its peak of 1.29 percentage points in 2011, and was 0.31 percentage points in Q1 2016.

Private equity fund investments in Swedish companies in the "venture" and "growth" stages were the lowest ever measured in 2015, amounting to EUR 273 million.

Almi's lending increased by 38% in 2015. Almi explains this as a consequence of "a conscious effort to increase funding in early stages, where the lack of private capital is greatest". The Swedish National Export Credits Guarantee Board issued guarantees for SEK 2.5 billion to SMEs in 2015, compared to SEK 1.4 billion in 2014, representing an increase of 79%. This is attributed to "recent efforts to reach out to more SMEs."

As regards new policy developments in SME financing, the Swedish parliament (*Riksdag*) adopted in June 2016 a proposal concerning the structure of public financing for innovation and sustainable growth (the government's bill 2015/16:110). One aim of this new structure is to clarify and simplify the current system of state VC-financing. The new structure also aims to utilise public resources within the area better and thereby contribute to the development and renewal of the Swedish industry. The new structure means, among other things, that the government establishes a new, joint stock company, Saminvest AB, which will be a "funder of funds", and invest in companies in the development stages through privately managed VC-funds. Saminvest AB is expected to begin its operations during 2017.

Table 3.34. **Scoreboard for Sweden, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	SEK billion	..	..	..	..	..	930	964	1 003	..
Outstanding business loans, total	SEK billion	..	..	..	..	..	2 683	2 722	2 812	..
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	..	..	35	35	36	..
Outstanding short-term loans, SMEs	SEK billion	..	..	..	..	..	211	217	249	..
Outstanding long-term loans, SMEs	SEK billion	..	..	..	..	..	719	747	754	..
Direct government loans, SMEs	SEK billion	1.422	1.716	3.231	2.112	2.023	2.161	2.200	2.354	3.241
Non-performing loans, total	% of all business loans	0.08	0.46	0.83	0.78	0.65	0.70	0.61	1.24	1.14
Interest rate, SMEs	%	4.86	5.66	2.43	2.59	4.17	4.07	3.29	2.71	1.75
Interest rate, large firms	%	3.99	4.84	1.71	1.64	3.01	3.03	2.64	2.15	1.35
Interest rate spread	% points	0.87	0.82	0.72	0.95	1.16	1.04	0.65	0.56	0.40
Non-bank finance										
Venture and growth capital	EUR million	560	480	466	608	408	328	342	374	273
Venture and growth capital	%, Year-on-year growth rate	..	-14.17	-3.03	30.45	-32.93	-19.58	4.18	9.50	-26.94
Other										
Payment delays, B2B	Number of days	7	7	8	8	8	7	7	8	..
Bankruptcies, SMEs	Number	5 791	6 296	7 632	7 273	6 955	7 464	7 696	7 158	6 433
Bankruptcies, SMEs	%, Year-on-year growth rate	..	8.72	21.22	-4.7	-4.37	7.32	3.11	-6.99	-10.13

Source: See Table 3.34.2 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468382

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-44-en

Switzerland

Only 0.7% of all Swiss enterprises are large and SMEs employ 69.9% of the labour force.

Switzerland experienced a slight deflation in 2015, resulting in a slow nominal GDP growth. Real GDP growth remained positive, but was significantly lower than in 2014.

Total outstanding SME loans rose slightly in 2015, down from previous years.

Over the 2007-15 period, SME loans expanded by 24.9%, while overall corporate lending rose by 30.7%

Lending standards remained stable in 2015, while the demand for credit decreased slightly.

Both the average interest rate charged to SMEs and the interest rate spread with large companies, rose in 2014 as well as in 2015.

Venture and growth capital investments rose rapidly in 2015. Per capita, Switzerland has one of the most developed and active VC markets in Europe.

Crowdfunding activities are increasing at fast clip, despite the lack of specific crowdfunding legislation. Recently, the government has taken steps to make the regulatory framework friendlier to the CF industry, as well as to fintech companies more generally.

Payment delays in the business to business sector have significantly decreased over the last years, passing from 12 days in 2008 to 7 days in 2015, illustrating that liquidity problems have diminished.

In Switzerland, there are four guarantee cooperatives that help promising SMEs obtain bank loans of up to CHF 500 000. Loan guarantees increased steadily in the period 2007-10, declined slightly in 2011, and continued to grow in 2012, 2013, 2014 and 2015. The guarantee scheme was restructured in 2007 allowing it to cover more risks, which in turn results in an increase of volume since then.

Table 3.35. **Scoreboard for Switzerland, 2007-15**

Indicator	Units	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	CHF billion	323	345	344	364	378	384	405	402	404
Outstanding business loans, total	CHF billion	402	426	433	459	481	489	514	527	525
Share of SME outstanding loans	% of total outstanding business loans	80.44	80.86	79.33	79.26	78.52	78.60	78.81	76.41	76.89
Government guaranteed loans, SMEs	CHF million	104	148	187	215	210	219	227	238	244
Interest rate, SMEs	%	..	..	2.21	2.11	2.08	2.01	1.99	2.05	2.07
Interest rate, large firms	%	..	..	1.35	1.23	1.16	1.11	1.16	1.16	1.17
Interest rate spread	% points	..	..	0.86	0.88	0.92	0.9	0.83	0.89	0.91
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	76.00	75.00	77.00	77.00	75.00	79.00	79.60
Utilisation rate	%, SME loans used/authorised	71.00	70.00	71.00	70.00	69.00	71.00	72.00	72.00	71.80
Venture and growth capital	EUR	333	308	302	396	245	280	220	228	346
Venture and growth capital	%, Year-on-year growth rate	..	-7.51	-1.95	31.13	-38.13	14.29	-21.40	3.72	51.46
Other										
Payment delays, B2B	Number of days	..	12	13	13	11	10	9	9	7
Bankruptcies, total	Number	4 314	4 221	5 215	6 255	6 661	6 841	6 495	5 867	6 098
Bankruptcies, total	%, Year-on-year growth rate		-2.16	23.55	19.94	6.49	2.70	-5.06	-9.67	3.94

Source: See Table 3.35.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468405

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-45-en

Thailand

There were close to 2.87 million SMEs (firms with less than 200 employees) in Thailand in 2015, constituting 99.7% of all enterprises and employing about 80% of the labour force, including agriculture. Most banks do not use the national SME definition. Instead, they use loan size as a proxy and definitions vary across banks.

A change in the methodology of collecting the scoreboard data was introduced in 2013 and has only been applied to the most recent 2015 data. For this reason, data from previous years are not comparable to 2015 data. Data for 2014 are not available.

Loans to SMEs increased by 67% over the 2007-13 period. In 2015, based on the new methodology, outstanding SME loans amounted to THB 4 457 billion, representing 71% of total outstanding business loans.

In 2013, the average interest rate for SMEs stood at 6.4%, down from its 2011 peak of 8.1%, and the spread charged between large firms and SMEs narrowed to 1.3%.

In 2015, the value of collateral provided by SMEs for SME business loans stood at 604%, or a total of THB 27,636 billion.

Scarce supply of venture capital continues to stifle the business momentum of innovative firms. The venture capital and private equity industry is small in Thailand and has focused on mergers, acquisitions and restructurings, rather than start-up and mezzanine finance.

In 2015, 3.86% of SME loans were non-performing, compared to 0.85% of all business loans.

The Small Business Credit Guarantee Corporation (SBCGC) provides credit guarantees to viable small businesses which do not have sufficient collateral. The SBCGC provides a letter of guarantee for approved applications to the financial institutions after the SME has paid the guarantee fee. In 2015, SBCGC outstanding loan guarantees amounted to a total of THB 309 billion.

The Market for Alternative Investments (MAI) was established in 1999. It provides a simpler and lower cost alternative to smaller firms than the Stock Exchange of Thailand (SET). As such, MAI provides an exit point for venture capital investors and facilitates capital raising by firms from institutional and sophisticated investors.

Table 3.36. **Scoreboard for Thailand, 2007-15**

Indicators	Definitions	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Business loans, SMEs	THB billion	1 331	1 457	1 565	1 678	1 730	2 060	2 219	..	4 575
Business loans, total	THB billion	4 733	5 471	5 819	4 369	4 696	5 483	5 728	..	6 440
Business loans, SMEs	% of total business loans	28.1	26.6	26.9	38.4	36.8	37.6	38.7	..	71
Short-term loans, SMEs	THB billion	578	647	692	973	783	988	1 616	..	..
Long-term loans, SMEs	THB billion	753	810	873	701	879	1 067	1 018	..	..
Total short and long-term loans, SMEs	THB billion	1 331	1 457	1 565	1 674	1 662	2 056	2 634	..	..
Short-term loans, SMEs	% of total SME loans	43.4	44.4	44.2	58.1	47.1	48.1	61.4	..	..
Loan guarantees outstanding, SBGC	THB billion	..	..	..	64	86.9	143	263	..	309
Government guaranteed loans, SMEs	THB billion	..	..	21.4	..	..	..	..	..	..
Loans authorised, SMEs	THB billion	217	312	186	392	..	..	..	..	..
Loans requested, SMEs	THB billion	304	421	218	536	..	..	..	..	..
Ratio of loans authorised to requested, SMEs	%	71.5	74.1	85.3	73.1	..	..	..	..	..
Non-performing loans, total	THB billion	453	397	412	..	145	149	138	..	231
Non-performing loans, SMEs	THB billion	105	99	119	75	62	68	69	..	177
Non-performing loans, SMEs	% of SME business loans	7.9	6.8	7.6	4.5	3.6	3.3	3.1	..	3.86
Non-performing loans, large	% of total business loans	9.6	7.3	7.1	..	3.1	2.7		..	0.85
Interest rate, SME average rate	%	5.94	6.34	6.6	7.14	8.1	7	6.4	..	..
Interest rate spread (between average interest rate for loans to SMEs and large firms)	%	1.2	1.31	1.42	..	2.65	1.5	1.3	..	..
Collateral, SMEs	THB billion	793	2 201	3 553	2 855	9 370	10 658	..	..	27 636
Collateral, SMEs	Value of collateral provided by SMEs over SME business loans, %	59.6	151	227	170.1	541.7	517	..	..	604.1
Other										
Payment delays, SMEs	Average number of days	33	..	..	..	..	..	..	..	..
Bankruptcies, total1	% of insolvencies over total number of SMEs	66	..	..	..	..	..	..	..	..

Note: According to the Bank of Thailand, data is available only for 2007 due to the financial statement reformat required by the Ministry of Commerce in 2009. Therefore, all financial statement data in 2008 are delayed for submission. In 2007, there were 370 118 insolvent companies in Thailand. In other words, Thailand had 6 600 insolvent companies per 10 000 enterprises. However, it should be noted that while companies shut down very frequently, it is also very easy for them to restart.
Source: See Table 3.36.6 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468435

The full country profile is available at
http://dx.doi.org/10.1787/fin_sme_ent-2017-46-en

Turkey

SME lending grew very strongly over the whole 2007-15 period, with a minor decline of 1.6% in 2009 the only exception. The growth figure in 2015 amounted to 16.6%. As business lending to firms of all sizes grew even stronger in 2015, the share of SME loans fell.

Venture and private equity investments show an erratic pattern; between 2008 and 2011, investments increased by more than 600% for three consecutive years and peaked in 2011, after which a decline was observed. In 2015, venture and private equity investments rose slightly year on year and remain well above levels observed in 2011 and 2013.

Non-performing loans peaked in 2009 at 8.28%, and decreased afterwards. In 2015, there was a modest rise in NPLs among SMEs. In contrast to 2007, NPLs were more common among SME loans than among large business loans in 2015.

The number of bankruptcies increased from 99 firms in 2014 to 108 in 2015. Company closures, including sole proprietorships, totalled 56 684 enterprises in 2015, down from 87 474 enterprises in 2014, highlighting that bankruptcies (upon court verdict) constitute a relatively uncommon phenomenon in Turkey.

In 2012 and 2013, the Turkish Government enacted laws to stimulate the development of the business angel industry. This included the establishment of a legal framework and the provision of generous tax incentives for licensed angel investors.

The government also introduced regulation regarding funds of funds, which are able to receive funding from the Turkish Treasury under certain conditions.

KOSGEB constitutes the main body for executing SME policies in Turkey. It provides 8 different support programmes (SME Project Support Programme, Thematic Project Support Programme, R&D, Innovation and Industrial Implementation Support Programme, Entrepreneurship Support Programme, Cooperation and Collaboration Support Programme, General Support Programme, Emerging Companies Market SME Support Programme and SME Finance Support Programme) with considerable outreach throughout Turkey. In 2015, there has been a shift in KOSGEB's activities from its credit interest support programme towards its credit guarantee scheme.

Many other initiatives to stimulate alternative sources of financing have been introduced in Turkey. These including the International Incubation Centre Programme and International Accelerator Programme, who provide a range of services to innovative ventures, several support measures to foster the venture capital industry in Turkey and measures to encourage the public listing of small and medium-sized enterprises in specialised vehicles.

Table 3.37. **Scoreboard for Turkey, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	TRY million	76 521	84 605	83 272	125 468	162 803	199 743	271 421	333 278	388 749
Outstanding business loans, total	TRY million	190 142	249 434	261 671	351 627	456 025	522 937	704 330	871 995	1 083 822
Share of SME outstanding loans	% of total outstanding business loans	40.2	33.9	31.8	35.7	35.7	38.2	38.5	38.2	35.9
Government loan guarantees, SMEs	TRY million	53	285	565	939	1 123	1 114	1 061	1 392	1 641
Government guaranteed loans, SMEs	TRY million	75	403	791	1 302	1 622	1 553	1 467	1 888	2 334
Direct government loans, SMEs	TRY million	552	842	997	1 321	1 174	1 315	2 632	1 709	1 764
Non-performing loans, business	% of all business loans	3.95	3.84	5.16	3.56	2.68	2.90	2.77	2.71	2.74
Non-performing loans, SMEs	% of all SME loans	3.75	5.04	8.28	4.70	3.20	3.27	3.22	3.38	4.08
Non-bank finance										
Venture and growth capital	TRY thousands	13 676	854	6 316	47 553	373 204	110 097	335 549	124 397	135 308
Venture and growth capital	%, Year-on-year growth rate	..	-93.8	639.6	652.9	684.8	-70.5	204.8	-62.9	8.8
Leasing and hire purchases	TRY million	..	14 385	11 066	10 711	15 112	17 154	24 957	29 485	36 718
Factoring and invoicing	TRY million	..	5 430	8 351	12 370	14 213	16 328	20 096	24 715	24 984
Other indicators										
Bankruptcies, SMEs	Number	52	47	50	68	72	141	69	99	108
Bankruptcies, SMEs	%, Year-on-year growth rate	..	-9.6	6.4	36.0	5.9	95.8	-51.1	43.5	9.1

Source: See Table 3.37.10 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468450

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-47-en

United Kingdom

Net lending to SMEs remained positive throughout 2015. British Bankers Association (BBA) data shows total net lending to SMEs of GBP 2.1 billion in 2015, the first positive annual figure in this data series. The Bank of England (BoE) SME lending statistics show continued positive net lending in the first and second quarter of 2016. Whilst, gross lending within the United Kingdom has been trending upwards since 2013, it still remains below the pre-crisis peak. The SME lending stock contracted by 1.4% in 2015. This marks a continuation of a downward trend, beginning in late 2009. The stock of lending to corporations fell in 2015 at a similar rate, decreasing by 1.4%.

The combined rejection rate for SME loans and overdrafts fell from 21% in 2014 to 19% in 2015. This represents a change in the trend from the last 3-4 years, where the combined rate had risen from 27% in 2010, to 33% in 2014. Since 2012, the median interest rate for SME loans has consistently been falling – to 3.3% in 2015, i.e. 1.2 percentage points lower than in 2008.

There has been strong growth in alternative sources of finance. In 2015, the total value of leasing and hire purchase finance surpassed pre-financial crisis levels, having grown by approximately GBP 2.6 billion compared to 2014 (an increase of 12%). Peer-to-peer (P2P) business lending, enabled through online platforms, equally continued to grow, with gross flows of approximately GBP 1.3 billion recorded in 2015. Analysis of the UK equity finance markets shows that 2015 was a strong year for equity finance, with deal numbers increasing by 8% from 2014 to 1 408 and total investment value increasing by 54% to GBP 3.6 billion. Overall, however, UK equity markets have been showing signs of softening, with a decline in the number of equity deals since Q4 2015, which continued over the first three quarters of 2016.

The British Business Bank delivers most of the government's programmes aimed at supporting SME access to finance through a range of financial facilities. It reviewed the "Enterprise Finance Guarantee" scheme during 2015/16, which led to several operational enhancements, along with the launch of a new asset finance type guarantee. The British Business Bank continues to deliver its "ENABLE" funding and guarantee programmes. As of 31 March 2016, the "ENABLE Guarantee" has supported 350 SMEs. In October 2015, the British Business Bank agreed to provide a GBP 100 million facility to Hitachi Capital UK to fund a portfolio of newly originated small business asset finance receivables. These were the first two transactions of the innovative ENABLE Funding programme, which aims to increase significantly the supply of leasing and asset finance to smaller businesses in the United Kingdom. In May 2016, British Business Bank launched the initial phase of the "Help to Grow" programme, and announced the first transaction with Lloyds Banking Group worth GBP 30 million. The Help to Grow programme will help smaller businesses to raise senior debt to fund their growth opportunities. To support equity finance, the "Enterprise Capital Funds (ECFs)" programme committed to two new funds over 2015-16. The ECF programme now has an overall investment capacity of over GBP 650 million.

In March 2016, the Chancellor announced the government's intention to designate "Bizfitech", "Funding Options" and "Funding Xchange" as finance platforms under the SME Finance Platform regulations. These platforms will match smaller businesses that have been declined finance by designated banks with alternative finance providers to help them access the funds they need to grow and expand.

Table 3.38. **Scoreboard for the United Kingdom, 2007-15**

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs	GBP million	106 827	118 846	116 673	114 552	106 849	102 050	99 828	97 940	96 565
Outstanding business loans, total	GBP million	540 719	656 542	582 792	536 383	505 700	474 505	451 033	434 875	428 983
Share of SME outstanding loans	% of total outstanding business loans	19.8	18.1	20.0	21.4	21.1	21.5	22.1	22.5	22.5
New business lending, total	GBP million	..	..	..	..	..	145 843	162 948	189 525	205 280
New business lending, SMEs	GBP million	..	37 388	29 469	27 671	22 835	20 521	20 395	22 578	26 634
Share of new SME lending	% of total new lending	..	..	..	..	..	14.1	12.5	11.9	13.0
Government loan guarantees, SMEs	GBP million	..	..	94	79	49	43	51	45	34
Government guaranteed loans, SMEs	GBP million	..	..	626	529	326	288	337	298	226
Interest rate, SMEs	%	..	4.54	3.47	3.49	3.52	3.71	3.60	3.43	3.33
Interest rate, large firms	%	..	3.49	2.35	2.10	2.25	2.41	2.20	2.45	2.11
Interest rate spread	% points	..	1.05	1.12	1.39	1.27	1.31	1.40	0.97	1.22
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	23.0	29.5	26.9	39.2	34.2	35.4	44.2
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	6.00	6.00	4.00	4.00	4.00
Rejection rate	SME loans authorised/ requested	..	..	..	27.01	30.12	31.10	32.80	20.70	19.10
Utilisation rate	SME loans used/ authorised	..	..	..	..	86.19	86.36	88.98	88.46	89.86
Non-bank finance										
Venture and growth capital	GBP million	1 926	2 625	1 693	1 877	1 666	1 271	1 391	1 973	1 723
Venture and growth capital	%, Year-on-year growth rate	..	36	-35	11	-11	-24	9	42	-13
Leasing and hire purchases	GBP million	14 814	14 596	10 191	10 477	10 848	12 703	13 489	14 773	16 300
Factoring and invoicing	GBP million	8 064	8 704	9 373	9 455	9 929	11 057	1 0476	8 064	8 704
Other indicators										
Payment delays, B2B	Number of days	19	22	23	23	26	25	25	24	24
Bankruptcies, SMEs	Number	16 506	21 965	25 038	21 592	22 175	21 252	18 936	17 661	15 984
Bankruptcies, SMEs	%, Year-on-year growth rate	..	33	14	-14	3	-4	-11	-7	-9

Source: See Table 3.38.7 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468548

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-48-en

United States

SMEs generate about half of the value added in the United States and account for 50% of the private-sector employment.

The US economy is doing relatively well in recent years, despite a slowdown in productivity and the occurrence of shocks in the economy, both within the country and abroad.

The birth rate of US companies is slowing down, and new firms start smaller than previously. Moreover, non-employer firms are making up a larger share of the overall firm population than in the past.

Lending to SMEs has declined dramatically in the aftermath of the financial crisis. In recent years, however, SME lending has picked up and is gaining momentum.

Lending to large enterprises has been growing faster than lending to SMEs has in recent years.

While interest rates for all businesses have come down since the financial crisis and have remained broadly stable since. The spread between rates charged at SMEs and at large enterprises has remained more or less constant in recent years.

Credit conditions to SMEs remained tight in 2015 and have even become somewhat stricter since.

Only half of small businesses applying for capital receive the full amount that they applied for, a proportion that rises to two-thirds for very small enterprises and start-ups. This points to a very significant funding gap for SMEs in the United States.

This funding gap has driven some small enterprises to seek financing at alternative sources such as online lenders. The satisfaction rate with borrowers at alternative lenders is very low, however, largely due to high costs and inflexible terms.

Venture capital investments were stagnant in 2014, but rebounded in 2015.

The Department of Treasury's State Small Business Credit Initiative (SSBCI) began in 2010 as about a USD 200 million a year programme for seven years that co-funds state lending programmes.

The SBA (Small Business Administration) provides loan guarantees, which reached USD 4.5 billion in 2015 and is continuing a policy started in 2013, waiving loan guarantee fees for loans under USD 150 000. The SBA also launched the Impact Investment Fund in 2011 as a five-year, USD 1 billion pilot project to capitalise investment funds that seek both financial and social return and has increased the loan guarantee cap from USD 17.75 billion to USD 23.5 billion in July 2015.

Data collection on SME financing has improved in the United States.

Table 3.39. **Scoreboard for the United States, 2007-15**

Indicators	Units	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt										
Outstanding business loans, SMEs (stock), As of June 30	USD billion	687	711	695	652	608	588	585	590	599
Outstanding business loans, total (stock), As of June 30	USD billion	2 004	2 271	2 254	2 089	2 109	2 256	2 358	2 529	2 707
SME loan shares	Share	34.26	31.33	30.84	31.22	28.81	26.08	24.80	23.32	22.13
Government loan guarantees, SMEs (flow)	USD billion	21	16	15	22	19	23	23	25	28
Non-performing loans, SMEs	% of SMEs	2.1	2.62	3.37	2.65	1.92	1.42	1.2	1.23	..
Non-performing loans, total	% of total loans	0.62	1.19	3.03	2.78	1.56	1	0.72	0.55	0.65
Business loans, loans between USD 10 000 - 1 000 000 (flow)	USD billion	51	53	43	50	53	56	59	63	63
Business loans, total (flow)	USD billion	317	362	292	242	308	312	336	391	408
Interest rate, SMEs, loans between USD 100 000-1 000 000	%	7.96	5.1	3.71	4.02	3.9	3.73	3.53	3.38	3.32
Interest rate, large firms, loans, Greater than USD 1 000 000	%	6.59	3.58	2.12	2.39	2.26	1.96	1.91	2.02	1.93
Interest rate spread	%	1.37	1.52	1.59	1.63	1.64	1.77	1.62	1.36	1.39
Equity										
Venture capital investments	Number of deals	4 232	4 205	3 183	3 684	4 064	4 001	4 305	4 486	4 535
Growth capital investments	USD million	32 131	30 434	20 399	23 537	29 911	27 693	30 291	51 085	59 849
Leasing and hire purchases	USD million	594 735	613 066	508 239	448 999	361 262	375 681	394 821	401 356	..
Other										
Payment delays, B2B, Percent of Accounts Overdue		..	..	..	..	..	..	25.9	..	..
Business bankruptcies, total		28 322	43 546	60 837	56 282	47 806	40 075	33 212	26 983	24 735
Business bankruptcies, growth rate	%	43.80	53.75	39.71	-7.49	-15.06	-16.17	-17.13	-18.76	-8.33

Source: See Table 3.39.2 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933468619

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2017-49-en

ANNEX 3.A1

EIB group support to SMEs and midcaps

The EIB Group

The EIB Group consists of the European Investment Bank (EIB) and the European Investment Fund (EIF). The EIB is the European Union's bank; it is the only bank owned by and representing the interests of the European Union Member States. The EIF, which specialises in SME financing, is majority owned by the EIB with the remaining equity held by the European Union (represented by the European Commission) and other European private and public bodies.

Supporting access to finance for smaller businesses is one of the four public policy goals of the EIB Group. It represents the EIB's single largest policy priority in terms of activity volume, and it is EIF's sole mission. The two institutions provide a highly complementary offer of financial products to SMEs and Midcaps. EIB support to SMEs is provided both through funded and un-funded intermediated financing and loan substitutes, as well as direct growth finance to mid-caps. The EIF provides SME risk finance via financial intermediaries, incl. equity, mezzanine, guarantees, microfinance, and securitisations. Overall, the EIB Group's financial support focuses on developing innovative products and partnerships that facilitate access to finance for SMEs and Midcaps at all stages of their development in a bid to boost employment opportunities.

In 2015, the EIB Group continued delivering record levels of support to SMEs and Midcaps with EUR 28.4 billion of new operations signed. This underlines the continued and strong commitment to SMEs and midcaps in the EU and beyond. The latest EIB Group SME Report gives an overview of the key messages and main achievements of the Group in 2015 (*www.eib.org/infocentre/publications/all/sme-report-2015.htm*) In addition, detailed information about the EIB Group's SME activities can be found on the respective websites of the EIB (*www.eib.org/projects/priorities/sme/index.htm*) and of the EIF (*www.eif.org*).

The EIB Group support to SMEs and Midcaps is highly relevant in terms of policy priority and added value to both final beneficiaries and financial intermediaries. In 2015 alone, signatures/commitments in the EU of EUR 25.6 billion with some 850 intermediaries are estimated to have leveraged over EUR 64bn of finance. This in turn supported an estimated EUR 97 billion of investments by SMEs and MidCaps. Allocations of EIB Group finance in 2015 alone supported 234 000 SMEs and MidCaps employing over 3.8 million people.

The EIB Group effectively reaches SMEs through an increasingly wide range of predominantly intermediated debt-financing, risk-sharing products (guarantees, securitisation), mezzanine and venture capital/private equity instruments aimed at improving financing conditions and enabling continued access to finance. This includes as well the support of new market developments. Examples are the Group's involvement in:

- the first European securitisation transaction of loans to small business originated via a peer-to-peer lending platform (*www.eif.org/what_we_do/guarantees/news/2016/funding-circle.htm?lang=-en*);
- direct support to microfinance in Europe (*www.eib.org/infocentre/press/releases/all/2016/2016-002-investment-plan-for-europe-eib-group-supports-micro-financing-in-the-netherlands-with-qredits.htm?f=search&media=search*) ;
- investments in digital financial services (*www.eif.org/what_we_do/equity/news/2016/eif_anthemis_venture_fund.htm?lang=-en*);
- the implementation of the SME Initiative, in cooperation with the EC, in several EU member states (*www.eib.org/infocentre/press/releases/all/2016/2016-250-romania-implements-sme-initiative-eur-580m-for-romanian-businesses.htm*);
- doing business via technology driven financing platforms, or (*www.eif.org/what_we_do/guarantees/news/2015/Cosme-efsi-iwoka.htm?lang=-en*).

Furthermore, the EIB's advisory services complement financing activities for the benefit of SMEs, notably in the context of the implementation of the Investment Plan for Europe with the set-up of the European Investment Advisory Hub (*www.eib.org/infocentre/videotheque/introducing-the-european-investment-advisory-hub.htm*). The IPE is nowadays a main focus area in terms of development of the EIB Group's activities going forward.

The Investment Plan for Europe, EFSI, and the support for SMEs and Midcaps

In late 2014 the European Commission proposed an Investment Plan for Europe, which aims to revive investment in strategic projects across Europe. As part of the Plan, it was created the European Fund for Strategic Investments (EFSI), a joint European Commission-EIB Group initiative (*www.eib.org/efsi/index.htm; www.eif.org/what_we_do/efsi/index.htm*) materialised in a guarantee from the EU Budget, for an initial period of three years, to help overcome the current investment gap holding back investment in the EU by mobilising private financing for strategic investments. EFSI was targeted to mobilise at least EUR 315 billion overall in private and public investments across the EU 28 based on an initial amount of EUR 16 billion from the EU budget, complemented by a EUR 5 billion allocation of the EIB's own capital. Currently, EFSI has two components to support projects with wide sector eligibility:

- the Infrastructure and Innovation Window (EUR 15.5 billion), deployed through the EIB; and
- the SME Window (EUR 5.5 billion), implemented through EIF. The financial instruments used for the purposes of the EFSI SME Window are mainly guarantees and equity investments.

Under the SME window, as per early October 2016, 227 transactions have been signed in 27 countries, covering already around 70% of the total foreseen EFSI SME Window contribution with expected mobilised investments of around EUR 60 billion.

Based on EFSI-supported operations approved as of October 2016, of the total foreseen mobilised investment some 28% is expected to benefit smaller companies.

Latest EFSI figures can be found here (*http://ec.europa.eu/priorities/publications/investment-plan-results-so-far_en*). Based on the success of the EFSI implementation, the European

Commission on 14 September 2016 proposed extending the EFSI by increasing its firepower and duration to cover the period of the current Multiannual Financial Framework as well as reinforcing its strengths.

Looking ahead

As key pillar of the EU architecture supporting growth and employment, the EIB Group will continue:

- To contribute to the economic recovery in the EU. Support for SMEs and Midcaps remains a key priority for the Group. In order to address identified market gaps, and adapting its range of instruments in line with market needs, the EIB and EIF are ready to provide high lending, guarantee, and equity volumes;
- To join forces with the European Commission, public promotional institutions, partner financial intermediaries and public authorities. Particular emphasis will also be put on innovative SME finance models in response to specific market needs. In the context of partnerships with national promotional institutions to support SME financing, there are two new initiatives that exemplify the approach;
  - EIF and National Promotional Institutions Securitisation Initiative (ENSI): *www.eif.org/what_we_do/guarantees/ENSI/index.htm*; and
  - the EIF-NPI equity platform: *www.eif.org/what_we_do/equity/NPI/index.htm*;
- With the back-up of EFSI, to roll-out new financial products and instruments targeting SMEs and Midcaps, with different levels of portfolio granularity. A good example is the launching of new linked and de-linked, funded an non-funded risk sharing finance products by EIB, including also support for supply-chain and other working capital-related financing needs, in cooperation with national promotional banks and commercial financial institutions;
- To promote private sector led growth outside the EU, both by supporting access to finance for SMEs and much-needed economic and social infrastructure and by providing advisory and technical assistance support.

Together, the EIB and EIF will continue to mobilise financial resources and technical expertise to act as a catalyst for SME financing, in order to achieve smart, sustainable and inclusive growth.

ANNEX 3.A2

EBRD small business initiative (SBI)

The EBRD

The European Bank for Reconstruction and Development (the EBRD) is a multilateral bank committed to the development of market-oriented economies and the promotion of private and entrepreneurial initiative in more than 30 countries from Morocco to Mongolia and from Estonia to Egypt. The Bank is owned by 64 countries, the EU and the EIB.

To respond to the global challenges faced by small businesses, the EBRD, through the Small Business Initiative, blends its own resources with donor funds to deploy an integrated toolbox of activities to increase access to finance and advice for SMEs, including:

- **Financing through local financial institutions** through the EBRD's network of over 200 partner financial institutions, including local banks, microfinance institutions, leasing companies and others;
- **Co-financing** and risk-sharing with partner financial institutions, deploying EBRD's risk-bearing capabilities to expand lending to SMEs and assist partner financial institutions to better manage their capital and risk;
- **Direct financing** of individual banking operations by the EBRD, integrated with business advisory support to improve SMEs' operational performance, including through adoption of higher standards of corporate governance and financial transparency;
- Provision of **business advice** and know-how to SMEs on a cost-sharing basis through local consultants and international industry advisers, covering areas such as strategy, operations, financial reporting, marketing, energy efficiency and others;
- Targeted **policy dialogue** coming alongside investments to engage effectively with policy makers and bridge the gap between policy and private sector experience.

The Bank deploys a combination of instruments including debt, equity, mezzanine finance and other forms of risk capital.

In 2016, the EBRD extended EUR 1.24 billion in direct and indirect finance to small firms in 147 transactions, accounting for 39% of its projects. Local currency lending played an important role, representing about a quarter of the debt transactions in the SME sector.

Addressing areas ranging from business strategy to marketing, quality management, export promotion or energy efficiency, in 2016 the Bank drew on the expertise of thousands of local consultants and international advisers to help small firms reach their potential for growth and employment. The EBRD carried out 2 214 projects in 2016 connecting SMEs to local consultants for specific business advice, and 177 projects providing medium-sized firms with the industry expertise of international advisers.

Product innovation

Product innovation plays a key role in the development of the SBI on the ground, drawing on the multi-faceted experience of the EBRD in SME support and ensuring responsiveness to SMEs needs and guided by the principles of i) country-focused support that is appropriate to local circumstances, ii) sustainability consistent with a private-sector focus, maximising the leverage of private capital and iii) impact that is measurable and demonstrable.

Key examples of this approach include:

- The EBRD's flagship Women in Business programme, promoting women's entrepreneurship through improved access to finance and advice. To date, the Women in Business programme has been rolled out in 16 countries, making over EUR 500 million of finance and [euro] 64 million of donor funding available to support over 15 000 women-led SMEs. For more information visit the programme website (*http://ebrdwomeninbusiness.com*);
- Expanded local currency lending through the EBRD's SME Local Currency Programme, a US$ 500 million programme that aims to develop capital markets and encourage local currency lending in the EBRD's countries of operations. The programme combines long-term financing available through local banks, supported by a donor-funded first loss risk cover, with availability of business advice for SMEs and reforms and policy support to local authorities. Visit the EBRD website for more information (*www.ebrd.com/localcurrency*);
- Increasing access of SMEs to capital markets, such as through the SME Growth Market Project with the Zagreb Stock Exchange , aiming to create a regional financing platform for SMEs;
- Working in tandem with local banks to share the risk of financing local companies through the EBRD's Risk Sharing Facility;
- Supporting trade and regional integration under the Deep and Comprehensive Free Trade Area with the EU in Ukraine, Moldova and Belarus through an integrated programme of support together with the European Union's EU4Business initiative (*www.ebrd.com/news/2015/boosting-smes-access-to-finance-in-the-eastern-partnership-.html*).

Looking ahead

Throughout 2017 and looking ahead, the EBRD through the SBI will continue to intensify and deepen support to SMEs, promoting both emerging future leaders within the region and targeting underserved segments within the SME sector, such as women entrepreneurs, displaced entrepreneurs and regional businesses. SBI activities focus on a number of strategic priority areas, including:

- Competitiveness: Insufficient access to finance and know-how poses significant obstacles for SMEs that prevent most of them from growing and becoming more competitive, particularly at the international level. Providing appropriate financing tools and access to business advice helps firms improve their management practices, achieve international standards and stand ahead of their peers;
- Trade promotion: The majority of SMEs in the EBRD's countries of operations produce mainly for domestic markets. Improving competitiveness on domestic and international

levels, as well as developing export readiness, serves to open up new markets for SMEs as well as contributing to economic diversification;

- Inclusive growth: Taking SMEs as a potential driver of economic inclusion, addressing underserved groups within the SME sector is integral to economic development. Creating equality of opportunity for women and youth in business, as well as increasing access for SMEs in regional areas is a key element in a modern, well-functioning market economy and necessary for sustainable growth;
- Corporate governance and standard setting: Promoting adoption of best practices for corporate governance and enhancing transparency and financial management, such as through introduction of IFRS accounting, is an important part of improving long-term SME competitiveness and equipping smaller businesses to make the jump to medium-sized or even bigger levels;
- Business environment: The challenges facing small businesses are complex. By sharing EBRD's legal and economic experience with policy makers, country-based policy engagements can lower the barriers SMEs face and build sound institutions to support the SME sector in the long term.

ANNEX A

Methodology for producing the national scoreboards

"Financing SMEs and Entrepreneurs: An OECD Scoreboard" provides a framework to monitor trends in SMEs' and entrepreneurs' access to finance – at the country level and internationally – and supports the formulation and evaluation of policies in this domain.

The individual country profiles present data for a number of core indicators, which measure trends in SME debt and equity financing, credit conditions, solvency and policy measures. The set of indicators and policy information provide governments and other stakeholders with a consistent framework to evaluate whether SME financing needs are being met, to support the design and evaluation of policy measures, and to monitor the implications of financial reforms on SME access to finance. Consistent time series for country data permit an analysis of national trends in participating countries. It is mainly by comparing trends that insights are drawn from the varying conditions in SME financing across countries. The focus on analysis of changes in variables, rather than on absolute levels, helps overcome existing limitations to cross-country comparability of the core indicators, due to differences in definitions and reporting practices.

This Annex describes the methodology for producing the chapter on emerging trends, as well as the national country profiles; discusses the use of proxies in case of data limitations or deviation from preferred definitions; and addresses the limits in cross-country comparability. It also provides recommendations for improving the collection of data on SME finance.

Scoreboard indicators and their definitions

Core indicators

Trends in financing SMEs and entrepreneurs are monitored through 17 core indicators, which assess specific questions related to access to finance. These core indicators meet the following criteria:

- Usefulness: the indicators must be an appropriate instrument to measure how easy or difficult it is for SMEs and entrepreneurs to access finance and to help policy makers formulate or adjust their policies and programmes;
- Availability: the data for constructing the indicators should be readily available in order not to impose new burdens on governments or firms;
- Feasibility: if the information for constructing the indicator is not publicly available, it should be feasible to make it available at a modest cost, or to collect it during routine data exercises or surveys;

- Timeliness: the information should be collected in a timely manner so that the evolving conditions of SME access to finance can be monitored. Annual data may be more easily available, but should be complemented by quarterly data, when possible, to better capture variability in financing indicators and describe turning points;
- Comparability: the indicators should be as uniform as possible across countries in terms of the population surveyed, content, method of data collection and periodicity or timeliness.

Data sources and preferred definitions

The data in the national scoreboards are supplied by country experts with access to the information needed from a variety of supply-side and demand-side sources.

Most of the scoreboard indicators are built on supply-side data, that is, data provided by financial institutions and other government agencies. There are several indicators which are based on demand-side surveys of SMEs. Not all countries undertake such surveys, however. Use is made of quantitative demand-side data, as collected by SME surveys, to complement the picture and improve the interpretative power of the OECD scoreboard. Whereas a plethora of qualitative SME surveys (i.e. opinion surveys) exist, quantitative demand-side surveys are less common. Experience shows that qualitative information based on opinion survey responses must be used cautiously. The broader perception of entrepreneurs about access to finance and credit conditions, emanating from such opinion surveys, has its own value though and complements the hard data provided in the quantitative analysis. Furthermore, the cross-country comparability of national surveys remains limited, as survey methodologies and the target population differ from country to country. Comparable demand-side surveys are undertaken on a regular basis by the European Central Bank and the European Commission, which provide an example of the benefits that can come from standardised definitions and methodology across countries when conducting demand-side surveys.

In order to monitor the core indicators, data are collected for 22 variables. Each variable has a preferred definition (see Table A.1.), intended to facilitate time consistency and comparability. In a number of cases, however, it is not possible for countries to adhere to the "preferred definition" of an indicator, due to data limitations or differences in reporting practices, and a proxy is used instead. For this reason, in each country profile the data are accompanied by a detailed table of sources and definitions for each indicator.

Table A.1. **Preferred definitions for core indicators**

Indicator	Definition/Description	Sources
Outstanding business loans, SMEs	Bank and financial institution loans to SMEs, amount outstanding (stocks) at the end of period; by firm size using the national definition of SME or, if necessary, loan amounts less than EUR 1 million or an equivalent threshold that is deemed appropriate on a case-by-case basis	Supply-side data from financial institutions
Outstanding business loans, total	Bank and financial institution business loans to all non-financial enterprises, outstanding amounts (stocks)	Supply-side data
New business lending, total	Bank and financial institution business loans to all non-financial enterprises over an accounting period (i.e. one year), flows	Supply-side data
New business lending, SMEs	Bank and financial institution loans to SMEs over an accounting period (i.e. one year), flows; by firm size using the national definition of SME or, if necessary, loan amounts less than EUR 1 million or an equivalent threshold that is deemed appropriate on a case-by-case basis	Supply-side data
Short-term loans, SMEs	Loans equal to or less than one year; outstanding amounts or new loans	Supply-side data
Long-term loans, SMEs	Loans for more than one year; outstanding amounts or new loans	Supply-side data
Government loan guarantees, SMEs	Government guarantees available to banks and other financial institutions, stocks or flows	Supply-side data
Government guaranteed loans, SMEs	Loans guaranteed by government, stocks or flows	Supply-side data

Table A.1. **Preferred definitions for core indicators** *(cont.)*

Indicator	Definition/Description	Sources
Direct government loans, SMEs	Direct loans from government, stocks or flows	Supply-side data
Interest rate, SMEs	Average annual rates for new loans, base rate plus risk premium; for maturity less than one year; and amounts less than EUR 1 million	Supply-side data
Interest rate, large firms	Average annual rates for new loans, base rate for loans equal to or greater than EUR 1 million; for maturity less than one year	Supply-side data
Collateral, SMEs	Percentage of SMEs that were required to provide collateral on latest bank loan	Demand-side survey
Percentage of SME loan applications	SME loan applications divided by the total number of SMEs in the country, in %	Supply-side data or survey
Rejection rate	1-(SME loans authorised/requested), in %	Supply-side survey
Utilisation rate	SME loans used/authorised, in %	Supply-side survey
Venture and growth capital investments	Seed, start-up, early stage and expansion capital (excludes buyouts, turnarounds, replacements)	VC association (supply side)
Leasing and hire purchases	New production of hire purchases and leasing, which covers finance leases and operating leases of all asset types (automotive, equipment and real estate) and also includes the rental of cars, vans and trucks.	Business associations (supply side)
Factoring and invoice discounting	Factoring turnover volumes which includes invoice discounting, recourse factoring, non-recourse factoring, collections (domestic factoring), export factoring, import factoring and export invoice discounting (international factoring)	Business associations (supply side)
Non-performing loans, total	% of total business loans	Supply-side data
Non-performing loans, SMEs	% of total SME loans	Supply-side data
Payment delays, B2B	Average number of days delay beyond the contract period for the Business to Business segment (B2B)	Demand-side survey
Bankruptcies, SMEs	Number of enterprises ruled bankrupt; or number bankrupt per 10 000 or 1 000 SMEs	Administrative data

Share of SME loans in total business loans: This ratio captures the allocation of credit by firm size, that is, the relative importance of SME lending in the national credit market. The business loan data, which are used in the construction of several indicators in the scoreboard, include overdrafts, lines of credit, short-term and long-term loans, regardless of whether they are performing or non-performing. In principle, this data does not include personal credit card debt and residential mortgages.

Share of SME new lending in total new business lending: This ratio equally captures the allocation of credit by firm size, but for new loans (flows). Flows, which are measured over an accounting period (i.e. one year), are expected to reflect short-term events and are therefore more volatile than stocks, which measure the value of an asset at a given point in time, and thus reflect latest flows, as well as values that may have cumulated over time, net of depreciation.

Share of short-term loans in SME loans: This ratio shows the debt structure of SMEs and whether loans are being used to fund current operations rather investment and growth needs. However, caution has to be used in interpreting this indicator, because it is affected by the composition of short-term loans versus long-term loans in the SME loan portfolio of banks. Indeed, the share of long-term loans could actually increase during a financial crisis, because it is easier for banks to shut off short-term credit.

SME government loan guarantees, SME government guaranteed loans, SME direct government loans: These indicators show the extent of public support for the financing of SMEs in the form of direct funding or credit guarantees. By comparing government loan guarantees with guaranteed loans, information can be drawn on the take up of government programmes and on their leverage effect.

SME interest rates and interest rate spreads: These indicators describe the tightness of the market and the (positive or negative) correlation of interest rates with firm size.

Collateral required: This indicator also shows tightness of credit conditions. It is based on demand-side surveys, where SMEs report if they have been explicitly required to provide collateral for their last loan. It is not available from supply-side sources, as banks do not generally divulge this information.

SME rejection rate: This indicator shows the degree to which SME credit demand is met. An increase in the ratio indicates a tightening in the credit market as more credit applications have been turned down. A limitation in this indicator is that it omits the impact of "discouraged" borrowers. However, discouragement and rejection seem to be closely correlated, as the number of discouraged borrowers tends to increase when credit conditions become tighter and a higher proportion of credit applications are refused.

SME utilisation rate: This ratio also captures credit conditions, more precisely the willingness of banks to provide credit, and is therefore sometimes used in addition to or instead of the rejection rate. An increase of this ratio indicates that a higher proportion of authorised credit is being used by entrepreneurs and SMEs, which usually occurs when credit availability is tightening.

Venture capital and growth capital investments: This indicator shows the ability to access external equity in the form of seed, start-up, early stage and expansion capital, and is ideally broken down by investment stage. It excludes buyouts, turnaround and replacement capital, as these are directed at restructuring and generally concern larger enterprises.

Leasing and hire purchases: This indicator contains information on the use of leasing and hire purchases. New production of leasing includes finance leases and operating leases of all asset types (automotive, equipment and real estate), as well as the rental of cars, vans and trucks.

Factoring and invoice discounting: This indicator provides information on factoring turnover volumes, including invoice discounting, recourse factoring, non-recourse factoring, collections (domestic factoring), export factoring, import factoring and export invoice discounting (international factoring).

SME non-performing loans/SME loans: This indicator provides information about the relative performance of SME loans in banks' portfolio, that is, the riskiness implied by exposure to SME loans. It can be compared with the overall ratio of non-performing loans to all business loans to determine whether SMEs are more risky.

Payment delays: This indicator contributes to assess SME cash flow problems. Business-to-business (B2B) payment delays show supplier credit delays and how SMEs are coping with cash flow problems by delaying their payments, and are more relevant to assess cash flow problems compared to business-to-consumer or business-to-government data.

SME bankruptcies or bankruptcies per 10 000 or per 1 000 SMEs: This indicator is a proxy for SME survival prospects. Abrupt changes in bankruptcy rates demonstrate how severely SMEs are affected by economic crises. However, the indicator likely underestimates the number of SME exits, as some SMEs close their business even when not being in financial difficulties. Bankruptcies per 10 000 or per 1 000 SMEs are the preferred measures, because this indicator is not affected by the increase or decrease in the total number of enterprises in the economy.

Inflation-adjusted data

Differences in inflation levels across countries hamper comparability of trends over time. For the second time in the 2017 edition of this report, indicators in the trends chapter have therefore been adjusted for inflation when appropriate. For this purpose, the GDP deflator from the OECD Economic Outlook publication, deflating nominal values into real values, is used. This deflator is derived by dividing an index of GDP (measured in current prices) by a chain volume index of GDP. It is therefore a weighted average of the price indices of goods and services consumed by households; expenditure by government on goods, services and salaries; fixed capital assets; changes in inventories; and exports of goods and services minus imports of goods and services.[1] It is a very broad indicator of inflation and, given its comprehensiveness, it is thus suitable to deflate current price nominal data into a real terms prices basis for measures of national income, public expenditure and other economic variables with a focus beyond consumer items.

Inclusion of median values

In order to facilitate interpretation of the data, median values of core indicators are included when appropriate in Chapter one of this publication. This enables a better assessment of how participating countries are positioned in terms of the assessed core indicators on SME financing. Given the limited comparability of some indicators, this relative position needs to be interpreted carefully and within the country-specific context, however. Median values rather than average values are displayed because they are less sensitive to outliers in the data.

SME target population

The SME target population of the scoreboard consists of non-financial "employer" firms, that is, firms with at least one employee besides the owner/manager, which operate a non-financial business. This is consistent with the methodology adopted by the OECD-Eurostat Entrepreneurship Indicators Programme to collect data about business demography. The target group excludes firms with no employees or self-employed individuals, which considerably reduces the number of firms that can be considered SMEs. For most of the countries in the report, data are available for this target population. However, not all countries collect data at the source and compile them in accordance with these criteria. Therefore, in a few cases data include financial firms and/or self-employed individuals. This is mostly the case in countries reporting financial indicators based on loan size, rather than the target population, or when sole proprietorships/self-entrepreneurs cannot be distinguished from the SME population at the supply-side level of reporting.

Timeframe for data collection

The data in the present report cover the period 2007 to 2015, which includes three distinct economic stages: pre-crisis (2007), crisis (2008-09) and recovery (2010-15). Specific attention is given to the period 2014-15, in order to identify the most recent trends in SME finance and policies.

Data sources

Deviations from preferred definitions of indicators

Data limitations and country-level specific reporting practices imply that the national scoreboards may deviate from the preferred definitions of some core indicator. Some of the main deviations in definition of variables and data coverage are discussed below.

SME loans

The OECD scoreboard aims to collect business loan data that include overdrafts, lines of credit, short-term loans, and long-term loans, regardless of whether they are performing or non-performing loans. Additionally, it aims to exclude personal credit card debt and residential mortgages. However, for some countries, significant deviations exist from this preferred SME loan definition. For instance, in some cases, credit card debt is included in SME loans, and it cannot be determined which part corresponds to consumer credit card debt and which part is business credit card debt. In other cases, lines of credit and overdrafts are excluded, while a number of other products are indeed included in SME loans, such as securitised loans, leasing and factoring.

In some countries, central banks do not require any reporting on SME lending. In these cases the SME loans are estimated from SME financial statements available from tax authorities.

SME loans requested, authorised and used

The indicators on SME loans authorised and SME loans requested, which are used to calculate the rejection rate, are obtained from demand-side surveys. However, not all countries undertake such surveys, or, if they do, the results are not necessarily comparable. This also constitutes an area, where substantial data improvements could be made, such as enriching the analysis by the inclusion of an indicator on the level of discouragement to apply for a bank loan. To capture discouragement, this indicator should ideally be analysed in tandem with the number of loan applications. If both, loan applications and rejection rates decrease over the same period, this would suggest a higher level of discouragement. As presumably the least credit-worthy firms are deterred from applying for a loan, this could also be indicative of the average riskiness of SME lending.

Another potential improvement concerns the granularity and level of detail of the data; it might be possible to distinguish the rejection rate according to the type of loan (e.g. specific rejection rates on overdrafts, term loans, credit card loans and so on), to separate partial rejections from full rejections, including more analysis on the (likely) reason(s).

A similar problem holds true for the utilisation rate; which consists of SME loans used divided by SME loans authorised. A decline in this ratio suggests that the credit market is easing, or that banks have been providing more credit than has been used. Again, not every country has reliable survey data on the SME loans used and caution is warranted when making comparisons across countries.

Government loan guarantees and guaranteed loans

The report includes data on government loan guarantees and on the value of loans backed by government guarantees. Supply-side data are the best source of information on loan guarantees. There are many sources for such guarantees: local, regional or central governments. In some countries, an important volume of guarantees is also provided by mutual guarantee schemes. These are private schemes that typically benefit from public support, in the form of direct funding or counter-guarantees. However, the various loan guarantees schemes, public, private and mixed, are not always consolidated to obtain national figures. Therefore, the OECD scoreboard reports mostly on government loan guarantees which are readily available at central government level. This is also a way to avoid the double-counting of guarantees that have multiple layers, given the existence of counter-guarantees at other levels (regional or supra-national). Still, cross-country differences exist in the degree to which the reported data include all government guarantee programmes, or only large ones.

In some cases, lack of awareness and reporting make it difficult to collect data on guaranteed SME loans. In fact, SMEs are not always aware that their loan is backed by a government guarantee and banks do not usually report this information. When these guaranteed SME loans are reported, they usually represent the full value of the loan and not the portion of the loan that is actually backed by a public institution's guarantee. Nevertheless, this figure has a value of its own when compared to the total amount of SME loans outstanding. In addition, it allows for the calculation of the leverage effect of government guarantees to SMEs (ratio of guaranteed SME loans to corresponding government guarantees).

SME credit conditions

Significant differences exist across countries in the calculation of SME interest rates. While there is agreement that "fees" should be included in the "cost" of SME loans, it appears to be particularly difficult to determine which "fees" among the various charges applied to firms to include in the interest rates. In most cases, the interest rate charged on SME loans, net of any fee, is reported. Additional fees, however, represent a rather significant cost for SMEs that is not being captured by the current indicators built on supply-side data, particularly in the case of small SME loans. In this regard, demand-side surveys could be used to collect information on the total cost of funding.

Central banks usually do not collect key pieces of information on SME access to finance, such as the collateral required for SME loans. Banks consider this to be confidential information. A rough approximation can be obtained from demand-side information, that is, the percentage of SMEs required to provide collateral on new loans. This measure is currently used in the OECD scoreboard, and more transparent reporting by banks on the terms of their SME lending is recommended to improve information on SME credit conditions.

Equity financing

The present report monitors external equity, that is, venture and growth capital investments. Venture capital is usually reported by stage of development: seed, start-up and early expansion capital. Later stage expansion capital, referred to as growth capital, is also reported. Buyouts, turnarounds and replacement capital are excluded from venture and growth capital. Country classification systems do not always break down private equity data into these categories and most do not break it down by firm size. Indeed, at present, the lack of a standard international definition of venture capital limits cross-country comparability. Moreover, venture capital data are sometimes collected by private venture capital associations, which rely on voluntary reporting and whose membership may be incomplete. There is a need for greater standardisation of venture capital data reporting, in terms of both the definition used for the different stages of investment, and the methodology employed to collect data.[2]

Asset-based finance

Most of the indicators of the scoreboard relate to bank finance, although in practice SMEs and entrepreneurs also rely on other financing options. Including statistics on the use of asset-based finance allows for a more complete overview of trends in access to finance for SMEs and entrepreneurs. Asset-based financing covers a variety of instruments whereby a firm obtains cash based on the value of a particular asset, rather than on credit standing. These instruments include asset-based lending, leasing, hire purchases and factoring.

Asset-based lending is any sort of lending secured by an asset (such as accounts receivable, inventory, real estate, equipment). As these loans are usually issued by banks, information on asset-based loans is already covered in the indicator on SME loans, and a separate indicator is not required. More detailed information on the composition of bank loans would, however, shed light on the importance of asset-based lending and what assets are most often used as a security.

The indicator on leasing covers the new production (i.e. a flow indicator) of finance and operating leases of all asset types (automotive, equipment and real estate), and also includes the rental of cars, vans and trucks. Leasing is an agreement, whereby the owner of an asset provides the right to use the asset for a specified period of time in exchange for a series of payments. Information on hire purchases, which are agreements where the purchaser agrees to pay for the goods in parts or percentages over a number of months, and which is very similar to leasing is also covered. Factoring is a type of supplier financing, where firms sell their credit-worthy accounts receivable at a discount and receive immediate cash. Data on factoring turnover volumes includes all turnover that is covered by invoice discounting, recourse factoring, non-recourse factoring, collections (domestic factoring), export factoring, import factoring and export invoice discounting (international factoring).

It is important to note that these data usually do not distinguish between SMEs and large corporations, and a breakdown of data according to the size of the lessees does not exist in most countries, although research indicates that leasing and other forms of asset-based finance are very often used by SMEs. Increasing the number of countries providing data and deriving information on the take-up of asset-based finance by firm size, either directly or through a proxy, constitutes an important avenue for future research.

Non-performing loans

There is also a great deal of latitude in how banks define non-performing loans. The generally accepted threshold of 90-day arrears, i.e. payments of interest and principal past due by 90 days or more, is indeed used by many of the scoreboard countries, but not all. Even when this same threshold is adopted, there is a great deal of variation across countries in the measurement of SME non-performing loans. In some cases, these are measured as a percentage of the entire SME loan portfolio and in other cases they are not. In addition, it is common practice to classify loans that are unlikely to be repaid in full as non-performing, even when the threshold of 90-day arrears is not met. The circumstances, under which loans are considered unlikely to be repaid, and hence deemed non-performing, vary substantially across countries and financial institutions. Caution is therefore warranted when interpreting this data.

When compared to the non-performing loans ratio of large firms, this indicator provides a good description of the performance of SME loans on a national level, irrespective of the particularity of the national definition. In addition, if changes in the non-performing ratio are analysed over time, the indicator has value for cross-country comparisons.

Payment delays and bankruptcies

Payment delays and bankruptcy data are usually collected for all enterprises and not broken down by firm size. Since SMEs account for more than 97% of the enterprises in participating countries, the national figures for payment delays and bankruptcy rates were used in this report. However, bankruptcies are hard to compare across countries because of different bankruptcy costs, legislation and behaviour in the face of bankruptcy. In some cases, bankruptcy procedures take a long time and so bankruptcies only show up in later periods, rather than during the crisis period.

Payment delays are reported as delays beyond the contractual date on a B2B or on a broader B2B and B2C basis. Reporting of payment delays is important, given that it captures an additional source of cash flow constraints for SMEs.

Differences in definitions of an SME

One of the biggest challenges to comparability is posed by existing differences in the statistical definition of an SME by banks and national organisations across countries. Greater harmonisation continues to prove difficult due to the different economic, social and political concerns of individual countries. In addition, within-country differences exist: some banks and financial institutions do not use their national statistical definitions for an SME, but a different definition to collect data on SME financing.

In many cases, the national authorities collect loan data using the national or EU definition for an SME, based on firm size, usually the number of employees or the annual turnover (see Box A.1).

Box A.1. **What is an SME?**

While there is no universal definition of an SME and several criteria can be used in the definition, SMEs are generally considered to be non-subsidiary firms which employ less than a given number of persons. This number of employees varies across countries. The most frequent upper limit designation of an SME is 250 employees, as in the European Union. However, some countries set the limit at 200, while the United States considers SMEs to include firms with fewer than 500 employees. Small firms are mostly considered to be firms with fewer than 50 employees while micro-enterprises have less than 10. Medium-sized firms have between 50 and 249 employees. Turnover and financial assets are also used to define SMEs: in the EU, the turnover of an SME cannot exceed EUR 50 million and the annual balance sheet should not exceed EUR 43 million.

Source: OECD (2006), The SME Financing Gap (Vol. I): Theory and Evidence, OECD Publishing, Paris

In other cases, the SME loan data are based not on firm size, but rather on a proxy, that is, loan size.[3] However, the size of the SME loan can differ among countries and sometimes even among banks within the same country.

Several reasons are advanced for not compiling financial statistics based on firm size including:

- Banks do not collect data by firm size;
- It is too expensive to collect such data;
- Breaking down loan data by firm size would jeopardise confidentiality and are not gathered or communicated as a consequence.

Experience gained from the OECD scoreboard suggests that loan data broken down by firm size are already in the financial system, but are not extracted unless banks are under a regulatory obligation to provide them. Experience also suggests that the challenges mentioned above could be addressed quite easily. For instance, confidentiality requirements could in theory be met through the use of judicious sub-grouping. In this case, resolution of this issue could be found, if national regulatory authorities were to make the provision of this information mandatory for banks.

Table A.2. **Difference between national statistical and financial definitions of SMEs**

Country	National statistical definition of SMEs	Indicator	Definition of SMEs used
Australia	Size of firm: less than 200 employees	Business loans, SMEs	Loan size: amounts outstanding under AUD 2 million
		Interest rate, SMEs	Loan size: amounts outstanding under AUD 2 million
Austria	Size of firm: 1-249 employees	Business loans, SMEs	Loan size: amounts up to EUR 1 million
		Short- and long-term loans, SMEs	Loan size: amounts up to EUR 1 million
		Government loan guarantees and government guaranteed loans, SMEs	Firm size: enterprises with less than 250 employees
		Direct government loans, SMEs	Firm size: enterprises with less than 250 employees
		Rejection rate	Firm size: enterprises with less than 250 employees
		Interest rate, SMEs	Loan size: amounts up to EUR 1 million
Belgium	Size of firm: less than 250 employees	Business loans, SMEs	Firm size: enterprises with less than 250 employees
		SME loans authorised and used	Firm size: enterprises with less than 250 employees
		Interest rate, SMEs	Loan size: amounts up to EUR 1 million
Canada	Size of firm: 1-499 employees	Business loans, SMEs	Loan size: amounts up to CAD 1 million
		Short- and long-term loans, small businesses	Firm size: enterprises with 1-99 employees
		Government guaranteed loans, SMEs	Firm size: annual sales (turnover) lower than CAD 5 million
		Direct government loans, SMEs	Firm size: annual sales (turnover) less than CAD 25 million
		Risk premium for small businesses	Firm size: enterprises with 1-99 employees
		Loans authorised and requested, small businesses	Firm size: enterprises with 1-99 employees
		Collateral, small businesses	Firm size: enterprises with 1-99 employees
Chile	Annual sales of firm: up to UF 100 000	Business loans, SMEs	Loan size: amounts up to UF 18 000
		Short- and long-term loans, SMEs	Loan size: amounts up to UF 18 000
		Government guaranteed loans, SMEs	Firm size: annual sales up to UF 100 000 or annual exports up to UF 400 000
		Direct government loans, SMEs	Less than 12 hectares and capital up to UF 3 500
		Loans authorised and requested, SMEs	Firm size: annual sales up to UF 100 000
		Non-performing loans, SMEs	Loan size: amounts up to UF 18 000
		Short-term and long-term interest rate, SMEs	Loan size: amounts up to UF 18 000
		Payment delays, SMEs	Loan size: amounts up to UF 18 000
China	The definition of SMEs differs according to sector.		The definition of SMEs differs according to sector.
		Short- and long-term loans, SMEs	The definition of SMEs differs according to sector.
		Government loan guarantees, SMEs	The definition of SMEs differs according to sector.
		SME government direct loans	The definition of SMEs differs according to sector.

Table A.2. **Difference between national statistical and financial definitions of SMEs** *(cont.)*

Country	National statistical definition of SMEs	Indicator	Definition of SMEs used
Colombia	Size of firm: less than 200 employees	Business loans, SMEs	Firm size: enterprises with less than 200 employees
		Non-performing loans, SMEs	Firm size: enterprises with less than 200 employees
		Government guaranteed loans, SMEs	Firm size: enterprises with less than 200 employees
		Interest rate, SMEs	Firm size: enterprises with less than 200 employees
		Collateral, SMEs	Firm size: enterprises with less than 200 employees
Czech Republic	Size of firm: less than 250 employees	Business loans, SMEs	Loan size: amount up to CZK 30 million
		(New business loans, SMEs – flows)	Loan size: amount up to CZK 30 million
		Business loans, SMEs	Firm size: up to 250 employees
		(Outstanding business loans, SMEs – stock)	
		Interest rate, SMEs	Loan size: amount up to CZK 30 million
Denmark	Size of firm: less than 250 employees	Business loans, SMEs	Loan size: amounts up to EUR 1 million
		Short- and long-term loans, SMEs	Loan size: amounts up to EUR 1 million
		Government loan guarantees, SMEs	Firm size: up to 250 employees
		Interest rate, SMEs	Loan size: amounts up to EUR 1 million
Estonia	Size of firm: less than 250 employees	Business loans, SMEs	Loan size: amounts up to EUR 1 million
		Government loan guarantees, SMEs	Loan size: amounts up to EUR 1 million
		Non-performing loans, SMEs	Loan size: amounts up to EUR 1 million
		Interest rate, SMEs	Loan size: amounts up to EUR 1 million
Finland	EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million)	Business loans, SMEs	Loan size: up to EUR 1 million
		Short- and long-term loans, SMEs	Firm size: less than 250 employees
		Value of government guaranteed loans, SMEs	Firm size: less than 250 employees
		Loans authorised and requested, SMEs	Loan size: up to EUR 1 million
		Interest rate, SMEs	Loan size: up to EUR 1 million
		Collateral, SMEs	Firm size: less than 250 employees
France	EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: number of employees (less than 250), turnover (less than EUR 50 million), total assets of legal units (less than EUR 43 million) and independent; bank must inform the Central Credit Register when it grants a loan of more than EUR 25 000
		Short- medium- and long-term loans	Firm size: number of employees (less than 250), turnover (less than EUR 50 million), total assets of legal units (less than EUR 43 million) and independent; bank must inform the Central Credit Register when it grants a loan of more than EUR 25 000
		Share of the outstanding loans of failing companies, SMEs except micro-enterprises	Firm size: number of employees (less than 250), turnover (less than EUR 50 million), total assets of legal units (less than EUR 43 million) and independent; bank must inform the Central Credit Register when it grants a loan of more than EUR 25 000
		Interest rate, SMEs	Loan size: less than EUR 1 million
		Bankruptcies, SMEs	Firm size: number of employees (less than 250), turnover (less than EUR 50 million), total assets of legal units (less than EUR 43 million) and independent
Georgia	Less than 100 employees and turnover below GEL 1.5 million	Business loans, SMEs	Less than 100 employees and turnover below GEL 1.5 million
		Non-performing loans, SMEs	
		Interest rate, SMEs	
		Collateral SMEs	

Table A.2. **Difference between national statistical and financial definitions of SMEs** *(cont.)*

Country	National statistical definition of SMEs	Indicator	Definition of SMEs used
Greece	EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Interest rate, SMEs	Loan size: less than EUR 1 million
		Collateral, SMEs	Loan size: less than EUR 1 million
Hungary	EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Overdraft loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Investment loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Direct government loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Government guaranteed loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Non-performing loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Average interest rate, SMEs	Loan size: amounts up to EUR 1 million
Ireland	EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size
		Short- and long-term loans, SMEs	Loan size: less than EUR 1 million
		Interest rates, SMEs	Loan size: less than EUR 1 million
Israel[i]	Size of firm: less than 100 employees and annual turnover of up to NIS 100 million	Business loans, SMEs	Loan size: amounts of NIS differ depending on the bank
		Interest rate small firms and medium firms	Loan size: amounts of NIS differ depending on the bank
Italy	EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: less than 20 workers
		Short- and long-term loans, SMEs	Firm size: less than 20 workers
		Government guaranteed loans, SMEs	Firm size: less than 250 employees
		Direct government loans, SMEs	Firm size: less than 250 employees
		Loans authorised and used, SMEs	Firm size: less than 20 workers
		Non-performing loans, SMEs	Firm size: less than 20 workers
		Interest rate, average SME rate	Firm size: less than 20 workers
		Collateral, SMEs	Firm size: less than 20 workers
		Venture and expansion capital, SMEs	Firm size: less than 250 employees
		Payment delays, SMEs	Firm size: turnover of up to EUR 50 million and less than 250 employees
Japan	Varies by sector	Business loans, SMEs	The definition of SMEs differs according to sector.
		Bankruptcies, SMEs	The definition of SMEs differs according to sector. Only enterprises with debts of at least JPY10 million are included.
Korea	Varies by sector	Business loans, SMEs	The definition of SMEs differs according to sector.
		Short- and long-term loans, SMEs	The definition of SMEs differs according to sector.
		Government loan guarantees, SMEs	The definition of SMEs differs according to sector.
		Direct government loans, SMEs	The definition of SMEs differs according to sector.
		Loans authorised and requested, SMEs	The definition of SMEs differs according to sector.
		Non-performing loans, SMEs	The definition of SMEs differs according to sector.
		Interest rate spread, SME and large firm rates	The definition of SMEs differs according to sector.
		Payment delays, SMEs	The definition of SMEs differs according to sector.
Luxembourg	EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million)	SME loans	Loan size: Loans of less than EUR 1 million
		SME interest rate	Loan size: Loans of less than EUR 1 million

Table A.2. **Difference between national statistical and financial definitions of SMEs** *(cont.)*

Country	National statistical definition of SMEs	Indicator	Definition of SMEs used
Malaysia	Manufacturing sector: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200. Services and other sectors: Sales turnover not exceeding RM 20 million or full-time employees not exceeding 75.	SME loans	Firm size: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200 for firms operating in the manufacturing sector and sales turnover not exceeding RM 20 million or full-time employees not exceeding 75 for firms operating in services and other sectors,
		SME short-term loans	Firm size: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200 for firms operating in the manufacturing sector and sales turnover not exceeding RM 20 million or full-time employees not exceeding 75 for firms operating in services and other sectors,
		SME long-term loans	Firm size: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200 for firms operating in the manufacturing sector and sales turnover not exceeding RM 20 million or full-time employees not exceeding 75 for firms operating in services and other sectors,
		SME non-performing loans	Firm size: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200 for firms operating in the manufacturing sector and sales turnover not exceeding RM 20 million or full-time employees not exceeding 75 for firms operating in services and other sectors,
		SME loans authorised	Firm size: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200 for firms operating in the manufacturing sector and sales turnover not exceeding RM 20 million or full-time employees not exceeding 75 for firms operating in services and other sectors,
		SME loans requested	Firm size: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200 for firms operating in the manufacturing sector and sales turnover not exceeding RM 20 million or full-time employees not exceeding 75 for firms operating in services and other sectors,
		SME interest rate	Firm size: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200 for firms operating in the manufacturing sector and sales turnover not exceeding RM 20 million or full-time employees not exceeding 75 for firms operating in services and other sectors,
Mexico	Firm size: up to 100 or 250 employees, depending on the sector	SME loans	The definition depends on the number of employees and the annual revenues of the borrower
		SME guaranteed loans/direct loans	Firm size: up to 100 or 250 employees, depending on the sector
		SME loans requested and authorized	Firm size: up to 100 or 250 employees, depending on the sector
		SME interest rate	Firm size: up to 100 or 250 employees, depending on the sector

Table A.2. **Difference between national statistical and financial definitions of SMEs** *(cont.)*

Country	National statistical definition of SMEs	Indicator	Definition of SMEs used
The Netherlands	EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million)	Business loans, SMEs	Loan size: up to EUR 1 million
		Short- and long-term loans, SMEs	Loan size: up to EUR 1 million
		Government loan guarantees, SMEs	Firm size: up to 250 employees
		Loans authorised and requested, SMEs	Firm size: up to 250 employees
		Collateral, SMEs	Size of firm up to 50 employees
New Zealand	No unique national definition.	Interest rates, SMEs	Loan size: up to NZD 1 million
		Loan authorised, SMEs	Firm size: enterprises with 6-19 employees
		Loan requested, SMEs	Firm size: enterprises with 6-19 employees
Norway	EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: less than 250 employees
Portugal	EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
		Short- and long-term loans, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
		Government guaranteed loans, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
		Loans authorised and requested, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
		Non-performing loans, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
		Interest rates, SMEs	Loan size: up to EUR 1 million (prior to 2010) and loans up to EUR 0.25 million (in 2010)
		Collateral, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
Russian Federation	Less than 250 employees, not more than RUB 1000 million	Business loans, SMEs	Firm size: Less than 250 employees, not more than RUB 1000 million
		Government loan guarantees, SMEs	Firm size: Less than 250 employees, not more than RUB 1000 million
		Government guaranteed loans, SMEs	Firm size: Less than 250 employees, not more than RUB 1000 million
		Non-performing loans, SMEs	Firm size: Less than 250 employees, not more than RUB 1000 million
Serbia	Up to 250 employees, turnover up to EUR 10 million, total assets up to EUR 5 million	Business loans, SMEs	Firm size, in accordance with national statistical definition.
		Interest rate, SMEs	Loan size: up to EUR 1 million.
Slovak Republic	EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: less than 250 employees (including natural persons)
		Short- and long-term loans, SMEs	Firm size: less than 250 employees (including natural persons)
		Government loan guarantees, SMEs	Firm size: less than 250 employees (including natural persons)
		Government guaranteed loans, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)

Table A.2. **Difference between national statistical and financial definitions of SMEs** *(cont.)*

Country	National statistical definition of SMEs	Indicator	Definition of SMEs used
		Direct government loans, SMEs	Firm size: less than 250 employees (including natural persons)
		Direct government loans, SMEs	Firm size: less than 250 employees (including natural persons)
		Collateral, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
		Venture capital, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
Slovenia	EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million)	Short- and long-term loans, SMEs	Firm size: less than or equal to 250 employees and asset value less than or equal to EUR 17.5 million.
		Direct government loans, SMEs	Firm size: less than or equal to 250 employees and asset value less than or equal to EUR 17.5 million.
		Interest rate, SMEs	Firm and loan size: enterprises with less than 250 employees and amounts less than EUR 1 million.
Spain	EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million)	Business loans, SMEs	Loan size: less than EUR 1 million
		Short- and long-term loans, SMEs	Loan size: less than EUR 1 million
		Government guaranteed loans, SMEs	Firm size: less than 250 employees
		Interest rate, SMEs	Loan size: less than EUR 1 million
		Venture capital, SMEs	Firm size: less than 250 employees
		Payment delays, SMEs	Firm size: EU definition
		Bankruptcies, SMEs	Firm size: EU definition
Sweden	EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: 1-249 employees
		Short- and long-term loans, SMEs	Firm size: 1-249 employees
		Government guaranteed loans, SMEs	Firm size: 0-249 employees
		Government loan guarantees, SMEs	Firm size: 0-249 employees
		Direct government loans, SMEs	Firm size: 0-249 employees
		Loans authorised, SMEs	Firm size: 0-249 employees
		Interest rates, SMEs	Loan size: up to EUR 1 million
Switzerland	Size of firm: less than 250 employees	Business loans, SMEs	Firm size: less than 250 employees
		Government guaranteed loans, SMEs	Firm size: less than 250 employees
		Loans used, SMEs	Firm size: less than 250 employees
		Collateral, SMEs	Firm size: up to 249 employees
		Interest rates, SMEs	Loan size: less than CHF 1 million
Thailand	Number of employees and fixed capital: less than 200 employees and fixed capital less than THB 200 million	Business loans, SMEs	Firm size: sales less than THB 400 million and/or a credit line less than THB 200 million.
		Short- and long-term loans, SMEs	Firm size: sales less than THB 400 million and/or a credit line less than THB 200 million.
		Government guaranteed loans, SMEs	Firm size: sales less than THB 400 million and/or a credit line less than THB 200 million.
		Loans authorised and requested, SMEs	Firm size: sales less than THB 400 million and/or a credit line less than THB 200 million.
		Non-performing loans, SMEs	Firm size: sales less than THB 400 million and/or a credit line less than THB 200 million.
		Interest rate, SME average rate	Firm size: sales less than THB 400 million and/or a credit line less than THB 200 million.
		Payment delays, SMEs	The National definition of SMEs differs according to sector.
		Bankruptcies, SMEs	The National definition of SMEs differs according to sector.
Turkey	Less than 250 employees and TRY 40 million in assets	Business loans, SMEs	Firm size
		SME non-performing loans	Firm size

Table A.2. **Difference between national statistical and financial definitions of SMEs** *(cont.)*

Country	National statistical definition of SMEs	Indicator	Definition of SMEs used
United Kingdom	Size of firm: less than 250 employees	Business lending, SMEs	Firm size: turnover of up to GBP 25 million
		Interest rates, SMEs	Firm size: turnover up to GBP 25 million
		Collateral, SMEs	Firm size: less than 250 employees, including non-employer enterprises
United States	Size of firm: less than 500 employees	Business loans, SMEs	Loan size: up to USD 1 million.
		Short-term loans, SMEs	Loan size: up to USD 1 million.
		Government guaranteed loans, SMEs	Varies by industry
		Collateral, SMEs	Loan size: up to USD 1 million

Impact of diversity in definitions

The many limitations in data collection above outlined limit the possibility to make cross-country comparisons using the raw data. However, it is possible to observe general trends for the indicators, both within and across countries, using growth rates. When analysing trends, the differences in the exact composition of the indicators are muted by the fact that the changes in the indicators over time are being examined instead of levels. Additionally, if the indicators are analysed as a set, it is possible to form an overview of the country trends in SME financing. It is precisely comparing trends that the Scoreboard sheds light on changing market conditions and policies for financing SMEs and entrepreneurs.

However, again, caution is required in cross-country comparisons, especially as concerns the use of flow variables and stock measures. Flows, which are measured over an accounting period (i.e. one year), capture changes of a given variables and are therefore more volatile than stocks, which measure levels, i.e. the value of an asset at a given point in time, and thus reflect latest flows, as well as values that may have cumulated over time, net of depreciation. The comparison of flows and stock measures can be particularly problematic when growth rates are considered. In fact, a negative growth rate of a flow variable can be compatible with a positive growth rate of the same variable measured in stocks. This would be the case if the stock variables increases over time but the absolute increase by which the stock variables grows becomes smaller. Similarly, a negative growth rate of a loan stock does not necessarily mean a decline in SME lending, but could be attributed to maturing loans exceeding the value of new loans granted. Such difficulties underline the importance of complementing stock data with flows of new loans.

Recommendations for data improvements

Standardised template

To enable more timely collection of data and better cross-country comparison in the future, it is necessary for countries to advance in the harmonisation of data content and in the standardisation of methods of data collection. The adoption of a standardised table for data collection and submission on SME finance (Annex B) has contributed to improve the process of data collection for the Scoreboard, while allowing for some customisation at the country level, and should thus be further pursued, as country coverage increases. The systematic use of the template is furthermore intended to facilitate the timely publication of the data on core indicators on the OECD.Stat website, from which it can then be customised, manipulated and downloaded.

The long-term objectives of timeliness, comparability, transparency and harmonisation of data should continue to be pursued actively by national authorities. To that end, national authorities should work with financial institutions to improve the collection of data on SME and entrepreneurship finance, by:

- Requiring financial institutions to use the national definition for an SME based on firm size;
- Requiring financial institutions to report on a timely basis to their regulatory authorities SME loans, interest rates, collateral requirements, by firm size and broken down into the appropriate size subcategories, as well as those SME loans which have government support;
- Working towards international harmonisation of data on non-performing loans;
- Encouraging international, regional and national authorities as well as business associations to work together to harmonise quantitative demand-side surveys in terms of survey population, questions asked and timeframes; encourage the competent organisations to undertake yearly surveys;
- Promoting the harmonisation of the definition of venture capital in terms of stages of development.

Core indicators

Since the Scoreboard pilot exercise was launched in 2009-10, with the participation of 11 countries, important progress has been made in terms of standardisation and comparability of information. As country coverage increases, it is important that good practices in data collection and reporting be shared among countries, but also that further advancement be made in the harmonisation of core indicators. A number of areas can be identified to improve the monitoring over time of trends at the country level and across countries.

First, it is of paramount importance to improve reporting of SME loan variables. Key areas for refinement include:

- Separate reporting of financial information for non-employer and employer-firms, so as to harmonise the financial data with the SME definition employed in national statistics. The separation would also allow for a more in-depth evaluation of financing trends at the country level, distinguishing between funding that is directed to businesses that generate employment from that directed to self-employers, which may however represent an important share of the country's business activity;
- Collection of stock and flow data for SME loans. These two indicators are complementary and should be jointly analysed in order to draw a comprehensive picture of the evolution of the SME lending portfolio;
- Information on the composition of lending portfolios, broken down by different products (overdrafts/lines of credit/leases/business mortgages or credit cards/securitised loans). Greater granularity in the reporting of business loans would allow for the identification of the underlying elements of the SME business loan portfolio. This represents a necessary first step towards pursuing greater harmonisation in the definition of SME loans across countries, or, at least identifying a common "base composition" for more meaningful cross-country comparisons.

Second, it is also necessary to fill the gaps in available data and work towards more comprehensive information for other core indicators in the Scoreboard:

- Government guarantees: Provide consolidated figures, which take into account the entire range of public guarantee programmes, while excluding double counting related, for instance, to the counter-guarantee of the same lending portfolio. Include additional information on the scope and coverage of public guarantee schemes, in particular information on the volume of outstanding guarantees, the public contribution to the fund's capitalisation, and the value of the loans supported by public guarantees. The Scoreboard data should be complemented, in the policy section of country profiles, by the monitoring of the take-ups and phasing out of these guarantee schemes;

- Government guaranteed loans: Provide the corresponding loans backed by the reported government guarantees so as to allow for the calculation of a leverage ratio. Optimally, the guaranteed portions of these loans should be also reported;
- Non-performing loans (NPLs): Provide the NPL ratio for SME loans, together with the overall NPL ratio of the business loan portfolio or the NPL ratio for large firms. The latter would be used as a benchmark against which the performance and quality of the SME loan portfolio is measured;
- Asset-based finance: Obtain data broken down by firm size or a functioning proxy of firm size. Currently, business associations usually do not make the distinction according to the use of these instruments by firm size, which limits the understanding of the importance of these non-bank financial instruments for SMEs;
- SME loan fees: Provide information on the standard practice of the commercial banking sector with respect to loan fees charged to SME loans in addition to the interest rate, at a national level. If possible, use demand-side surveys to collect information on this indirect cost on SME lending;
- Collateral: Improve the description of what constitutes collateral and use demand-side survey information to compensate for lack of supply-side data on collateral.

Medium and long-term objectives

In the medium to long term, it is necessary for countries to continue to make progress in the harmonisation of definitions and to improve transparency and accounting practices by financial institutions. In this regard, the following steps should be considered by governments to improve the collection of data on SME and entrepreneurship finance:

- Require financial institutions to use the national definition for an SME based on firm size;
- Require financial institutions to report on a timely basis to their regulatory authorities SME loans, interest rates, collateral requirements, by firm size and broken down into the appropriate size subcategories, as well as those SME loans which have government support;
- Work towards international harmonisation of data on non-performing loans;
- Encourage international, regional and national authorities, as well as business associations to work together to harmonise quantitative demand-side surveys in terms of survey population, questions asked and timeframes; encourage the competent organisations to undertake yearly surveys;
- Promote the harmonisation of the definition of venture capital in terms of stages of development.

Notes

1. OECD (2009), *OECD Factbook 2009: Economic, Environmental and Social Statistics*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/factbook-2009-en*
2. See Annex C in OECD (2013), Entrepreneurship at a Glance 2013, OECD Publishing, Paris, for a detailed discussion on the international comparability of venture capital data.
3. Recent studies by the World Bank provide evidence that loan size is an adequate proxy for size of the firm accessing the loan. See for instance Ardic O.P., N. Mylenko and V. Saltane (2012), “Small and medium enterprises: A cross-country analysis with a new data set”, *Pacific Economic Review*, Vol. 17, Issues 4, pp. 491-513.

ANNEX B

Standardised table for SME finance data collection

Indicator	Unit	Powercode	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt											
Outstanding business loans, SMEs	Currency										
Outstanding business loans, total	Currency										
Share of SME outstanding loans	% of total outstanding business loans										
New business lending, total	Currency										
New business lending, SMEs	Currency										
Share of new SME lending	% of total new lending										
Short-term loans, SMEs	Currency										
Long-term loans, SMEs	Currency										
Share of short-term SME lending	% of total SME lending										
Government loan guarantees, SMEs	Currency										
Government guaranteed loans, SMEs	Currency										
Direct government loans, SMEs	Currency										
Non-performing loans, total	% of all business loans										
Non-performing loans, SMEs	% of all SME loans										
Interest rate, SMEs	%										
Interest rate, large firms	%										
Interest rate spread	% points										
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending										
Percentage of SME loan applications	SME loan applications/total number of SMEs										
Rejection rate	1-(SME loans authorised/ requested)										
Utilisation rate	SME loans used/authorised										
Non-bank finance											
Venture and growth capital	Currency										
Venture and growth capital (growth rate)	%, Year-on-year growth rate										
Leasing and hire purchases	Currency										
Factoring and invoice discounting	Currency										
Other indicators											
Payment delays, B2B	Number of days										
Bankruptcies, SMEs	Number										
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate										

Financing SMEs and Entrepreneurs 2017
An OECD Scoreboard

ANNEX C

Statistical resources on SME and entrepreneurship finance

Information on SME financing is often sparse and anecdotal in nature, hindering evidence-based policy making in this area. Moreover, difference in methodologies and definitions of available data on this issue vary significantly across countries, limiting the usefulness and reliability of international comparisons. The OECD can serve as a clearinghouse for national and multilateral efforts to improve the knowledge base on SME finance, by fostering international dialogue on this issue, and collecting and diffusing information on statistical resources. The list below represents a first step in this direction, providing links to relevant sources of information on SME and entrepreneurship finance, both for participating countries and at the international level.

Survey-based evidence, on both the demand and the supply side, represents a crucial area where harmonisation is urgently needed in terms of their design and implementation. Information gathered from surveys complement the quantitative data, mostly collected from supply-side sources, and improve the understanding of business financing needs. Survey data are particularly useful for assessing credit conditions when relevant data are not easily accessible or produced in a timely manner.

For those reasons, a large number of supply-side and demand-side surveys are conducted at the national level by government agencies, national statistical offices, central banks and, in some cases, business associations and private organisations. However, at present, there is little standardisation across countries in terms of the timing, the sample population, the sampling method, the interview method, and the questions asked. To address this issue, governments are encouraged to increase co-operative efforts between public and private institutions in order to increase coverage and comparability of results of different surveys covering the same phenomenon. The ECB/EC's survey on SME access to finance uses a standardised methodology and provides a good example of the benefits that can come from standardised definitions and methodology across countries.

At the national level:

Australia

Australian Bureau of Statistics, Small Business Data, *http://abs.gov.au/websitedbs/D3310114.nsf/home/ABS+small+business+data*.

Australian Bureau of Statistics (2015), Venture Capital and Later Stage Private Equity, Australia, *http://abs.gov.au/AUSSTATS/abs@.nsf/Lookup/5678.0Main+Features12013-14?OpenDocument*.

APRA (2015), Australian Prudential Regulation Authority, Monthly Banking Statistic, *www.apra.gov.au/adi/Publications/Pages/monthly-banking-statistics.aspx*.

DIFA (2015), Debtor and Invoice Finance Association, Statistical Profile, *http://difa.asn.au/statistical-profile/*.

Austria

Austrian Institute for SME Research (2016), "*Bilanzdatenbank*," *www.kmuforschung.ac.at/index.php/de/bilanzdatenbank*.

Austrian National Bank (2016) "Financial Stability Report 31", *www.oenb.at/en/Publications/Financial-Market/Financial-Stability-Report/2016/financial-stability-report-31.html*.

Austrian National Bank (2016) "Bank Lending Survey" series, *www.oenb.at/en/Monetary-Policy/Surveys/Bank-Lending-Survey.html*.

Statistics Austria (2016) "*Leistungs- und Strukturstatstik*", *www.statistik.at/web_de/statistiken/wirtschaft/produktion_und_bauwesen/leistungs_und_strukturdaten/index.html*.

Belgium

Belgian leasing association, Online statistics, *www.blv-abl.be/fr*.

FPS Economy, Statistics Belgium, *http://statbel.fgov.be/en/statistics/figures/*.

Brazil

Instituto Brasileiro de Geografia e Estatística (preliminary data, Q4 2015) *www.ibge.gov.br/english/estatistica/indicadores/pib/pib-vol-val_201504_3.shtm*.

Canada

Bank of Canada, *Senior Loan Officer Survey*, *www.bankofcanada.ca/publications-research/periodicals/slos/*.

Statistics Canada, *Biannual Survey of Suppliers of Business Financing*, *www.ic.gc.ca/eic/site/061.nsf/eng/h_01569.html*.

Innovation, Science and Economic Development Canada, *Credit Conditions Survey*, *www.ic.gc.ca/eic/site/061.nsf/eng/h_02192.html*.

Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, *www.ic.gc.ca/eic/site/061.nsf/eng/h_02774.html*.

PayNet Inc., *Canadian Business Delinquency Index*, *www.paynetonline.ca/SmallBusinessInsights/CanadianBusinessDelinquencyIndex.aspx*.

Chile

Empresas de factoring Chile, Factoring Statistics, *http://empresasdefactoring.cl/?page_id=288*.

Chilean Central Bank, *Encuesta de Crédito Bancario* statistics (Quarterly Survey on Credit Approval Standards and Demand), *www.bcentral.cl/es/faces/estadisticas/EnCoyunturales/CredBancario*.

Ministerio de Economía, Fomento y Turismo, Encuestas de Emprendimiento y Empresas (Longitudinal Survey of Firms), *www.economia.gob.cl/estudios-y-encuestas/encuestas/encuestas-de-emprendimiento-y-empresas*.

China, People's Republic of

China Institute for Small and Medium Enterprises of Zhejiang University of Technology (2016), "Demand-side survey on Chinese SME financing conditions in 2015".

Financial Affairs of Wenzhou Municipal People's Government (2015), "Monitoring of Wenzhou Private Finance Index", *www.wzpfi.gov.cn*.

The National Bureau of Statistics (2016) "China Economic Census Yearbook 2013", Beijing: China Statistics Press, *www.stats.gov.cn/tjsj/ndsj/2015/indexeh.htm*.

The People's Bank of China, China Financial Institute, "Almanac of China's Finance and Banking in 2015", Beijing: China's Finance and banking Almanac Press, *http://oversea.cnki.net/kcms/detail/detail.aspx?dbCode=CYFD&dbName=CYFDLM_total&FileName=N2016060192000001&filetitle=*.

Yincan consulting company (2016), "National Report on Crowdfunding Industry in 2015", *www.yingcanzixun.com/news/baogao/424.html*.

Colombia

Asobancaria (2015). *Reporte de Bancarización – Informe trimestral: Cifras a Diciembre de 2015*, *www.asobancaria.com/portal/pls/portal/docs/1/4484750.PDF*.

National Association of Financial Institutions – ANIF (2015). *La Gran Encuesta Pyme: Informe de resultados 1er semestre de 2015*, *http://anif.co/sites/default/files/uploads/GEP%20NACIONAL%20I-2015.pdf*.

Czech Republic

Czech National Bank, "Financial Stability Report 2015/2016", *www.cnb.cz/en/financial_stability/fs_reports/fsr_2015-2016/index.html*.

Czech National Bank, "Bank Lending Survey" series, *www.cnb.cz/en/bank_lending_survey/index.html*.

Denmark

Danmarks Nationalbank – "Lending Survey", *www.nationalbanken.dk/en/statistics/find_statistics/Pages/Danmarks-Nationalbank's-lending-survey.aspx*.

Statistics Denmark – Small and Medium-sized Companies' Access to Finance, 2014, *www.dst.dk/da/Statistik/Publikationer/VisPub?cid=24799*.

Danish Federation of Small and Medium-Sized Enterprises – Analysis on business cycles April 2016, *https://hvr.dk/politik/analyser/konjunkturanalyser.aspx*.

DI – Analysis on Danish Financial Conditions, April 2016, *http://di.dk/SiteCollectionDocuments/Opinion/Konjunktur/Finansieringsklimaet%20marts%202016%20pdf%20til%20hj.siden%2006.04.2016.pdf*.

Estonia

Eesti Pank, database, September 2016, *www.eestipank.ee*.

Estonian Institute of Economic Research database, *www.ki.ee*.

Statistics Estonia, September 2016, online database, *www.stat.ee*.

Estonian Venture Capital Association, Estonian Private Equity & Venture Capital Industry Review, *www.estvca.ee/data-and-publications*.

Finland

Bank of Finland, Finnish MFI new business on euro-denominated loans to euro area non-financial corporations by sector, *www.suomenpankki.fi/en/tilastot/tase_ja_korko/Pages/tilastot_rahalaitosten_lainat_talletukset_ja_korot_lainat_lainat_sektoreittain_en.aspx*.

Bank of Finland, Finnish MFI new business on euro-denominated loans to euro area non-financial corporations by loan amount, *www.suomenpankki.fi/en/tilastot/tase_ja_korko/Pages/tilastot_rahalaitosten_lainat_talletukset_ja_korot_lainat_lainat_uudet_sopimukset_yrityksille_en.aspx*.

Bank of Finland, Finnish MFI euro-denominated loans to euro area non-financial corporations, by maturity, *www.suomenpankki.fi/en/tilastot/tase_ja_korko/Pages/tilastot_rahalaitosten_lainat_talletukset_ja_korot_lainat_lainat_maturiteeteittain_en.aspx*.

The Financial Supervisory Authority, Nonperforming assets and impairment losses by sector and industrial category, *www.finanssivalvonta.fi/en/Statistics/Credit_market/Nonperforming_assets_by_sector/Pages/Default.aspx*.

Bank of Finland, Finnish MFI euro-denominated loans to euro area non-financial corporations, by collateral, *www.suomenpankki.fi/en/tilastot/tase_ja_korko/Pages/lainat-vakuuden-mukaan.aspx*.

Statistics Finland, Financial leasing acquisitions and rents of lessors by lessee sector, *http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin__rah__rlea/010_rlea_tau_101.px/table/tableViewLayout1/?rxid=19d7f090-4a7e-4b0a-90b7-176cd65b81e7*.

France

AFIC (2016), "Activité des acteurs francais du capital-investissement en 2015", *www.afic.asso.fr/fr/etudes-statistiques/les-statistiques-du-capital-investissement/activite.html*.

ASF (2016), Association des sociétés financières, les statistiques de l'affacturage, *www.asf-france.com/statistiques/Activiteadherents/201512-Activite-affacturage.pdf*.

Banque de France, "Quarterly survey on the access to bank financing of companies in France", *www.banque-france.fr/en/economics-statistics/stats-info/detail/access-to-bank-financing-for-companies.html*.

Médiateur du Crédit (2015), "Rapport d'activité de la Médiation du crédit aux entreprises au 31 décembre 2015", available at *www.mediateurducredit.fr/site/Actualites/*.

Rapport annuel de l'observatoire des PME, *www.ladocumentationfrancaise.fr/var/storage/rapports-publics/134000083/0000.pdf*.

Georgia

National Statistics Office of Georgia (GEOSTAT) – Business Register Statistics, *http://geostat.ge/index.php?action=page&p_id=230&lang=eng*.

National Bank of Georgia, Statistical data, *www.nbg.gov.ge/index.php?m=304*.

Greece

Bank of Greece, Governor's Annual Report, *www.bankofgreece.gr/Pages/en/Publications/GovReport.aspx?Filter_By=8*.

Bank of Greece, Statistics, Monetary and Banking Statistics (including the Bank Lending Survey), *www.bankofgreece.gr/Pages/en/Statistics/monetary/default.aspx*.

Hellenic Statistical Authority, Bankruptcy Statistics 2004-2014, Press release, July 2016.

IME GSEVEE Survey – February 2016 – Biannual representation of economic climate in small enterprises, *www.imegsevee.gr/pressrelease/1085-ime-gsevee-survey-february-2016--biannual-representation-of-economic-climate-in-small-enterprises-*.

Hungary

Magyar Nemzeti Bank, "Senior Loan Officer Opinion Survey on Bank Lending Practices", *www.mnb.hu/en/financial-stability/publications/lending-survey*.

Magyar Nemzeti Bank, "Trends in Lending", *www.mnb.hu/en/financial-stability/publications/trends-in-lending*.

Ireland

Central Statistics office (CSO), Small and Medium-sized Enterprises (SMEs), *www.cso.ie/en/releasesandpublications/ep/p-bii/businessinirelandabridged2012/smallandmedium enterprises/*.

Department of Finance, SME Credit Demand Survey October 2015-April 2016, *www.redc research.ie/1558-2/*.

Israel

Israel Venture Capital Research Centre, *www.ivc-online.com/Research-Center/IVC-Publications/IVC-Surveys/High-Tech-Capital-Raising*.

Italy

Bank of Italy (2016c), Bank Lending Survey, Rome, *www.bancaditalia.it/statistiche/tematiche/moneta-intermediari-finanza/intermediari-finanziari/indagine-credito-bancario/index.html*.

Bank of Italy (2016d), Survey of Industrial and Service Firms, Rome, *www.bancaditalia.it/pubblicazioni/indagine-imprese/index.html*.

Cerved, Monitor of Bankruptcies, Insolvency Proceedings and Business Closures, *https://know.cerved.com/en/study-and-analysis/monitor-bankruptcies-insolvency-proceedings-and-business-closures-2q-2016*.

Cerved, Monitor of Company Payments and Non-Payment Protests, *https://know.cerved.com/en/study-and-analysis/monitor-company-payments-and-non-payment-protests-2q-2016*.

Japan

Bank of Japan (2016), "Financial and Economic Statistics Monthly", *www.boj.or.jp/en/statistics/pub/sk/index.htm/*.

Bank of Japan (2016), "Loans and Bills Discounted by Sector",*www.boj.or.jp/en/statistics/dl/loan/ldo/index.htm/*.

Bank of Japan (2016), "Financial System Report", *www.boj.or.jp/en/statistics/dl/loan/ldo/index.htm/*.

Financial Services Agency (2016), "Status of Non-Performing Loans", *www.fsa.go.jp/en/regulated/npl/index.html*.

National Central Society of Credit Cooperatives (2016), "Figures of Credit Cooperatives", *www.shinyokumiai.or.jp/keisu.html* (Japanese).

Tokyo Shoko Research, Ltd. (2016), "State of Corporate Bankruptcies", *www.tsr-net.co.jp/news/status/*.

Venture Enterprise Center, Japan (2015), "VEC YEARBOOK 2015 – Annual Report on Japanese Startup Businesses 2015", *www.vec.or.jp/category/vec_release/vec_whitepaper_dt3/?backone=1&paged=1*.

Venture Enterprise Center, Japan (2016), "VEC Venture News – Preliminary Report on Survey on Venture Capital Investment Trends in FY2015", *www.vec.or.jp/wordpress/wp-content/files/20160810_21_VEC_H28_No25_.pdf* (Japanese).

Japan Leasing Association (2016), "Lease Statistics", *www.leasing.or.jp/english/statistics/toukei.html*.

Korea

Bank of Korea, "Economic Statistics System", *http://ecos.bok.or.kr/flex/EasySearch_e.jsp*.

Financial Supervisory Service, "Monthly Financial Statistics Bulletin", *http://efisis.fss.or.kr/fss/fsi/id/fssview04_en.jsp*.

Korea Venture Capital Association, "VCfirm Summary", *http://ediva.kvca.or.kr/main/index.jsp*.

Small and Medium Business Administration (SMBA), "Statistics DB Search", *http://stat2.smba.go.kr/index.jsp*.

Luxembourg

Chambre de Commerce (2015), RAPPORT ANNUEL 2015, *www.cc.lu/uploads/media/CC_RA_2015.pdf*.

STATEC National Institute of statistics and economic studies of the Grand Duchy of Luxembourg, "Table B3000 Emploi salarié intérieur par branche d'activité 1995-2016", *www.statistiques.public.lu/stat/TableViewer/tableView.aspx*.

STATEC National Institute of statistics and economic studies of the Grand Duchy of Luxembourg, "Faillites prononcées par les tribunaux de commerce", *www.statistiques.public.lu/stat/TableViewer/tableView.aspx?ReportId=13310&IF_Language=fra&MainTheme=4&FldrName=1&RFPath=10835,13847*.

Malaysia

SME Corporation Malaysia (SME Corp.) (2016), "SME Annual Report 2015/16", *www.smecorp.gov.my/index.php/en/resources/2015-12-21-11-07-06/sme-annual-report*.

Department of Statistics Malaysia (DOSM) (2014), "Economic Census 2011 – Profile of Small & Medium Enterprise", *www.statistics.gov.my/*.

Credit Guarantee Corporation Malaysia Berhad (CGC), "Annual Report 2015", *www.cgc.com.my/publications/*.

The Netherlands

Centraal Bureau voor de Statistiek (Statistics Netherlands), Number of banktruptcies, *http://statline.cbs.nl/Statweb/publication/?DM=SLNL&PA=82242NED&D1=0&D2=2-3&D3=492,509,526,543,560,577&HDR=T,G2&STB=G1&VW=T*.

De Nederlandsche Bank (Dutch Central Bank), Loans to SMEs, *www.dnb.nl/en/statistics/statistics-dnb/financial-institutions/banks/domestic-mfi-statistics-monetary/index.jsp*.

Douw and Koren (2016), Crowdfunding in Nederland, 2015, *www.douwenkoren.nl/#!Rapport-Crowdfunding-in-Nederland-2015/c1etu/5686c2830cf21caddb9d6551*.

NVP (Dutch private equity and venture capital association) (2015), 2007-2014 Annual results, an trend reports are available at *www.nvp.nl/pagina/verantwoording%20en%20archief/*.

New Zealand

Ministry of Business, Innovation and Employment factsheet "Small Businesses in New Zealand", May 2016, *www.mbie.govt.nz/info-services/business/business-growth-agenda/sectors-reports-series/pdf-image-library/the-small-business-sector-report-and-factsheet/small-business-factsheet-2016.pdf*.

Ministry of Business, Innovation and Employment, Insolvency and Trustee Service statistics, *www.insolvency.govt.nz/cms/site-tools/about-us/statistics*.

New Zealand Private Equity and Venture Capital Association Inc., "New Zealand Private Equity and Venture Capital Monitor 2016", *www.nzvca.co.nz/wp-content/uploads/2016/05/1629333_NZPEVC-Monitor_2015-full-year-review_WEB_v3.pdf*.

Statistics New Zealand, "Business Operations Survey: 2015", *www.stats.govt.nz/browse_for_stats/businesses/business_growth_and_innovation/BusinessOperationsSurvey_HOTP2015.aspx*.

Statistics New Zealand, "Business Demography Statistics: at February 2015", *www.stats.govt.nz/browse_for_stats/businesses/business_characteristics/BusinessDemographyStatistics_HOTPFeb15.aspx*.

Norway

Statistics Norway, Enterprise statistics, *www.ssb.no/en/virksomheter-foretak-og-regnskap/statistikker/foretak*.

Statistics Norway, Accounting statistics for non-financial limited companies, *www.ssb.no/en/virksomheter-foretak-og-regnskap/statistikker/regnno*.

Statistics Norway, Bankruptcies, *www.ssb.no/en/virksomheter-foretak-og-regnskap/statistikker/konkurs*.

Portugal

Banco de Portugal, "*Boletim Estatístico, November 2016*" series, *www.bportugal.pt/sites/default/files/anexos/pdf-boletim/benov16_2.pdf*.

Statistics Portugal (2016), *Empresas em Portugal 2014*, *www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_publicacoes&PUBLICACOESpub_boui=210758098&PUBLICACOESmodo=2*.

Slovak Republic

Annual reports on the state of SMEs in the Slovak Republic (Slovak Business Agency), *www.sbagency.sk/en/state-of-small-and-medium-entreprises*.

SMEs' Access to Finance Survey, Survey on the access to finance of enterprises 2015 (European Commission/European Central Bank), *http://ec.europa.eu/growth/access-to-finance/data-surveys_en*.

Survey on the use of external forms of funding, 2015 (Slovak Business Agency), *www.sbagency.sk/sites/default/files/analyza_financovania_msp-priloha2.pdf*.

EOS Survey "European Payment Practices" 2015, *www.eos-solutions.com/media/studies/eos-survey-european-payment-practices-2015/*.

Credit, bankruptcy and restructuring statistics provided by CRIF – Slovak Credit Bureau, *www.crif.sk/Novinky/Novinky/Documents/TS_CRIF_SK_Konkurzy%20a%20restrukturalizacie%20v%20roku%202015.pdf*.

Slovenia

Bank of Slovenia – Financial Stability Review. *www.bsi.si/en/publications.asp?MapaId=784*.

Spain

Banco de España. "Interest rate statistics". Statistical Bulletin, *www.bde.es/webbde/en/estadis/infoest/bolest19.html*.

Bank of Spain, *Encuesta sobre préstamos Bancarios en Espana*, *www.bde.es/webbde/es/estadis/infoest/htmls/articulo_epb.pdf*.

Comisión Nacional del Mercado de Valores (CNMV), www.cnmv.es/DocPortal/Publicaciones/Boletin/Boletin_CNMV_III_2015_ENen.pdf.

Instituto de Crédito oficial (ICO), Annual reports, *www.ico.es/en_GB/web/ico_en/annual-report*.

Sweden

Almi (2016a), *Indicator on borrowing*, Q2, 2016, *www.almi.se/Images/Huvudkontoret/Om%20Almi/Unders%c3%b6kningar/L%c3%a5neindikator%20Q2,%202016.pdf*.

Almi (2016b), Annual report 2015, *www.almi.se/Images/Huvudkontoret/Om%20Almi/Finansiell%20information/Almis%20%c3%a5rsredovisning%202015.pdf*.

European Central Bank (2016a), Bank interest rates – loans to corporations of up to EUR 1M with a floating rate and an IRF period of up to one year (new business) – Sweden: *http://sdw.ecb.europa.eu/quickview.do,jsessionid=F33952BCEB8201F6360FAF1D9540B4C0?SERIES_KEY=124.MIR.M.SE.B.A2A.F.R.0.2240.SEK.N*.

European Central Bank (2016b), Bank interest rates – loans to corporations of over EUR 1M with a floating rate and an IRF period of up to one year (new business) – Sweden, *http://sdw.ecb.europa.eu/quickview.do?SERIES_KEY=124.MIR.M.SE.B.A2A.F.R.1.2240.SEK.N*.

Finansinspektionen (2015), Grassroots Funding in Sweden – a survey, *http://fi.se/upload/43_Utredningar/20_Rapporter/2015/grasrotsfinansiering_151215.pdf*.

Switzerland

Swiss National Bank – Monthly Bulletin of Banking Statistics, *www.snb.ch/en/iabout/stat/statpub/bstamon/stats/bstamon*.

Swiss National Bank – most recent survey releases, *www.snb.ch/en/iabout/stat/collect/id/statpub_coll_aktuelles*.

Turkey

TOBB, The Union of Chambers and Commodity exchanges of Turkey, Company Establishment and Liquidation Statistics, *www.tobb.org.tr/BilgiErisimMudurlugu/Sayfalar/Eng/KurulanKapananSirketistatistikleri.php*.

United Kingdom

Asset Based Finance Association, Industry Statistics, *www.abfa.org.uk/news/statistics.asp*.

Bank of England – Credit Conditions Survey, *www.bankofengland.co.uk/publications/other/monetary/creditconditions.htm*.

BDRC Continental, "SME Finance Monitor", *www.sme-finance-monitor.co.uk/*.

British Bankers' Association, SME statistics, *www.bba.org.uk/news/statistics/*.

Department for Business, Innovation and Skills (BIS) – SME data portal, *http://bis.ecgroup.net/Publications/EnterpriseBusinessSupport/EnterpriseSmallBusiness.aspx*.

Enterprise Investment Scheme and Seed Enterprise Investment Scheme, April 2016, Statistics on Companies raising funds, *www.gov.uk/government/uploads/system/uploads/attachment_data/file/519345/April_2016_Commentary_EIS_SEIS_Official_Statistics.pdf*.

Small Business Equity Investment Tracker 2016, available at *http://british-business-bank.co.uk/research/equity-tracker-2016/*.

United States

Federal Reserve Board – Senior Loan Officer Opinion Survey on Bank Lending Practices, *www.federalreserve.gov/boarddocs/snloansurvey/*.

Federal Reserve Board – Survey of Terms of Business Lending, *www.federalreserve.gov/releases/e2/current/*.

US Census Bureau – Business Dynamics Statistics, *www.census.gov/ces/dataproducts/bds/index.html*.

US Department of the Treasury – Monthly Bank Lending and Intermediation Snapshot, *www.treasury.gov/initiatives/financial-stability/results/cpp/snapshot/Pages/default.aspx*.

At the international level:

EU Federation Factoring and Commercial Finance, Facts and Figures, *http://euf.eu.com/facts-and-figures.html*.

European Commission and European Central Bank, Survey on the Access to Finance of Enterprises (SAFE), *http://ec.europa.eu/growth/access-to-finance/data-surveys/safe/index_en.htm*.

Factors Chain International, Statistics, *https://fci.nl/en/about-factoring/statistics*.

Intrum Justitia, European Payment Index, *www.intrum.com/press-and-publications/european-payment-report/*.

Invest Europe, European Private Equity Activity Data 2007-2015, *www.investeurope.eu/research/activity-data/annual-activity-statistics/*.

Leaseurope Statistics, *www.leaseurope.org/index.php?page=stats-surveys*.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

OECD PUBLISHING, 2, rue André-Pascal, 75775 PARIS CEDEX 16
(85 2017 01 1 P) ISBN 978-92-64-18985-0 – 2017

Financing SMEs and Entrepreneurs 2017

AN OECD SCOREBOARD

Contents

Consult this publication on line at ***http://dx.doi.org/10.1787/fin_sme_ent-2017-en***.

This work is published on the OECD iLibrary, which gathers all OECD books, periodicals and statistical databases.
Visit ***www.oecd-ilibrary.org*** for more information.

OECD*publishing*
www.oecd.org/publishing

ISBN 978-92-64-18985-0
85 2017 01 1 P