Financing SMEs and Entrepreneurs 2018

AN OECD SCOREBOARD

OECD

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OECD
BETTER POLICIES FOR BETTER LIVES

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Foreword

SMEs and entrepreneurs constitute the backbone of national economies in OECD countries and beyond. In the OECD area, they represent almost the totality of the business population and account for 60% of total employment and between 50% and 60% of value added on average. They are key to strengthening productivity, delivering more inclusive growth and adapting to megatrends such as the new industrial revolution, the changing nature of work and demographic changes.

Financing for SMEs is important at all stages of the business life cycle, in order to enable these firms to start up, develop and grow. Governments around the world have been stepping up efforts to foster a diversified financial offer for SMEs. The OECD's annual report *Financing SMEs and Entrepreneurs: An OECD Scoreboard* is an important tool to help governments get their SME finance policies right. By monitoring SME access to debt, asset-based finance and external sources of equity, along with framework conditions and information on policy initiatives, it provides a solid framework and evidence base in this area.

The seventh edition of this annual publication covers 43 countries worldwide and includes data covering the 2007-2016 period. It builds on previous editions with important improvements in methodology and analysis. The study shows that the economic environment has generally improved for SMEs. In 2016, fewer SMEs went bankrupt, continuing the trend which began in 2014. In addition, B2B payment delays and non-performing loans remain low by recent standards. Nonetheless, lending is now down in a majority of countries for which data are available, in some instances due to weak demand for credit and low levels of corporate investment.

This has coincided with an emerging trend of rising volumes of financing instruments used by SMEs as alternatives to bank loans. This is the case for asset-based financing such as leasing and factoring, venture capital investments, and crowdfunding and related online marketplace activities. While these developments are welcome, many SMEs remain over-reliant on straight debt for their external financing needs. The financial crisis underscored the vulnerability of these businesses to changing conditions in the credit market. It also highlighted the limitations of bank debt, especially for innovative fast-growing firms for which equity sources of finance are often more appropriate. In addition, micro-enterprises and start-ups continue to face more financing constraints and would benefit in particular from having access to a diversified set of financing options.

The G20/OECD High-Level Principles on SME Financing call for a two-pronged approach to enhance access to traditional debt finance and enable SMEs to access a broad variety of financing sources to complement bank finance. In this respect, the OECD is supporting countries through the identification of effective approaches for implementation of the Principles.

In recent years, many new initiatives to support financial instruments, other than straight debt, have surfaced. These include the establishment or expansion of venture capital funds, the removal of regulatory barriers and the creation of tax incentives for investors in SMEs. Such measures often seek to target young firms with high growth potential, since these SMEs often encounter particular difficulties in accessing external finance. Financial support is also increasingly complemented with non-financial support.

The latest Scoreboard data suggests that these policies are starting to bear fruit. It will remain crucial to monitor these developments, the risks that they might pose, and, more generally, to better understand SME finance trends in order to underpin the development of appropriate policy responses. The Scoreboard will continue to be a vital tool and to assist policymakers in these areas.

Angel Gurría
OECD Secretary-General

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Table of contents

Tables

Figures

Boxes

Reader's Guide

Financing SMEs and Entrepreneurs 2018: An OECD Scoreboard monitors SMEs' and entrepreneurs' access to finance over the period 2007-16. 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 43 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, Kazakhstan, Korea, Latvia, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Russian Federation, Serbia, the Slovak Republic, Slovenia, South Africa, 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). In detail, the core indicators describe and monitor the following key dimensions.

Table 1. Core indicators in financing SMEs and entrepreneurs, 2018

Core indicators	Unit	What they show
The allocation and structure of bank credit to SMEs		
Outstanding business loans, SMEs	Volumes in national currency	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.
Outstanding business loans, total	Volumes in national currency	
Share of SME outstanding loans	% of total outstanding loans	
New business lending, total	Volumes in national currency	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.
New business lending, SMEs	Volumes in national currency	
Share of new SME lending	% of total new lending	
Short-term loans, SMEs	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.
Long-term loans, SMEs	Volumes in national currency	
Extent of public support for SME finance		
Government loan guarantees, SMEs	Volumes in national currency	These indicators illustrate the extent and uptake of government programmes and instruments supporting SMEs' access to finance.
Government guaranteed loans, SMEs	Volumes in national currency	
Direct government loans, SMEs	Volumes in national currency	
Credit costs and conditions		
Interest rate, SMEs	%	The cost of SME loans and how it compares to large firms.
Interest rate, large firms	%	
Interest rate spread	Percentage points	
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	SME loan applications/ total number of SMEs, in %	The (unmet) demand for and utilisation of credit by SMEs, and willingness of banks to lend.
Rejection rate	1-(SME loans authorised/ requested), in %	
Utilisation rate	SME loans used/ authorised, in %	
Non-bank sources of finance		
Venture and growth capital investments	Volumes in national currency and year-on-year growth rate in %	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.
Leasing and hire purchases	Volumes in national currency	
Factoring and invoice discounting	Volumes in national currency	
Financial health		
Non-performing loans, total	% of total business 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.
Non-performing loans, SMEs	% of total SME loans	
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.

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 2016, 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 2015, 2016 and the first half of 2017. 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 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 will be 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. Firstly, 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 recent editions of this report. More detailed information regarding the source and definition of core indicators have been provided for participating countries. 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. In addition, more information is provided on the uptake of financial instruments other than straight debt, and further endeavours will be undertaken in this area for future editions of the publication. Country profiles in the printed edition of this publication are abbreviated to two pages with key facts and the table with core indicators, while the full profiles remain available online. Finally, efforts are ongoing to increase the coverage of participating countries and to harmonise the data from already participating countries.

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), as well as in Chapter 1 of this publication. 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 of 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 investments
- Collect information on SME loan fees, in addition to interest applied on the loans.
- Compile more complete information on the uptake and use of non-bank financing instruments, asset-based finance in particular.
- Detail the definition of collateral and improve reporting, using demand-side surveys to compensate for lack of supply-side data.

Acronyms and abbreviations

ADB	Asian Development Bank
AECM	European Association of Mutual Guarantee Societies
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
EU	European Union
EUR	Euro
EURIBOR	Euro Interbank Offered Rate
EVCA	European Venture Capital Association
FCI	Factors Chain International
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
JPY	Japanese Yen
KRW	Korean Won
KZT	Kazakhstani Tenge
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
PLN	Polish Zloty
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
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
ZAR	South African Rand

ISO Country Abbreviations			
AUS	Australia	**JPN**	Japan
AUT	Austria	**KAZ**	Kazakhstan
BEL	Belgium	**KOR**	Korea
BRA	Brazil	**LUX**	Luxembourg
CAN	Canada	**LVA**	Latvia
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	**POL**	Poland
ESP	Spain	**PRT**	Portugal
EST	Estonia	**RUS**	Russian Federation
FIN	Finland	**SRB**	Serbia
FRA	France	**SVK**	Slovak Republic
GBR	United Kingdom	**SVN**	Slovenia
GEO	Georgia	**SWE**	Sweden
GRC	Greece	**THA**	Thailand
HUN	Hungary	**TUR**	Turkey
IRL	Ireland	**USA**	United States
ISR	Israel	**ZAF**	South Africa
ITA	Italy		

Executive Summary

New lending to SMEs declined in a majority of countries in 2016, while alternative sources of finance became more widely used. This trend coincided with improvements in the operating environment for SMEs, as evidenced by a drop in bankruptcies and payment delays, and a brighter outlook for macro-economic indicators.

New lending to SMEs was down in 2016 in 15 out of 25 countries for which comparable data were available, despite more favourable credit conditions and low interest rates. The median interest rate charged to SMEs fell by 0.82 percentage points, in a context of loose monetary conditions, thereby continuing a downward trend which began in 2011. Survey data show that credit became more accessible in 2016, with notable exceptions including Brazil and the Russian Federation.

The use of financing instruments other than bank debt was generally on the increase in 2016. Leasing and hire purchases rose in a majority of countries in 2016, often by more than 10 percent compared to 2015. Factoring and invoice discounting volumes show a similar pattern. Venture capital investments, although well below pre-crisis levels in 2016 in many economies, increased in two-thirds of participating countries. The global private debt market grew by almost 15% between 2015 and 2016. Innovative sources of finance such as p2p lending, equity crowdfunding and invoice trading continued to grow very rapidly in 2016. While volumes remain modest in most participating countries, these financial instruments are becoming widely used in a few countries, most notably in China, the United Kingdom and the United States.

Demand-side issues, which are often related to weak investment dynamics, appear to explain the fall in new lending in some countries. In Italy, for example, the decline in new loans can be attributed to weak demand for credit, which reached a low in 2016. This picture is not uniform, however, and in other countries, factors such as weak macro-economic performance, risk aversion in the financial sector and tightening credit standards can contribute to explaining the fall in new lending. In Greece, for example, the 2016 decrease in new lending can be attributed to continued weaknesses in the financial sector and a slow recovery of the economy, rather than to falling demand for credit by SMEs.

Stock data on loan volumes show a different trend, with a median growth rate of 2.5% in 2016. The different trends in stock and flow data on SME credit may reflect recourse to long-term credits rather than short-term loans. This preference may be due to the desire to lock in low interest rates for a longer period, and/or the improved ability of SMEs to self-finance day-to-day operations.

These developments took place against the backdrop of improvements in the business environment. The median value for bankruptcies, for example, declined for the fourth consecutive year in 2016, by more than 7% year-on-year. Payment delays and non-performing loans generally remained at low levels compared to the period immediately after the financial crisis. In addition, economic growth prospects are relatively favourable, with the uptick in economic activity, trade and investment in 2017 expected to strengthen.

Governments are undertaking a range of initiatives to foster SME access to finance. Policies to support bank financing are widespread in many participating countries. Credit guarantee schemes in particular are central to governments' ambitions to ease access to credit for SMEs. A rigorous evaluation is crucial to optimise these schemes and tailor them to evolving circumstances and needs of SMEs. Monitoring and evaluation practices vary widely, however, as the thematic chapter of this publication illustrates. In addition, bank loans are being support by a variety of initiatives aiming to mitigate risks, enable SMEs to collateralise a broader set of assets and improve credit information.

In response to a continued over-reliance by SMEs on bank credit, policy makers are increasingly designing complementary policies to support access to a wider range of finance instruments, especially equity. This two-pronged approach, which seeks to complement policies to ease SMEs' access to credit with initiatives to support a more diversified financial offer for small businesses, is in line with the G20/OECD High-Level Principles on SME Financing. Crowdfunding activities in particular are the focus of specific measures in many countries, which seek to put in place an appropriate regulatory and supervisory framework.

Other emerging policy trends include the introduction of comprehensive policy reforms to address the needs of innovative start-ups, combining financial and non-financial support. Moreover, in several countries policies seek to address intra-national disparities in SMEs access to finance. Such initiatives include the introduction of local subsidiaries of national SME development funds or local development centres, and programmes to stimulate digitalisation and entrepreneurship in lagging regions.

Data gaps in SME access to finance persist, especially in regard to the availability of disaggregated data which capture the heterogeneity of the SME population. In addition, documentation of the use and availability of financial instruments other than bank debt by SMEs is often limited, and survey data not always internationally comparable. The OECD will continue efforts to improve the evidence base in these and other areas in order to support governments in monitoring trends in SME access to finance.

Chapter 1. Recent Trends in SME and Entrepreneurship Finance

This chapter analyses trends in SME and entrepreneurship finance over 2007-16, 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 2015 and 2016, and the first half of 2017. 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.

Business environment and the macroeconomic context

Following an uneven recovery from the 2007-08 financial crisis, global GDP growth in 2016, the period covered in this report, stood at 3.1%, its weakest level since the post-crisis period. 2016 growth in global investments and international trade was also well below the historical average (OECD, 2017a).

Global GDP growth recovered to 3.6% in 2017 however, with 2018 and 2019 forecasts more upbeat with manufacturing growth picking up. In the OECD area, real GDP growth stood at 1.8% in 2016, was set to reach 2.4% in 2017 and is forecast to rise to 2.3% in 2018 and 2.1% in 2019. In non-OECD countries, growth is also expected to accelerate from 4.1% in 2016 to 4.6% in 2017 and then to 4.9% in 2018 in real terms (OECD, 2017a).

In particular, there are signals that corporate investments, which recovered slowly and unevenly after the financial crisis, may have turned the corner in 2017, spurred by an ageing of the capital stock. If it gathers pace, this trend could be expected to increase SME demand for finance over the next few years. Global trade, which grew at an exceptionally weak rate in 2016, is also experiencing an uptick.

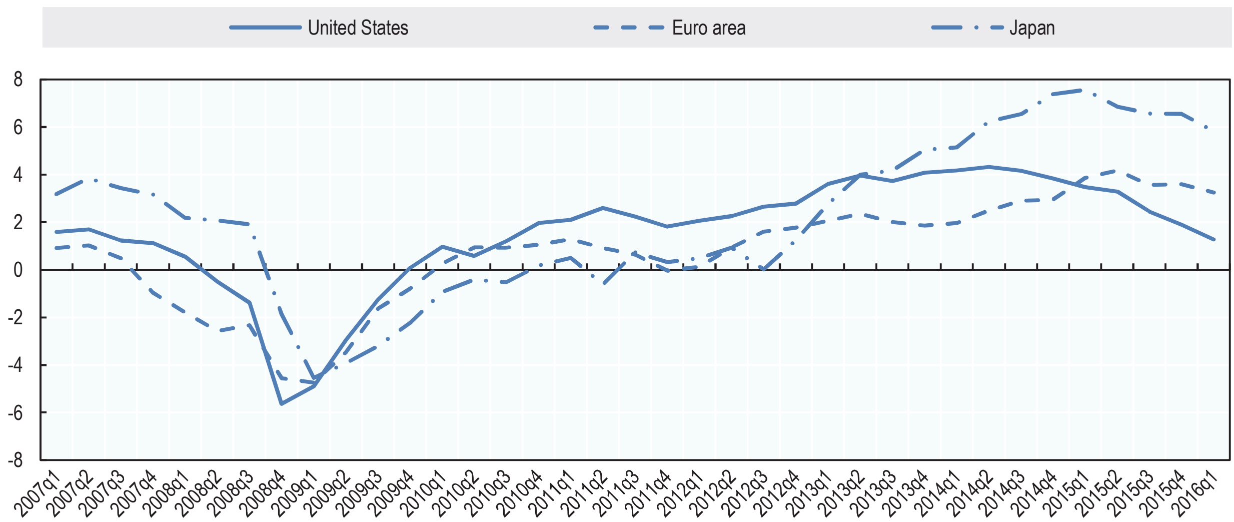
Downward risks may compromise the recovery, however. Financial vulnerabilities persist in particular, with equity prices reaching historic highs in some OECD countries, paired with the fragile state of segments of the financial system, and a high indebtedness of households and non-financial corporations in many advanced economies. This may lead to sharp corrections of asset prices which would weigh on economic growth and on SME access to finance.

Financial conditions

Since 2011, financial conditions have been loosening in the Euro area, Japan and the United States, and this trend continued in 2016 (Figure 1.1).[1] Inflation is expected to remain low by historical standards in much of the developed world, a recent increase in commodity prices notwithstanding. Monetary policy are expected to remain loose in the coming years as long as underlying inflationary pressures continue to be subdued, which is in turn largely dependent on the evolution of commodity prices (OECD, 2017a).

Figure 1.1. Financial conditions indices in the Euro area, Japan and the United States

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/10.1787/888933665162

Lending to SMEs

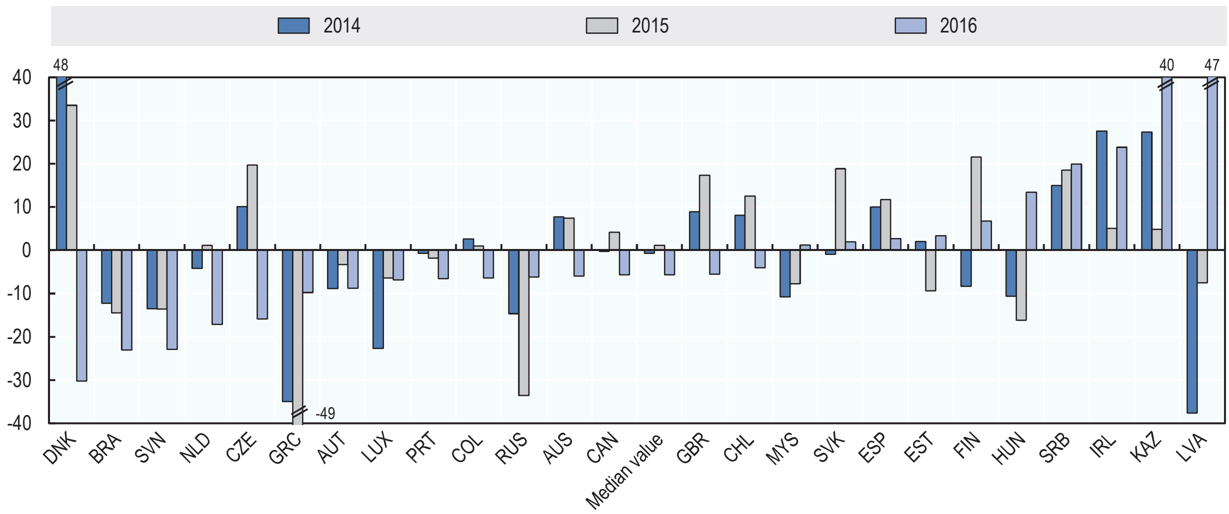
Data on new lending shows a mixed picture, with growth rates turning negative in 2016 in 15 out of 25 countries. On the other hand, the outstanding stock of SME loans continued to increase in a majority of participating countries in 2016, following a trend observed since 2014. The fact that favourable credit conditions were paired with weak growth in new lending may reflect a decline in demand for credit (see section on credit conditions for SMEs).

New SME loans

The data on new lending to SMEs depicts a more negative picture than in previous years. Of the 25 countries that provided data for 2016, growth in new SME loans was negative in 15 of them, sometimes substantially. In 7 countries (Australia, Canada, Chile, Colombia, the Czech Republic, Denmark and the United Kingdom), SME loan growth turned negative in 2016 following positive growth in the previous year. Austria, Brazil, Luxembourg, Portugal and Slovenia witnessed a bigger decline in 2016 than in 2015. In only a minority of instances, growth rates turned positive or strengthened. The median value growth rate in new SME lending fell from 2.6% in 2015 to -5.6% in 2016 (see Figure 1.2).

Figure 1.2. Trends in new SME lending

Year-on-year growth rate, as a percentage



Note: Notes. 1. Definitions differ across countries. Refer to the table of sources and definitions in the full country profiles available online. 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 2016 data were excluded.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2018.

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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 previous editions of this publication, to provide a more accurate picture of the evolution of SME lending, undistorted by general price evolutions.

The decline in new lending can be attributed to several factors, often depending on national circumstances. In Australia, Austria, the Czech Republic, the Netherlands and the United Kingdom, survey data point to lower demand for credit as (partially) driving this development. Lower demand can be linked to weak investment dynamics (see Credit to SMEs: links with key economic variables for more information). In other countries, such as Greece, Slovenia and Portugal, financial institutions appeared to have become more risk-averse when lending to SMEs. In these countries, relatively high non-performing loans still weigh on the supply of credit, especially for segments within the SME population that are deemed risky. In Brazil and the Russian Federation, the decline appears mainly due to unfavourable macro-economic conditions.

Outstanding SME loans

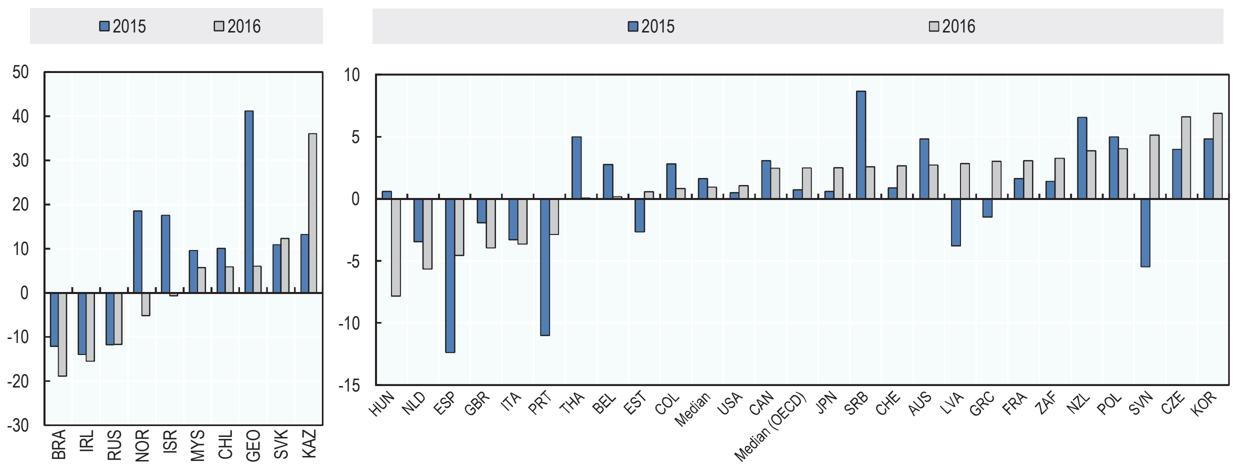
34 countries provide data on the outstanding stock of SME loans and in 2016, the stock of outstanding loans grew in 24 out of 34 countries. The median value of the year-on-year growth in outstanding loans stood at 2.5% in 2016, slightly up from the median growth of 2.19% in 2015. This acceleration in growth happened despite a slowing down in credit growth in mid-income countries such as Chile, Colombia, Kazakhstan, Georgia and Malaysia. The median value for OECD countries only more than doubled between 2015

and 2016 from 1.25% to 2.58%, reflecting relatively strong growth in the outstanding stock in most OECD countries.

In 2016, loan growth turned positive in Estonia, Greece, Latvia and Slovenia, while the outstanding stock of SME loans continued to fall in Portugal and Spain in 2016, albeit much less so than in previous years. By contrast, in 2016 the growth rate turned negative in Hungary, Israel and Norway after strong growth in 2014-15, and continued to decline by more than 10% in Brazil, Ireland and the Russian Federation (see Figure 1.3).

Figure 1.3. Growth of outstanding SME business loans

Year-on-year growth rate, as a percentage



Note: 1. Definitions differ across countries. Refer to the table of sources and definitions in the full country profiles available online. 2. Countries not providing 2016 data are not included. 3. Georgia's 2015 growth rate of 41.19 is not depicted. Kazakhstan's 2016 growth rate of 36.06 is not depicted. 4. 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 2018.

StatLink http://dx.doi.org/10.1787/888933665466

The data on outstanding SME loans is influenced by a greater number of factors than data on new lending, which explains the divergence that can be observed between these two indicators, even though both of them provide information about developments in credit markets. In particular, the pace of loan repayments, changes to the maturity of loans and fluctuations in non-performing loans may lie behind different developments in stock and flow data in SME loans. In Ireland, for example, the outstanding stock of loans fell in 2016, even though new lending was up in the same year, because of increased repayments of existing loans. In Greece, the opposite happened in 2016 with the outstanding stock of loans increasing while new lending declined, which can be largely attributed to the rise in non-performing loans in recent years, which remain on bank's balance sheets, thereby inflating the stock of outstanding loans. In many countries, there has been an upward trend in the relative number of long-term loans compared to the short-term credit. This can explain in part the divergent trends in flow and stock data, since loans of greater maturity remain in the data on outstanding loans for a longer period.

SME loan shares

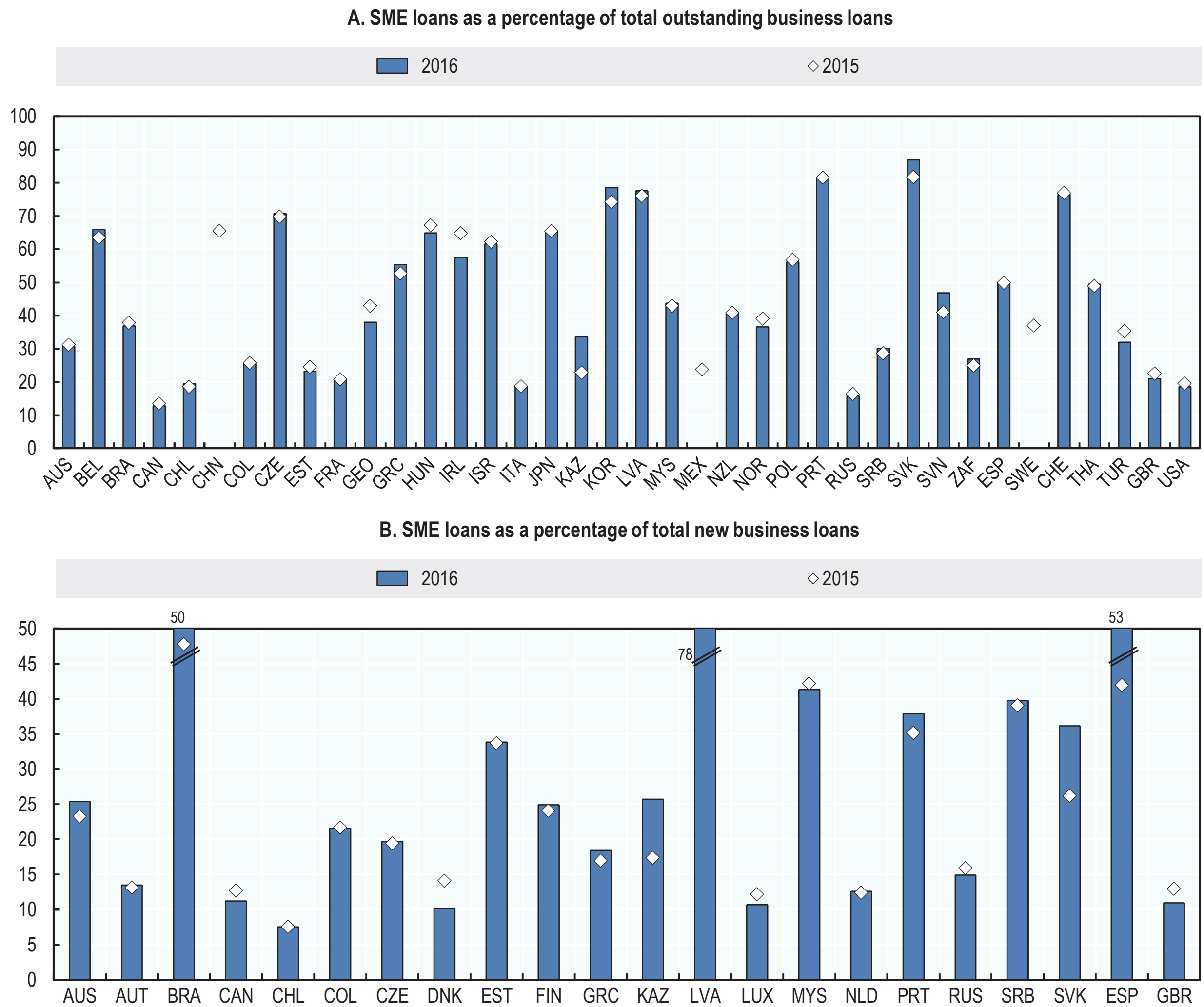
The evidence on outstanding SME loan shares, defined as the shares of SME loans over total business loans, helps to set the above indicators on SME lending into the context of general business lending conditions in participating countries. Figure 1.4 summarises the evolution of loan shares over the 2015-16 period.

The significance of SME loans as a percentage of all outstanding business loans varied greatly across countries in 2016, ranging from less than 20% in Brazil, Canada, France, Italy, the Russian Federation and the United States to levels of more than 75% in Latvia, Portugal, the Slovak Republic and Switzerland, and seems negatively correlated with the overall size of countries and their economies. In addition to the size of the country, income per head appears to be positively correlated with the loan share that is directed toward SMEs. In 2016, the median value of the loan share for all participating countries stood at 42.2%, compared to 55.7% in OECD countries. Participating non-OECD countries' loan share remains well below 50%, even in relatively small countries such as Georgia and Serbia. This possibly reflects a stronger preference from the banking sector in middle income economies to lend to large enterprises. China represents an exception, both in terms of its size and income level, with 65.5% of corporate loans flowing to SMEs in 2015.

The median value for SME loan shares as a proportion of all corporate loans provides some insight into overall trends. It declined from 40.9% in 2007 to a low of 38.5% in 2010, possibly indicating a more problematic access to bank credit for SMEs compared to large enterprises over this period. Between 2011 and 2016, the share of outstanding SME loans rose every year and stood at 42.2% in 2016. The SME share in new lending declined as well between 2007 and 2009, and recovered between 2014 at 19.8% to 24.2% in 2016.

Despite the general upward trend, there have been differences in the evolution of SME loan shares across countries in recent years. Since 2009, the SME loan share has been steadily and significantly increasing in countries such as Israel, Serbia and, since 2010, also in Greece. In contrast, this indicator has been declining substantially in Brazil, Canada, the Russian Federation and the United States.

Figure 1.4. SME loan shares



Note: 1. Definitions differ across countries. Refer to the table of sources and definitions in the full country profiles available online. 2. For Chart A, 2015 data for Greece and 2016 data for China, Mexico and Sweden are not available. 3. 2015 data for Latvia are not depicted.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2018.

StatLink http://dx.doi.org/10.1787/888933665485

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. In addition, demand-side factors also potentially play a large role in these developments. The decline in the SME loan share in Brazil and the Russian Federation are likely due to more difficult access to bank financing for small firms vis-à-vis large enterprises. 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. Even then, the individual context matters to put these developments into perspective; in the United Kingdom, for instance, SMEs decreased only marginally between 2015 and 2016, and mainly reflects a decline in overdrafts in favour of more longer-term options, and should therefore not necessarily interpreted as a negative development.

Table 1.1describes 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.

Table 1.1. Trends in SME loan shares and credit market scenarios, 2015-16

SME loan share change	Countries	Trends in SME and total business loan stock	Credit market scenarios
SME loan shares increased	Chile, China, Czech Republic, Finland, Japan, Korea, Latvia, Malaysia, Slovak Republic, Sweden	SME loans increased more than total loans increased	Increased share of a growing business loan stock
SME loan shares increased	Belgium, Greece, Kazakhstan, Serbia, Slovenia, South Africa, Thailand	SME loans increased but total loans decreased	Larger share of a shrinking business loan stock
SME loan shares increased	Austria, Spain	SME loans decreased slower than total loans decreased	Larger share of a shrinking business loan stock
SME loan shares decreased	Brazil, Denmark, Hungary, Ireland, Italy, Portugal, Russia	SME loans decreased faster than total loans decreased	Smaller share of a shrinking business loan stock
SME loan shares decreased	Israel, Luxembourg, Norway, United Kingdom	SME loans decreased while total loans increased	Smaller share of a growing business loan stock
SME loan shares decreased	Australia, Canada, Colombia, Estonia, France, Georgia, Mexico, New Zealand, Poland, Switzerland, 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, Mexico and Sweden refer to 2014-15 data. 3. The Netherlands is not included in the table due to limited comparability of data on SME lending and total business lending. 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 2018.

Short-term versus long-term lending

Data on loan maturities reveals 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 Spain, 9 out of 10 loans to SMEs are of short-term nature, while in Brazil, Finland and Portugal, around 1 in 5 are. Looking at the median value of participating countries, an almost continuous decline in the share of short-term loans can be observed since 2007. In 2016, the median value rose by almost a percentage point, however. Nonetheless, this uptick in the median value masks a decline in the share of short-term loans in 14 out of 24 countries (see Table 1.2).

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 five years becoming more prevalent, and loans of less than three months less common (Bednar and Elamin, 2014).

Table 1.2. The share of short-term SME loans as a proportion of all SME loans

As a percentage

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Austria			59.82	54.59	52.17	52.43	51.06	48.76	41.21	40.14
Brazil	39.75	35.25	30.24	27.86	28.03	25.25	23.81	22.58	21.61	21.20
Canada	41.62	..	43.40	36.30	35.13	39.00	46.00	55.71	47.20	36.20
Chile	..	..	..	60.20	63.27	60.28	47.76	41.94	36.87	35.78
China	..	..	..	..	..	..	56.10	49.24	47.56	54.69
Colombia	19.44	26.30	23.11	22.02	25.02	24.69	23.96	23.40	23.73	21.89
Estonia	19.73	19.09	17.74	16.76	19.39	18.74	19.20	19.62	18.00	18.46
Finland	..	..	..	20.20	20.44	20.82	17.90	18.29	19.60	20.52
France	26.47	25.93	25.66	26.81	26.56	25.69	25.46	24.99	24.73	24.27
Greece	..	..	..	..	..	..	..	37.57	37.58	38.94
Hungary	64.23	67.66	77.37	78.59	77.18	78.86	56.93	59.75	66.14	64.69
Ireland	89.07	88.62	89.09	86.69	86.90	85.08	83.34	75.46	62.04	67.11
Italy	33.94	31.87	29.25	26.83	26.35	26.60	25.64	25.14	23.62	22.86
Kazakhstan	19.66	18.96	13.82	14.83	16.34	19.64	15.51	21.95	18.93	26.60
Latvia	34.45	37.19	39.91	39.03	38.12	38.17	34.27	31.79	35.05	27.73
Malaysia							29.69	25.65	23.52	23.24
The Netherlands				85.07	87.87	87.20	87.29	86.70	85.76	86.39
Norway	19.26	18.60	16.79	16.85	16.72	18.87	18.73	19.05	18.22	18.03
Poland		26.15	25.10	25.17	24.86	24.60	23.24	23.70	23.12	22.79
Portugal	..	..	32.94	31.09	29.77	23.91	22.94	19.41	17.59	18.79
Serbia	34.98	31.67	34.20	34.17	30.28	28.87	34.13	29.40	25.09	24.82
Slovak Republic	50.45	39.67	41.40	41.40	39.51	40.60	42.22	45.24	43.78	42.61
Slovenia	28.62	31.19	27.33	28.54	31.55	33.47	30.51	18.22	14.70	17.87
Spain	96.19	96.92	93.54	93.33	95.40	95.21	93.33	92.47	92.77	90.00
Sweden	..	..	..	..	..	22.71	22.50	24.83	24.44	..
Thailand	43.43	44.41	44.22	58.12	47.11	48.08	61.35	..	..	..
Median Value	34.72	31.77	32.94	32.63	30.92	28.87	30.51	25.65	24.73	25.71

Note: 1. Definitions differ across countries. Refer to the table of sources and definitions in the full country profiles available online. 2. 1. Data for Austria, Canada, Chile, Finland, Hungary, Ireland, and Spain refer to flows. 2. There was a change in methodology for Chile, Serbia and Sweden in 2012. There was a change in methodology for Latvia in 2012 and 2014.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2018.

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The reasons behind this shift towards long-term loans are not entirely clear. According to the "pecking order theory," SMEs prefer to rely on internal sources of financing rather than debt (Myers and Majluf, 1984). Many SMEs' cash flow position and their capacity to generate retained earnings was negatively affected by the financial crisis. This may have forced them to rely on relatively costly forms of short-term lending facilities such as overdrafts to finance their working capital needs, while cutting back long-term lending for investment purposes. Recent improvements in their cash flow and profitability are potentially allowing small firms to rely on internally generated revenues for their day-to-day operations, thus leading to a decline in external short-term financing.

Investment behaviour also likely played a role. In 2008 and 2009, gross fixed capital formation (GFCF) in the OECD area declined by 2.1% and 11.0% respectively. The recovery in corporate investments has been relatively weak and uneven since. Nevertheless, GFCF growth rates for the OECD as a whole were positive over the 2010-16 period and if this trend continues and gathers pace, as is currently forecast, one would expect SME demand for credit to pick up in the future. Another potential explanation behind the shift towards long-term lending is that firms possibly want to borrow on longer terms as interest rates decline, so as to "lock in" low rates.

Credit conditions for SMEs

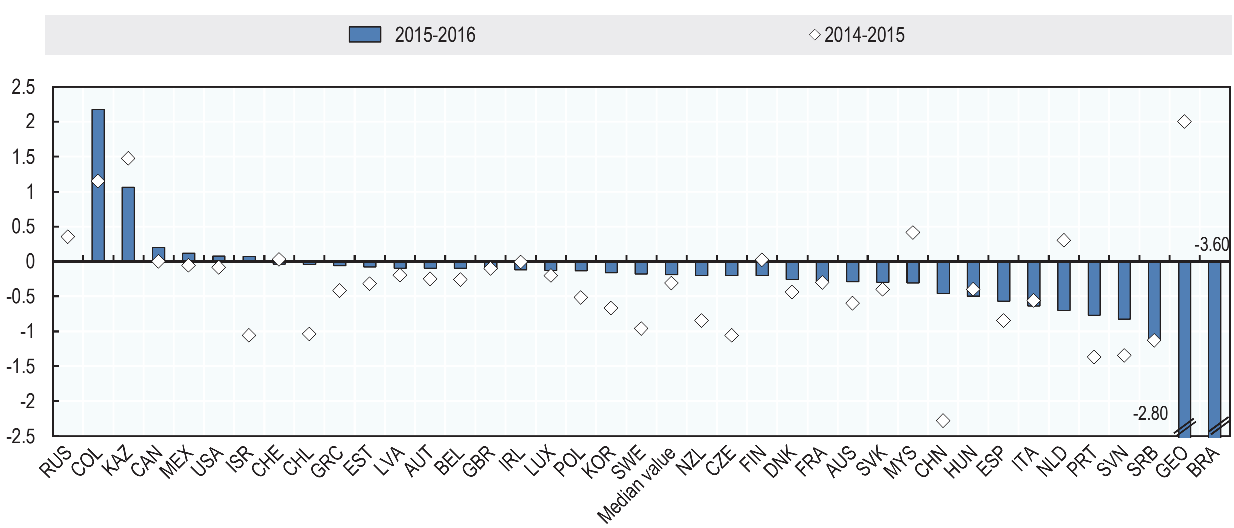
This section describes credit conditions for SMEs and entrepreneurs based on data on the cost of bank finance, collateral requirements and rejection rates. It also draws on findings from supply-side and demand-side surveys. It is important to note that credit conditions can vary substantially for SMEs 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 2016 for 30 out of 36 countries. SME interest rates already decreased significantly between 2011 and 2013, and have continued to decline since, with only few exceptions. Loose monetary policies in many parts of the world mostly drive this trend and continued to push down SME interest rates in 2016. The median decrease in the interest rate is, however, down compared to previous years. Whereas SME interest rates declined by a median value of 29 basis points between 2013 and 2014 and 31 basis points in 2014-15, the drop amounted to 19 basis points 2015-16, indicating that the decline may be on its way to bottoming out (see Figure 1.5).

Figure 1.5. Change in SME interest rates

Absolute change, in percentage points



Note: 1. Definitions differ across countries. Refer to the table of sources and definitions in the full country profiles available online. 2. Brazil's interest rate change between 2014 and 2015 of 11.10 is not depicted 3. 2016 data for Mexico is not available. 2014 and 2016 data for Russian Federation are not available. 4. There were changes in methodology for Israel in 2015 and for Serbia in 2012. 5. 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 2018.

StatLink http://dx.doi.org/10.1787/888933665504

Canada, Colombia, Israel, Kazakhstan, Mexico and the United States were the only countries in the sample with an uptick of SME interest rates in 2016. In Colombia, Kazakhstan, Mexico and the United States, this coincided with an increase in the benchmark interest rate of the central bank in the same year, while Canada increased its rate in 2017 (and it remained constant in Israel in 2016-17). This suggests a relatively close link between interest rates charged to SMEs and the (anticipated) rates set by central banks.

In 10 European countries, the average interest rate declined from levels of more than 5% in 2007 and 2008, to levels of less than 3% in 2016, but remain relatively high in countries that were most affected by the financial crisis, such as Greece and Ireland. In middle income countries, interest rates remain relatively high, reaching double digits in Brazil, Colombia and Kazakhstan. The median value for all participating countries declined from 5.4 in 2012 to 3.6% in 2016, illustrating an overall drop in SME interest rates (see Table 1.3).

Table 1.3. SME interest rates

As a percentage

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Australia	8.56	7.99	7.56	8.29	7.94	7.07	6.43	6.18	5.58	5.29
Austria	5.11	5.47	2.89	2.43	2.92	2.46	2.28	2.27	2.02	1.92
Belgium	5.45	5.70	3.01	2.51	2.88	2.32	2.06	2.09	1.83	1.73
Brazil	..	..	..	..	..	20.50	24.10	26.00	37.10	33.50
Canada	7.50	..	6.20	5.80	5.30	5.40	5.60	5.10	5.10	5.30
Chile	..	..	..	..	..	..	11.80	10.33	9.29	9.25
China	..	..	..	..	..	..	8.39	7.51	5.23	4.77
Colombia	20.09	23.13	20.43	18.66	14.34	14.68	13.24	13.54	14.69	16.87
Czech Republic	5.03	5.57	4.64	4.01	3.73	3.48	3.13	3.76	2.70	2.50
Denmark	5.97	6.59	5.33	4.39	4.38	3.91	3.78	3.44	3.00	2.74
Estonia	6.11	6.71	5.34	5.06	4.92	4.02	3.41	3.36	3.04	2.96
Finland	5.39	5.58	3.02	2.66	3.23	2.86	2.81	2.94	2.96	2.76
France	5.10	5.42	2.86	2.48	3.11	2.43	2.16	2.08	1.78	1.50
Georgia	..	..	..	16.50	15.50	14.50	11.60	10.70	12.70	9.90
Greece	6.57	6.82	4.62	5.53	6.77	6.87	6.51	5.80	5.38	5.32
Hungary	10.19	11.25	12.31	8.99	9.38	9.70	7.40	5.10	4.70	4.20
Ireland	6.23	6.67	3.98	3.88	4.68	4.34	4.30	4.78	4.77	4.65
Israel	..	..	..	5.00	5.62	5.52	4.89	4.22	3.16	3.23
Italy	6.30	6.30	3.60	3.70	5.00	5.60	5.40	4.40	3.84	3.20
Kazakhstan	14.28	15.67	14.01	13.34	12.49	12.10	12.46	11.48	12.95	14.01
Korea	7.31	7.81	6.33	6.12	6.31	5.52	4.91	4.41	3.74	3.58
Latvia	8.30	8.90	7.90	7.10	5.80	4.50	4.50	4.70	4.50	4.40
Luxembourg	5.51	5.72	2.81	2.71	2.68	2.22	2.05	2.08	1.88	1.75
Malaysia	..	6.39	5.50	5.69	5.74	5.72	6.00	7.12	7.53	7.22
Mexico	..	..	11.88	11.70	11.26	11.04	9.80	9.14	9.08	9.20
Netherlands	5.40	5.70	4.50	6.00	6.40	5.10	4.30	4.10	4.40	3.70
New Zealand	12.15	11.19	9.82	10.12	10.02	9.55	9.53	10.26	9.41	9.21
Poland		5.37	3.82	4.31	4.57	4.86	3.85	3.52	3.00	2.86
Portugal	7.05	7.64	5.71	6.16	7.41	7.59	6.82	5.97	4.60	3.83
Russian Federation	..	..	..	..	..	..	..	16.09	16.44	..
Serbia	10.69	10.90	10.57	10.06	9.72	8.15	8.03	7.25	6.12	5.01
Slovak Republic	5.50	4.60	3.00	3.20	3.20	3.80	3.60	3.80	3.40	3.10
Slovenia	6.03	6.78	6.29	6.12	6.33	6.25	6.24	5.75	4.40	3.57
Spain	5.96	5.51	3.63	3.78	4.95	4.91	4.79	3.86	3.01	2.44
Sweden	4.86	5.66	2.43	2.59	4.17	4.07	3.29	2.71	1.75	1.57
Switzerland	..	..	2.21	2.11	2.08	2.01	1.99	2.05	2.07	2.04
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	3.22
United States	7.96	5.06	3.72	3.94	3.72	3.48	3.23	3.03	2.95	3.02
Median Value	6.17	6.36	4.64	5.06	5.30	5.25	4.90	4.56	4.40	3.58

Note: 1. Definitions differ across countries. Refer to the table of sources and definitions in the full country profiles available online. 2. There were changes in methodology for Israel in 2015 and for Serbia in 2012.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2018.

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The interest rate spread between loans charged to large enterprises and to SMEs remained broadly constant between 2013 and 2015, but remained at higher levels than observed in

2007 and 2008. In 2016, the spread fell in 22 out of 34 countries for which 2016 data are available. As a result, the median value of the interest rate spread narrowed from 1.33% in 2015 to 0.88% in 2016, in line with the 2007 pre-crisis level. As interest rates have significantly declined in recent years, the interest rate spread remains higher in 2016 than in 2007 and 2008 in relative terms, however.

While the recent decline in interest rate spreads may indicate a loosening of credit conditions by banks toward SMEs, in some countries this has been driven by certain extenuating circumstances. Kazakhstan, for example, directed state funds toward commercial banks and imposed interest rate ceilings during liquidity shortages to provide concessional funding for SMEs. This created an artificially negative interest rate spread between SMEs and large enterprises in 2009, 2015 and 2016. In Poland, where the spread has remained under 0.5 percentage points over the entire reference period and has averaged 0.1 percentage points since 2011, credit conditions for SMEs in certain sectors (such as real estate) actually tightened in the second half of 2016, along with an increase in the cost of non-interest credit and tighter collateral requirements.

Overall, 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, with the exception of China (see Table 1.4).

Table 1.4. Interest rate spreads between loans to SMEs and to large enterprises

In percentage points

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Australia	0.96	1.83	1.71	1.62	1.57	1.78	2.14	2.03	1.99	2.09
Austria	0.42	0.43	0.56	0.47	0.37	0.48	0.51	0.53	0.41	0.38
Belgium	0.73	0.65	0.92	0.81	0.66	0.58	0.30	0.32	0.23	0.25
Brazil	..	..	..	..	..	8.20	9.20	11.00	19.70	12.70
Canada	1.40		3.10	3.20	2.30	2.40	2.60	2.10	2.30	2.60
Chile	..	..	..	..	..	..	7.13	6.31	5.49	5.29
China	..	..	..	..	..	..	0.67	0.04	-0.03	-0.12
Colombia	7.56	8.89	10.34	11.43	5.06	5.43	5.26	5.21	5.91	5.86
Czech Republic	0.98	0.73	1.18	0.67	1.10	1.05	1.24	1.76	0.90	0.70
Denmark	0.74	0.91	1.70	1.90	1.98	1.77	2.05	1.79	1.46	1.40
Estonia	0.43	0.58	1.14	1.16	1.16	0.98	0.56	0.68	0.99	0.88
Finland	0.56	0.50	0.78	0.80	0.64	0.79	0.90	1.02	1.50	1.43
France	0.58	0.66	0.90	0.91	0.89	0.71	0.70	0.78	0.59	0.35
Georgia	..	..	..	2.90	1.40	1.70	0.40	0.70	1.30	0.20
Greece	1.25	1.11	1.10	1.26	1.03	0.95	0.74	0.25	0.56	0.71
Hungary	1.22	0.97	1.24	1.74	1.30	0.80	1.50	1.00	2.30	1.40
Ireland	0.28	0.48	0.76	1.02	1.35	1.53	1.54	1.80	2.34	2.47
Israel	..	..	..	2.00	2.47	1.90	1.44	1.35	1.15	1.27
Italy	0.60	1.40	1.40	1.50	1.70	1.80	2.00	1.80	1.78	1.40
Korea	0.76	0.79	0.56	0.54	0.55	0.43	0.24	0.18	0.16	0.23
Latvia	1.70	1.80	2.70	2.80	1.80	0.90	0.70	1.40	1.40	1.90
Luxembourg	0.54	0.75	0.21	0.41	0.06	0.35	0.41	0.62	0.46	0.56
Malaysia	..	0.31	0.42	0.69	0.82	0.94	2.27	1.68	2.51	2.56
Mexico	..	..	3.75	3.78	3.57	3.45	3.24	3.10	3.08	3.51
Netherlands	..	..	..	..	2.90	1.50	0.90	1.30	2.00	0.50
New Zealand	3.15	2.96	4.12	3.82	3.97	3.54	4.15	4.31	4.03	4.61
Poland	..	-0.25	-0.47	0.30	0.12	0.12	0.02	0.12	0.09	0.09
Portugal	1.76	1.72	1.87	2.25	2.01	2.16	1.85	1.60	1.35	1.14
Russia	..	..	..	..	..	..	..	3.15	3.49	..
Serbia	4.37	2.85	3.35	2.70	1.85	1.55	1.70	2.07	2.79	1.89
Slovenia	0.39	0.27	0.35	0.20	0.42	0.88	0.87	0.87	0.65	0.23
Spain	0.63	1.21	1.47	1.21	1.59	2.30	2.10	1.87	1.04	0.88
Sweden	0.87	0.82	0.72	0.95	1.16	1.04	0.65	0.56	0.40	0.35
Switzerland	..	..	0.86	0.88	0.92	0.90	0.83	0.89	0.78	0.79
Thailand	1.20	1.31	1.42	..	2.65	1.50	1.30	..	..	..
United Kingdom	..	1.05	1.12	1.39	1.27	1.30	1.40	0.98	1.22	0.82
United States	1.21	0.86	0.81	0.83	0.82	0.89	0.92	0.82	0.93	0.86
Median Value	0.87	0.86	1.13	1.21	1.30	1.18	1.27	1.33	1.33	0.88

Notes: 1. Definitions differ across countries. Refer to the table of sources and definitions in the full country profiles available online. 2. There were changes in methodology for Israel in 2015 and for Serbia in 2012.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2018.

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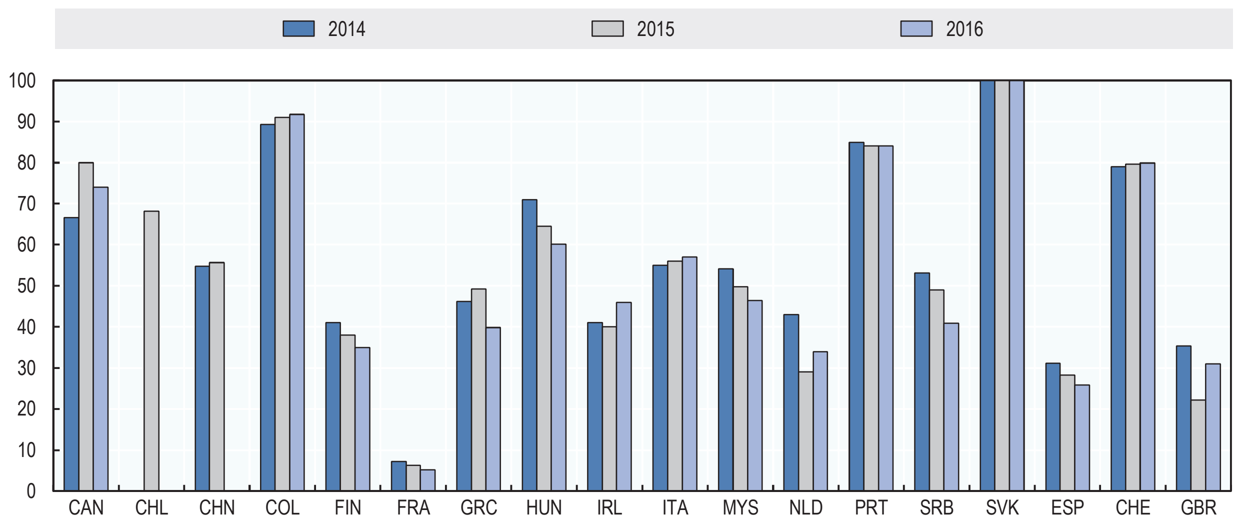
Collateral requirements

Data on collateral is difficult to obtain, and reporting improvements are needed to better assess the evolution in SME financing conditions in this respect. 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.

Out of the 16 countries that provided 2016 data, 9 experienced a decline in collateral requirements, most pronounced in Greece and Serbia, while in 6 other countries (Colombia, Ireland, Italy, Malaysia, the Netherlands, Switzerland and the United Kingdom) collateral requirements increased (see Figure 1.6).

Figure 1.6. Trends in SME collateral requirements

Percentage of SME bank loans requiring collateral



Notes: 1. Definitions differ across countries. Refer to the table of sources and definitions in the full country profiles available online. 2. 2016 data for China, and 2014 and 2016 data for Chile, are not available.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2018.

StatLink http://dx.doi.org/10.1787/888933665523

Despite no clear trend in collateral requirements, banks appear to have become more risk-averse compared to the pre-crisis period in recent years, to the detriment of innovative companies, young firms and start-ups. Although precise data is difficult to obtain, some evidence points in this direction. In Austria, for example, survey data points out that, while credit availability in general has improved, credit conditions have become tighter for start-ups and young enterprises with no track record and no tangible assets. Collateral requirements steadily increased year-on-year in the 2009-15 period in China and may be an indication of increased risk aversion from the Chinese credit system, from 50.6% in 2009 to 55.7% in 2015, possibly contributing to the dip in SME loan applications. The French Government recently enacted policy reforms to ease finance constraints for firms to undertake riskier projects by channelling existing support to fund intangible investments, export projects, and training or innovative upgrading of firms' production processes, given the persistent reluctance of its banking sector to provide credit for this purpose. In Portugal, 84.0% of SMEs required collateral to obtain bank financing, a figure that has remained roughly constant since 2009. Nonetheless, further analysis reveals that Portuguese SMEs were required to put up higher and better quality collateral to access bank financing in 2016.

Young and innovative SMEs generally have high financing needs relative to their turnover, are considered as more risky by financial institutions and have often relatively few or no tangible assets to collateralise. Although these firms are often well endowed with intangible assets, many challenges persist to unlock SME financing through intangible assets (see Box 1.1.).

Box 1.1. Collateralising intangible assets: Current challenges

Intangible assets, i.e. "an identifiable non-monetary asset without physical substance" such as patents, copyrights, brand equity, software of computerised databases, etc. make up an increasing part of SMEs' value. The value of fast-growing, innovative enterprises especially derives, for a large part, on investments in their intangible assets. A number of challenges inhibit small firms from leveraging this value to obtain debt funding, such as:

- **Gauging a proper value**: The biggest hurdles to lend against intangible assets may be the difficulties in attaching a value to them, as valuation models and standards vary, leading to potentially divergent outcomes, and the value over time may fluctuate substantially;
- **Insufficient corporate reporting**: Intangible assets only appear on firms' balance sheets under certain defined circumstances. This underreporting, and the resulting lack of visibility increases information asymmetries and impedes a correct assessment of the importance of these assets to the firms' performance;
- **Redeployment issues**: A limited ability to use the intangible assets in other companies other than the original developers and/or to separate the value of the assets from the business model given its association with the specific business model;
- **Obtaining effective security over the asset**: The process of taking over actual or conditional ownership of the assets may not be as straightforward as with tangible assets and may depend on the security interest regime of the country in which the firm is located. This also applies to enforceability.
- **Absence of disposal routes**: A lack of (secondary) markets for intangible assets, rendering the liquidation value of these assets uncertain;
- **High transaction costs**: Unfamiliarity with the asset class, well-established disposal routes, the lack of databases, and insufficient regulatory support all increase the transaction costs to value and collateralise intellectual assets, as well as to recover its value in case of an insolvency;
- **Insufficient bank understanding**: Banks often lack an understanding of how to value intangible assets, and do not always recognise how these assets can be factored into lending decisions.

The market failure appears to be most prominent in debt funding, which has therefore been the main area of policy focus, and is often driven by the policy objective to nurture fast-growing, innovative SMEs. Many recent initiatives therefore focus on helping to let the market determine which company-owned intangible assets have realisable value.

Public policy attention to the use of IP and intangibles for SME finance has been mostly concentrated in Asia. Approaches include the provision of subsidised IP evaluation reports in Japan. China's State Intellectual Property Office acts as a central registry of pledges and evaluation regimes, complemented by a set-up of measures to stimulate IP financing techniques, such as state-backed compensation schemes to cover bad debts, a guarantee coverage of up to 100% under certain conditions, lender incentives (dependent on the relative number of IP-backed loans), interest rate subsidies for IP-backed loans, and dedicated funds. In Korea, the Korean Development Bank has initiated loans for purchasing, commercialising and collateralising IP, and its credit guarantee institution offers underwriting for an IP valuation for lending or securitisation.

When assessing the effectiveness, additionality and (financial) sustainability of these and other measures in this area, it appears that these measures benefit from economies of scale and are relatively costly given the losses that will inevitably have to be absorbed. In addition, the engagement of the private sector, as well as the role of guarantees and/or insurance seems appears to play a vital role.

Source: OECD, forthcoming.

Financial institutions also continue to explore alternative means of risk mitigation. In the United Kingdom, for example, access to credit data held by the big banks has also been opened up to increase the reliability of credit scores, enabling alternative finance providers to make better-informed decisions about finance provision to smaller businesses.

In Portugal, the government has created the "SME Leaders Programme" to improve relations between banks and SMEs. This programme identifies the best SMEs and builds trust between SMEs and banks in terms of assessing credit worthiness. The distinction associates a set of benefits: access under better conditions to financial products, public and private differentiated financial products, network services, visibility and the facilitation of business in its relationship with the market. The number of SME Leader firms increased from 2 996 in 2008 to 7 120 in 2016, despite the increasingly more demanding prerequisites. Around 70% of these are SMEs. Given their lower risk profile, they are prime targets for lending. For example, in two important financial lines with shared risk by the state (SMEs Invest and SMEs Growth), the SME Leader accounted for 6% of operations but concentrated almost 50% of approved funding.

Rejection rates

As with data on collateral, data on rejection rates are usually gathered from demand-side surveys. 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 that 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.

19 countries reported 2016 data on SME loan rejection rates. 14 out of these countries reported a decline in the rejection rate between 2015 and 2016. This evolution contrasts with observations in recent years, where no clear trend was noticeable, and provides an indication of loosening credit conditions (see Table 1.5).

Table 1.5. Trends in SME loan rejection rates

As a percentage

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Austria	..	..	10.2	2.6	0.8	0.4	2.7	6.0	5.5	2.5
Belgium			0.5	5.1	6.4	10.4	10.9	5.9	5.7	6.1
Canada	..	..	..	9	8	7	9	12.8	7	9
Chile	41.4	..	15	..	..	..	12.3	..	14.7	..
China	..	..	..	..	..	..	6.2	12.0	11.7	6.1
Colombia	2	4	9	5	3	4	7	3	7.5	4
Denmark	3	..	..	12	..	..	..	14	..	..
Finland	..	..	7.0	4.9	3.1	8.1	7.1	6.7	6.2	5.6
France						11.1	8.0	6.6	7.6	6.2
Georgia	..	..	..	..	..	..	4.6	..	..	..
Greece	..	..	25.8	24.5	33.8	28.3	26.0	21.5	19.9	18.2
Hungary	..	..	..	..	..	..	68.8	67	84.4	71.6
Ireland	..	..	..	..	30	24	20	14	15	16
Italy	3.1	8.2	6.9	5.7	11.3	12.0	8.9	8.4	6.0	4.0
Korea	41.5	45.8	38.2	44.3	38.9	36.9	34.9	40.8	34.9	27.1
Malaysia		..	..	..	..	..	14.6	8.3	24.0	
Netherlands	..	..	31	10	13	28	28	27	21	20
New Zealand	6.9	11.6	18.4	20.9	11.4	14.6	9.4	8.4	10.6	4.8
Portugal	..	..	15.5	6.0	14.7	11.4	12.2	7.3	8.7	5.4
Serbia	18.7	17.2	28.4	27.1	15.8	32.0	32.2	25.1	24.3	28.1
Slovak Republic					20		15		13.0	5.0
Spain	..	..	22.7	15.9	12.8	18.5	12.9	9.8	7.9	7.0
Thailand	28.5	25.9	14.7	26.9	..	..	..	..	..	..
United Kingdom	..	..	..	27	30	31	33	19	18	19
Median Value	12.79	14.41	15.27	11.00	12.92	13.32	12.25	10.87	11.72	6.21

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2018 and SAFE survey data.

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SME loan applications

The data illustrates that, usually, one-fifth to one-third of SMEs applied for credit over the last six months and the majority of SMEs thus do not seek external financing. An increase in this ratio is indicative of a stronger demand for credit, and the data should thus 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 Italy, the application rate remained broadly stable; and data from the Centrale Bank point out that demand for credit by SMEs declined in 2016. The 2016 data, covering 17 countries, does not demonstrate a clear trend, with the number of application rates rising roughly in balance with countries witnessing a decline, and remaining constant in one. As in previous years, the demand for credit thus appears to have remained broadly stable over time (see Table 1.6).

Table 1.6. Trends in SME loan applications

As a percentage of the total number of SMEs

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Change 2015-16
Austria	..	..	26.3	27.5	25.5	28.3	27.6	25.7	28.7	21.2	-7.4
Belgium			22.2	26.5	30.2	29.3	29.4	39.3	36.6	36.7	0.1
Canada	17.0	..	14.9	18.0	24.0	26.0	30.0	27.8	23.0	26.0	3.0
Chile	32.9	..	32.4	..	..	..	26.4	..	24.6	..	..
China	..	..	..	..	..	..	..	..	69.9	63.1	-6.8
Colombia	49.0	53.0	44.6	49.6	47.0	44.0	43.3	39.6	42.6	34.0	-8.6
Denmark	20.0	..	..	24.0	..	..	..	13.0	..	..	..
Finland	..	..	13.8	18.4	20.8	21.5	21.9	27.7	22.0	23.9	1.9
France						38.4	35.6	35.7	37.9	37.9	0.0
Greece	..	..	37.9	39.6	30.8	29.9	21.4	25.5	18.8	21.5	2.7
Ireland	..	..	..	..	36.0	39.0	36.0	31.0	30.0	23.0	-7.0
Italy	..	..	34.8	36.1	32.2	34.1	34.5	35.5	35.8	36.5	0.7
Luxembourg	..	..	..	..	18.2	..	25.8	16.4	23.0	26.2	3.2
Malaysia	..	..	..	12.5	..	..	..	..	..	..	..
Netherlands	..	..	29.0	22.0	18.0	22.0	21.0	21.0	24.0	21.0	-3.0
Portugal	..	..	24.5	30.1	26.3	23.7	23.5	18.3	23.0	24.2	1.2
Serbia	..	..	..	..	..	..	..	..	14.9	16.5	1.5
Slovak Republic					17.0		16.0		23.0	18.0	-5.0
Spain	..	..	38.1	36.3	34.7	31.9	31.5	34.4	33.8	32.8	-1.0
United Kingdom	..	..	..	..	9.7	..	13.0	18.0	18.0	15.0	-3.0
Median Value	..	..	29.00	27.00	25.89	29.62	27.02	27.70	24.30	24.21	

Note: Data for the United Kingdom is sourced from the annual SAFE survey and differs from the data in the individual profile.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2018 and SAFE survey data.

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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 illustrates that credit conditions remained relatively loose and interest rates on the decline in most of the Euro area, Japan, the United Kingdom and the United States. In addition, these studies indicate that SMEs continue to consider bank finance to be relatively available, especially when compared to the period following the financial crisis.

Euro zone

The ECB Survey on SME access to finance in euro area countries (SAFE), undertaken every six months, provides insights into how credit conditions are perceived by SMEs in this area.[2] The data indicates that finance conditions and access for SMEs operating in the euro area have improved in recent years, and this trend continued into the last quarter of 2016 and the first quarter of 2017. According to the survey conducted between October 2016 and May 2017, the access of external funding outstripped the growth of financing needs, which has remained relatively stable in recent years. France, Italy and especially Greece constitute the only exceptions to this trend.

The survey data also shows a marked increase in loan applications that were granted in full, along with a decline of credit rejections in the second half of 2016 and the first half of 2017. SMEs reported a continued decline in interest rates for bank credits, although the pace of this decline slowed down considerably since the second half of 2016. Finally, collateral requirements continued to tighten, albeit at a slowing rate (see Table 1.7).

In addition, euro zone SMEs expect further improvements in the availability of bank loans, as well as most other sources of finance (ECB, 2017). 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.

Table 1.7. ECB Survey on SME access to finance

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	H1 2016	H2 2016	H1 2017
Availability of loans													
Improved (net)	-14	-20	-22	-10	-11	-4	-1	7	8	11	11	13	13
Need for loans													
Remained unchanged (net)	5	9	6	5	5	5	1	3	1	1	1	3	0
Applied for a loan	32	28	30	31	31	32	30	30	30	30	29	32	27
Granted in full	65	63	61	65	66	68	59	64	66	68	69	74	74
Rejected	9	12	14	10	11	10	12	8	9	8	7	6	5
Interest rate													
Decreased (net)	54	42	27	17	19	9	-9	-25	-18	-30	-26	-9	-5
Collateral requirements													
Increased (net)	33	36	39	35	31	26	29	20	18	19	18	15	13

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 (2017), surveys were held in September-October 2016.

StatLink http://dx.doi.org/10.1787/888933665713

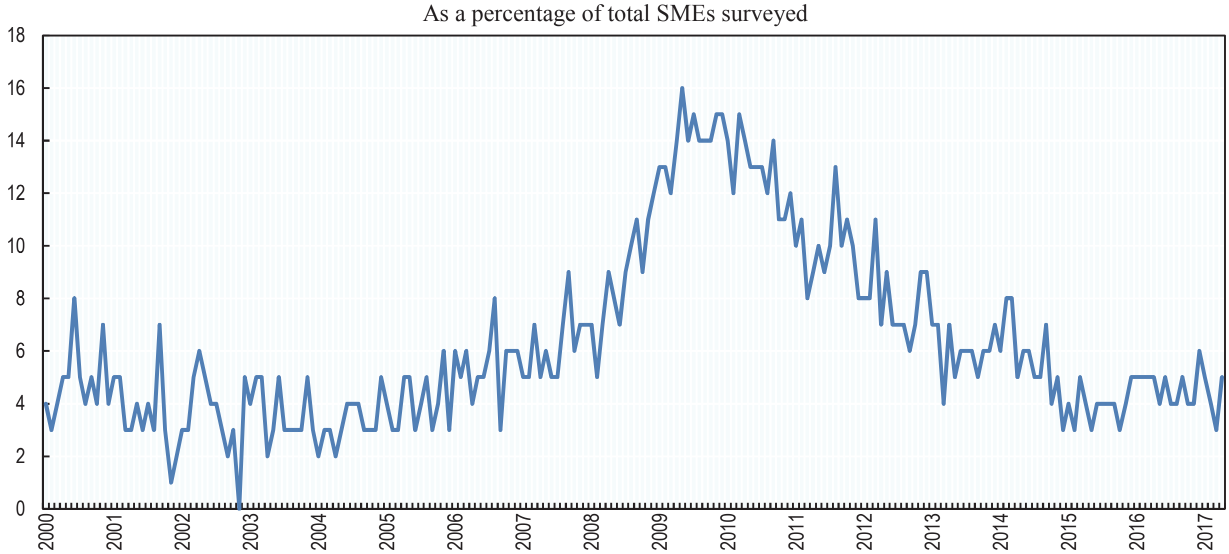
Access to finance was considered to be the most pressing concern for only 9% of euro area SMEs at the end of 2016/ the beginning of 2017, further following the downward path in recent years, and suggesting a continued improvement of access to credit for SMEs. This decline has been almost uniform across participating countries, with Greece the main outlier with 27% of respondents describing access to finance as their main concern (up from 24% in the preceding wave).

United States

In the United States, the NFIB Research Foundation collects Small Business Economic Trends data on a monthly basis since 1986. The survey illustrates that only 2% of surveyed small businesses in the United States stated that financing was their main concern, and only 3% reported that their financing needs were not being met. Both numbers remained constant compared to 12 months earlier and indicate the relative ease and affordability of accessing credit. 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 2017, credit availability remained broadly constant according to this survey (see Figure 1.7).

Figure 1.7. Loan availability in the United States

As a percentage of total SMEs surveyed



Note: Net Percent "Harder" minus "Easier" Compared to Three Months Ago.
Source: Dunkelberg and Wade, 2017.

StatLink http://dx.doi.org/10.1787/888933665542

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 have mostly loosened after the second quarter of 2010. The data shows a moderate tightening in credit standards during most of 2016, and a very small loosening in the first half of 2017.

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. Between 2006 and 2011, the demand for industrial and commercial loans from small businesses plummeted. Between 2012 and 2015, demand picked up again, but has been on the decline again for most of 2016 and the first half of 2017.

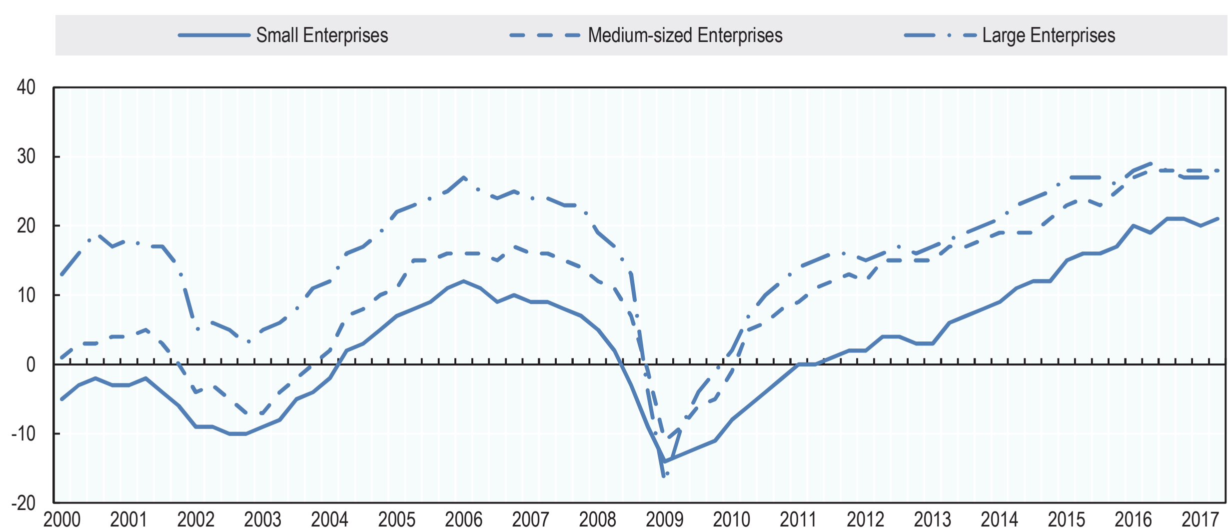
Japan

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. Between 2010 and 2015, financing conditions loosened according to this indicator. From 2015 onwards, lending attitudes for small and medium-sized enterprises have by and large remained constant and accommodative. It is noteworthy that the perceived lending attitudes for large and medium-sized enterprises have become largely similar in recent years, in contrast with the pre-crisis period, when medium-sized firms faced tighter conditions. The gap between small and large firms has remained large, however (see Figure 1.8).

Figure 1.8. Lending attitudes in Japan

Diffusion index, in percentage points



Note: There is no continuity between the figures up to the December 2003 survey and those from the March 2004 survey.
Source: Bank of Japan (2017a).

StatLink http://dx.doi.org/10.1787/888933665561

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; 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 first quarter of 2017. The survey shows that the credit availability for small businesses has improved in 2015 and remained more or less constant in 2016 and the first quarter of 2017. Demand for credit shows a decline in 2016, however, as did loan applications, even though both indicators picked up a bit again in the first quarter of 2017.

Credit to SMEs: links with key economic variables

The section above reveals that in most countries covered, credit conditions have eased considerably and availability of credit progressed in 2016. In addition, the economic environment in which SMEs operate has generally improved. These developments, coupled with relatively favourable framework conditions, as evidenced by data on bankruptcies, payment delays and broadly favourable GDP forecasts, have not systematically led to more credit flowing to SMEs, however. The correlation between new lending and credit conditions appears to be weak in general; no clear relationship could be established between annual changes in credit to SMEs and the average interest rate, for instance. Over the 2007-16 period, the take-up of credit thus seems largely independent of its cost.

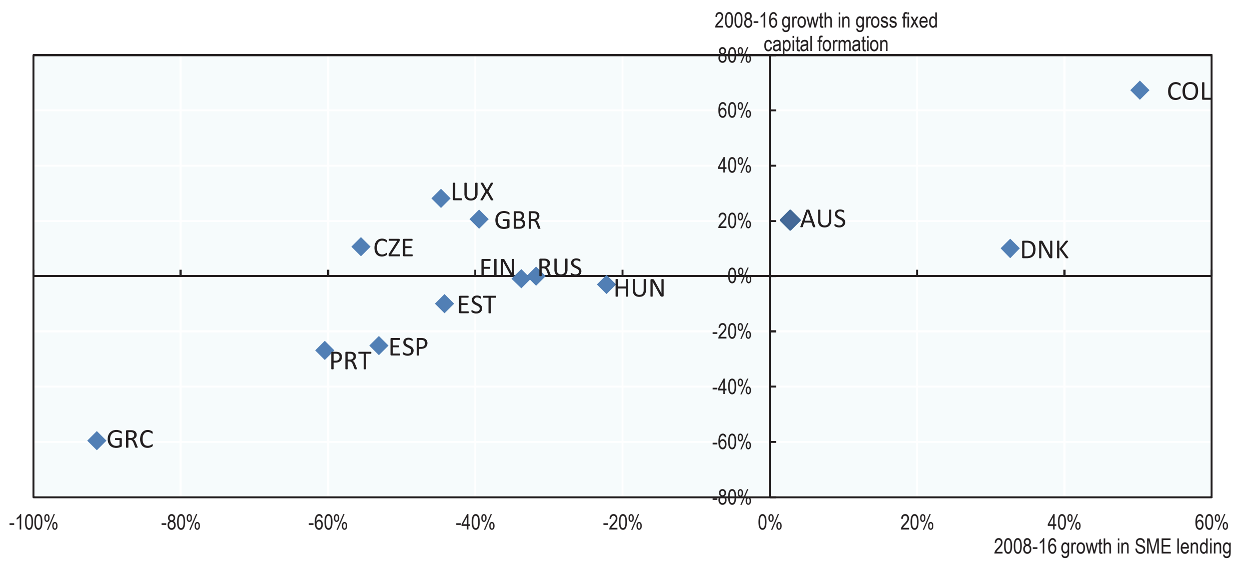
The fact that the favourable operating environment and lending conditions are paired with weak growth in credit, appears to reflect a decline in demand for credit in some countries. In Italy, for example, small firms' share of the total amount of outstanding credits reached a low point in 2016. Survey data provides indications that this is likely due to demand patterns, with small firms decreasing their demand for credit. In the United Kingdom, new loans to SMEs turned negative in 2016, which occurred simultaneously with a marked decline in demand for credit by small businesses.

This picture is far from uniform, however. Supply-side factors appear to play a role in the drop in SME lending in other countries, such as Greece, Portugal and Slovenia, where credit standards have remained tight, or recently tightened. In other countries, such as Brazil and the Russian Federation, both supply-side factors and the weak overall economic environment likely played an important role.

The subdued demand for credit in some countries is likely linked to the slow investment recovery since the financial crisis. Compared to previous economic crises, the decline in investment in 2008 and 2009 was much more pronounced and its recovery slow. In the United States, for example, 32% of small firms declared to plan a capital expenditure over the 1986-2007 period, on average. This proportion fell to 17-18% in 2009, and remained below the long-term trend afterwards (averaging 23% over the 2010-2017Q2 period), coinciding with a subpar recovery in SME borrowing. In Australia, another country where SME borrowing turned negative in 2016 despite strong economic growth, 2016 business investments outside of the mining industry were also sluggish. In Austria, weak demand for fixed investments have been cited as a reason why new lending by SMEs has been on the decline since 2011. In Japan, the share of SME lending in overall corporate lending has declined by more than 4 percentage points between 2007 and 2016, which mirrors weaker investments by small firms than by large businesses over this period. In all four countries 2017 investments by SMEs are forecast to pick up, which is expected to coincide with more borrowing by SMEs.

Historical evidence suggests that a slowdown in investments by small businesses affects SME lending more generally. There is a strong correlation between credit flows (new lending) and corporate investments, as proxied by "growth in gross fixed capital formation (GFCF)" over the medium term (between 2008 and 2016) (Figure 1.9). The correlation coefficient equalled 0.8755, which illustrates that both variables move in the same direction. In Estonia, Hungary, Portugal, Spain and especially Greece, fixed capital formation declined over the 2008-16 period and these are the countries where net lending has remained well below pre-crisis levels. In Australia, Denmark and especially Colombia, both investments and new SME lending has increased over the same period. As corporate investments in fixed capital are forecast to rise over the next few years, SMEs could be expected to increase borrowing as well.

Figure 1.9. Trends in new lending and gross fixed capital formation



Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2018.

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The demand for credit is also likely to be impacted by the availability and use of other finance instruments besides straight debt. The coincidence of relative strong economic performance in recent years with stagnant or negative growth of bank credit by SMEs in the United Kingdom and the United States may potentially be related to the rise in popularity of peer-to-peer lending platforms and other crowdfunding activities in these countries over the same period. As the section on "other sources of financing" in this chapter illustrates, crowdfunding activities in these two countries have become a non-negligible source of external funding for SMEs in 2015 and 2016. Research using data from the United States indicates that crowdfunding activities may indeed substitute for commercial bank loans (Wolfe and Yoo, 2017). In China, another country where crowdfunding volumes have reached critical mass, loan growth has declined considerably in 2015, remaining below GDP growth for the first time in the 2010-15 period, and loan applications fell by more than 8 percentage points.

Likewise, asset-based financing such as leasing and factoring have become more widely used, especially in 2016, and that may have also decreased demand for straight debt. Finally, SMEs may find it easier to rely on internal financing in 2016 than they have in the immediate aftermath of the financial crisis, potentially also lowering their demand for credit. In the Czech Republic, for instance, there are increasing efforts from small business to optimise their balance sheet and use own finances for investments and especially operational expenses.

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 on the one hand, and factoring and invoice discounting on the other 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.

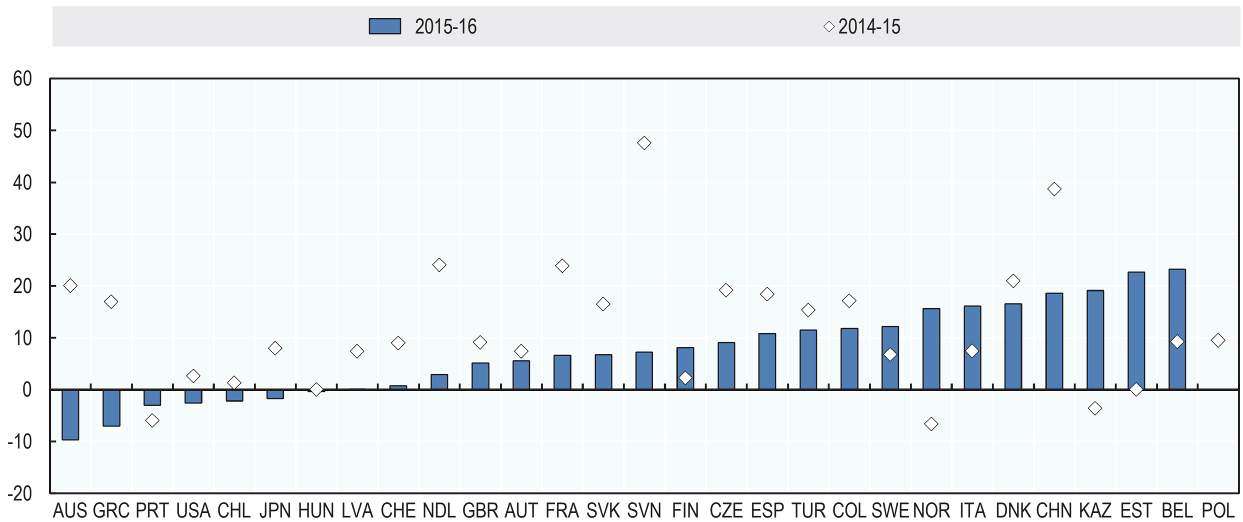
Leasing and hire purchases

Data from national sources, complemented by information from Leaseurope,[3] shows an increase in leasing and hire purchase activities for the second consecutive year in 2016.

Out of the 27 countries for which 2016 data is available, leasing and hire purchase activities rose by double digits in ten, and declined in only seven (see Figure 1.10). This marks the second consecutive year of strong growth, albeit slightly less robust, with a median increase of 9.1% between 2014 and 2015 and 6.8% between 2015 and 2016 (and from 9.1% in 2014-15 and 6.1% when only considering OECD countries).

Figure 1.10. New production in leasing and hire purchases

Year-on-year growth rate as a percentage



Note: Data for Japan refers to leasing alone, as stocks. 2. 2014 data for Hungary was not available. 2016 data for Poland is 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 (2017) and data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2018.

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Factoring

Data on factoring volumes are sourced from Factors Chain International (FCI), and were broadly up in 2016, however with considerable country variation.[4]

Out of the 41 participating countries for which data is available, around two-thirds reported an increase in factoring volumes in 2016. The upward trend is far from uniform, however, with the year-on-year change in factoring volumes turning negative in Colombia, Finland, Georgia, Hungary, and Japan (see Table 1.8). In most participating countries, factoring volumes increased in the immediate aftermath of the financial crisis. The data thus suggests that the availability of factoring was not severely impeded by the outbreak of the crisis, and actually served as an attractive substitute in lieu of more traditional bank/credit financing.

Table 1.8. Factoring volumes

Year-on-year growth rate as a percentage

Country	2008	2009	2010	2011	2012	2013	2014	2015	2016
Australia	-7.65	21.09	7.98	22.45	-13.46	-19.99	5.00	-0.63	12.84
Austria	19.52	2.45	23.99	6.19	19.68	26.64	14.21	9.28	6.01
Belgium	14.94	5.46	32.07	16.30	8.60	11.30	15.37	9.51	1.16
Brazil	-3.67	25.16	52.56	-14.16	-11.40	-32.71	-6.62	-15.56	44.63
Canada	-32.45	10.88	11.35	37.47	32.75	-21.25	0.75	-4.42	0.82
Chile	8.13	-12.31	3.94	26.97	10.38	4.19	-8.01	-13.90	8.25
China	54.68	22.52	114.74	63.74	22.67	7.60	6.53	-13.17	-15.55
Colombia	-3.82	10.13	12.09	67.94	-11.23	52.08	24.40	12.25	-30.24
Czech Rep.	2.52	-26.74	19.01	15.96	0.12	0.60	8.81	-15.19	-5.28
Denmark	-37.67	28.41	9.16	13.77	-6.16	0.61	16.24	19.40	4.62
Estonia	2.44	-29.92	20.07	-9.92	56.29	-2.45	3.90	-0.99	22.26
Finland	-2.99	-16.57	14.92	2.20	27.02	1.52	14.20	10.49	-5.47
France	8.39	-5.14	18.28	12.85	5.60	6.66	12.45	8.84	7.18
Georgia	..	..	..	..	..	..	..	164.43	-3.82
Greece	32.06	17.39	18.62	-0.59	-13.04	-2.74	9.70	-0.08	-0.81
Hungary	-1.40	-24.32	29.61	-17.48	-8.22	-3.53	2.90	31.45	-4.48
Ireland	5.24	-14.86	8.04	-12.42	6.06	4.80	21.58	-2.82	-6.59
Israel	71.02	-3.71	16.09	-1.69	-16.95	-27.02	179.99	-31.56	44.51
Italy	1.87	-4.94	15.32	20.11	2.41	-3.30	1.83	3.40	8.71
Japan	38.39	-20.93	19.96	14.86	-11.95	-20.26	-35.03	3.94	-8.96
Korea	-8.47	215.17	67.63	56.74	-2.10	52.98	2.39	0.59	6.08
Latvia	17.18	-34.39	-63.20	6.31	40.87	7.73	13.11	27.00	-0.71
Luxembourg	17.82	-42.62	-11.22	-46.50	61.96	34.16	-18.05	-0.69	0.58
Malaysia	4.93	33.99	40.32	-5.85	68.04	-0.17	-2.41	-81.41	354.00
Mexico	-2.32	-78.51	556.28	37.70	19.79	5.81	-13.25	-26.57	11.29
Netherlands	-8.00	-0.40	15.65	31.24	7.17	2.63	2.50	22.98	25.02
Norway	-20.11	6.19	-5.78	1.87	6.90	-12.28	5.09	10.07	19.81
Poland	-4.95	48.26	32.88	6.97	33.78	28.51	5.52	3.76	12.27
Portugal	4.76	-2.67	16.44	34.68	-17.36	-4.97	-4.75	4.90	5.28
Russia	4.51	-47.91	24.15	50.18	53.40	13.82	-37.18	-26.05	15.92
Serbia	48.00	2.32	15.18	69.04	-3.46	-32.21	-56.12	41.63	23.40
Slovak Republic	12.75	-28.54	-13.61	17.43	-13.64	3.76	-2.83	0.22	59.49
Slovenia	36.69	-3.25	1.00	-16.32	17.86	-4.51	-10.79	-42.13	202.13
South Africa	13.78	3.70	5.31	32.78	-4.80	-14.74	-22.30	-11.99	4.10
Spain	16.98	3.96	8.16	8.13	1.50	-6.37	-2.81	1.48	13.05
Sweden	-28.66	14.50	-1.05	54.15	12.22	-8.83	-8.96	-9.72	-22.58
Switzerland	1.24	92.00	-20.22	-13.92	-12.83	3.29	24.35	0.54	0.58
Thailand	0.51	-11.17	-4.45	41.71	38.24	-24.19	22.23	5.89	18.00
Turkey	-17.84	6.44	80.14	-27.05	-4.44	-4.53	19.58	-11.71	-16.99
United Kingdom	-36.18	2.48	13.90	16.16	6.98	3.82	11.96	6.81	-14.68
United States	1.11	-12.17	6.05	8.29	-27.49	6.27	14.58	-3.77	-7.05
Median value	2.48	0.96	15.25	14.32	5.83	0.60	4.45	0.54	4.95

Notes: 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).

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Other sources of financing

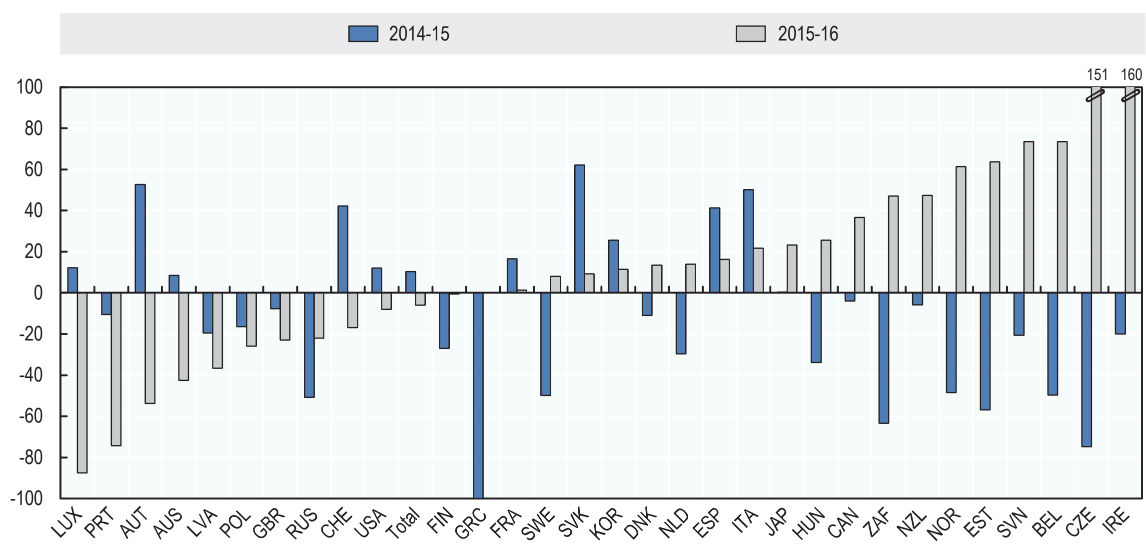
With bank lending and credit conditions tightening for SMEs after the global financial crisis, there has been increasing attention to the potential of capital markets to offer alternative source of financing. This is especially true of innovative start-ups with high growth potential, which have been hit hardest by the decline in bank lending due to their higher risk profile and which typically rely on external equity in addition to debt to finance their growth ambitions. Venture capital investments, private debt, listings on stock exchanges, collective investment vehicles, as well as crowdfunding and business angel investments are discussed in this section.

Venture capital

In 2016, venture capital investments were up in 19 out of 30 countries for which comparable information was available. This contrasts with developments in between 2014 and 2015 when VC investments were up in 11 countries and down in 20. Although year-on-year changes have to be interpreted with caution due to their volatility, the data suggest a pick-up in venture capital activities in 2016 (see Figure 1.11). It should be noted that total venture capital were up in 2015, but were in decline in 2016, following the trend in the United States (which accounts for more venture capital investments than all 29 other countries combined).

Figure 1.11. Venture capital investments

Year-on-year growth, as a percentage



Source: OECD (2017b). Latvian data are sourced from Invest Europe at the request of the Latvian Government.

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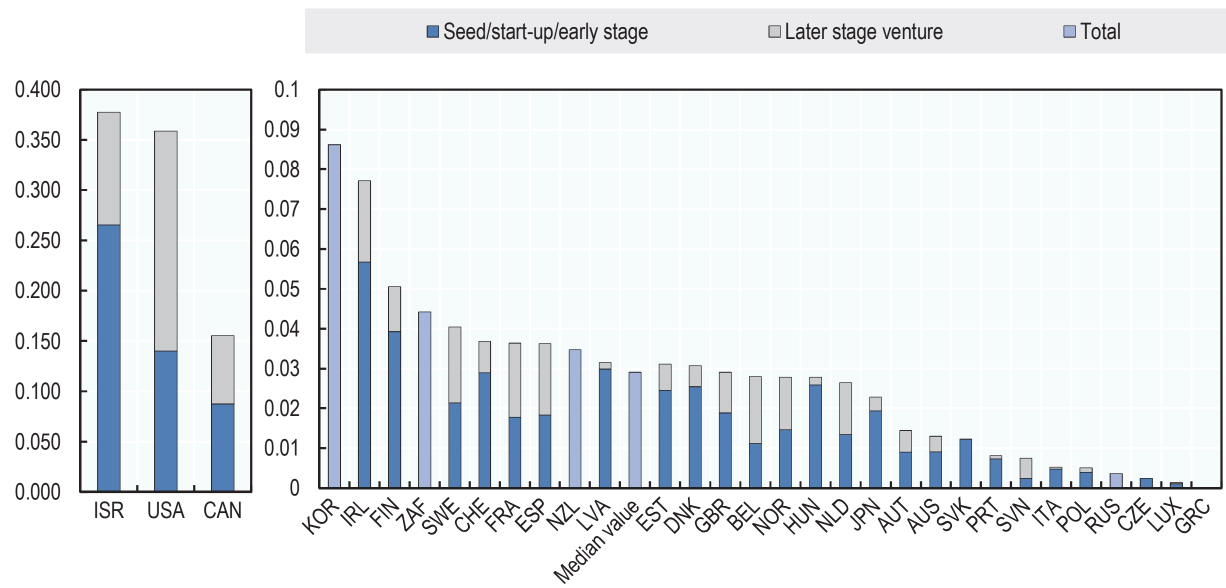
Data on venture capital investments come from the OECD's *Entrepreneurship at a Glance 2017* publication. This annual study provides harmonised data on venture capital investments for 31 countries participating in the Scoreboard. All data in this section are expressed in USD, with the annual exchange rates (National currency per USD, period-average) sourced from the OECD Annual National Accounts database.

More granular data according to the investment stage are available for 28 countries. Analysis shows that investments at the seed stage were up in a majority of these countries, while later stage venture capital investments were generally down. Early stage VCs showed no clear trend. As in previous years, venture capital investments as a percentage of GDP show wide country variability, with VC investments accounting for more than 0.05% of GDP only in Canada, Finland, Ireland, Korea, Israel, and the United States, and amounting to less than 0.01% of GDP in other countries (see Figure 1.12).

Figure 1.12. Venture capital investments as a percentage of GDP, 2016



Note: For Israel and Japan data are from 2014.
Source: OECD (2017b).

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Private debt

Private debt is a relatively recent innovation that has gained traction since the crisis, following tightened regulation on commercial banks. Akin to private equity, these specialised loan funds operate through an originator, typically unconnected to a banking institution, which originates a portfolio of SME loans. Many of the legal and institutional features of this instrument are similar to the private equity market with the crucial difference that it engages in debt rather than equity. These originators or "alternative lenders" are a diverse and expanding group that includes asset managers, subsidiaries of larger financial institutions, and even, more recently in the United States, Fintech enterprises.

Private debt is not unlike bank financing, but while commercial banks tend to operate on the low risk-low yield end of the spectrum, alternate lenders cover its entire range. Private debt markets are better placed to deal with liquidity risks than banks, as the latter are exposed to withdrawals of bank deposits in difficult market conditions. Private debt also deals better with funding risks, through the imposition of long-term funding commitments for investors or "lock-up periods" which restrict redemption of invested funds. However, firms tend to blend these two sources of finance to close their financing gaps, indicating that banks can utilise alternative lenders to meet customers' financing needs without depleting their own resources or increasing their risk exposure. In addition, this allows banks to provide less capital-intensive products and services, which are an added source of revenue, as well as to retain the primary customer relationship. For these reasons, the private debt market is especially relevant for SMEs facing a major transition, such as a change in ownership, expansion into new markets and/or activities, or acquisitions.

Between 2006 and 2016, the global private debt industry nearly quadrupled in size, with assets under management increasing from USD 152 billion to USD 593 billion (McKinsey, based on Preqin). Around one-third of this market, USD 206 billion consisted of "dry powder" (unused capital commitments), meaning that substantial funds for new investments are on hand (Preqin). The market has been expanding steadily since 2006, with no visible slackening during the crisis. The largest single market is still the United States with around 60% of the world total, but the fastest growth is in Europe, whose share since 2010 has grown from 10% of the world market to 30% at the end of 2015. Although the data are not SME-specific, most activities are thought to fund SMEs (OECD, forthcoming).

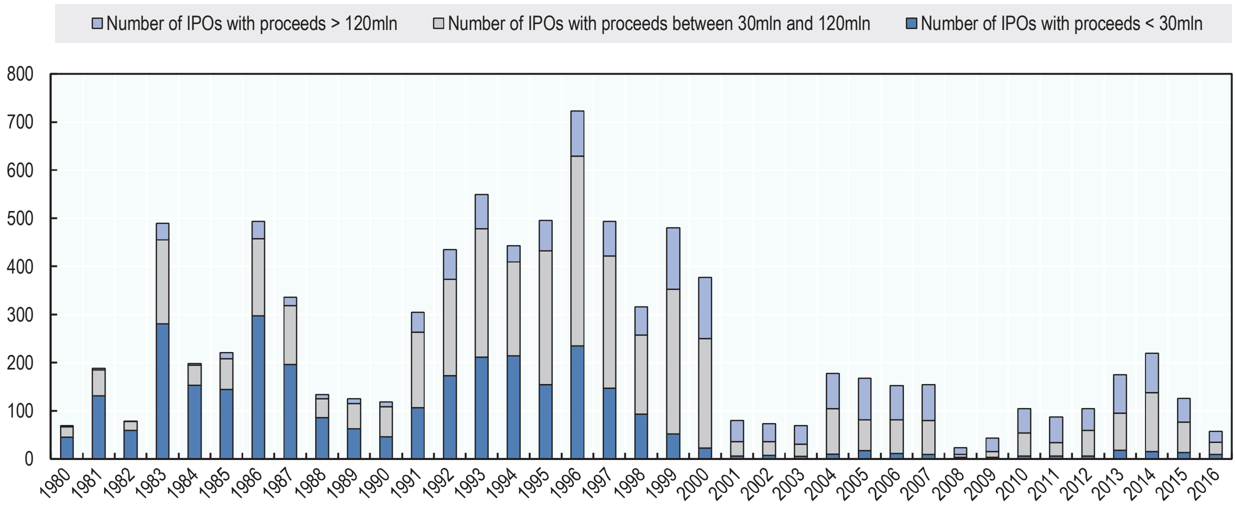
Stock markets

Initial Public Offerings (IPOs) offer an alternative route for firms to access additional capital through a stock market launch, and conversion from privately-held to publicly-traded companies. After the global crash in 2008-09, stock markets are recovering and could be a viable, and even attractive, option for SMEs, even though large caps seem to dominate over smaller segments. In addition, an IPO can even prove to be an efficient tool in attracting further sources of funds as it is a potential signal of the company's strength.

However, two recent studies that looked closely into initial public offerings (IPO) in the United States identified a general declining trend in the number of companies going public since 2000 (Rose & Davidoff Solomon, 2016; Lowry, Michaely, & Volkova, 2017). What is more, small companies account for the bulk of the decrease in IPO volumes: Within the segment that contains companies with an initial market capitalisation lower than USD 75 million, there were 168 IPOs in 1997 but only seven in 2012 (Rose & Davidoff Solomon, 2016). Another indicator of this trend is the IPO proceeds. Within the groups of companies with proceeds under USD 30 million and between USD 30 million and USD 120 million, the number of IPOs is considerably lower compared to the mid-1990s (Figure 1.13). The annual average proceeds raised were not much lower in the two periods in comparison (USD 33 billion since 2000 compared to USD 37 billion in the 1990s), further documenting the increase in the number of IPOs by large firms.

Figure 1.13. Initial returns by proceeds, United States, 1980-2016

In USD million



Note: Lowry M., Michaely R., and Volkova E, Initial Public Offerings: A synthesis of the literature and directions for future research;
Source: The dataset of the research paper is available online: https://github.com/volkovacodes/IPO-Review-Chapter.

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The picture is similar on European stock markets, especially when it relates to the number of listed small firms. According to MiddleNext's 2017 European Small & Mid Cap Outlook, there was an uptick in the number of companies listed on the stock market over the 2013-16 period, albeit remaining below the pre-crisis level. While this could indicate a renewed interest among firms in utilising improving market conditions to access funds, the different segments' activities exhibit considerable disparities. Large caps comprise only 6% of listed firms but contribute 80% to total trading volumes. In contrast, micro-cap's share of these volumes is a mere 1%. The micro- and nano-cap segments of European markets have been declining since 2014 and the number of European IPOs in 2016 (299) was insufficient to counterbalance that of companies whose stocks stopped being traded (MiddleNext European Small & Mid Cap Outlooks, 2016 & 2017).

There are several potential reasons for this apparent decline in participation in stock markets by SMEs. Entrepreneurs may be more likely to seek exits through mergers and acquisitions, rather than to acquire capital through an IPO. Furthermore, a stock market launch may not be particularly viable for entrepreneurs, who may lack the resources, knowledge or finances to structure an IPO. In addition, investor sentiment may not have fully recovered from the shock of the global financial crisis, and similar to bank lending, may have turned more risk-averse and favourable to large caps, leading SMEs to look for alternative sources of financing. Further study is needed to understand better the role of these factors.

Collective investment vehicles

Collective investment vehicles offer retail investors an opportunity to invest in SMEs, wherein other investment options like private equity may be restricted to institutional investors or individuals with a high net worth, sophistication, and other resources, such as mentoring, to offer. A firm specialising in investment management creates a fund for collective investment with a stipulated investment strategy and markets the fund to the public. The investor acquires the right to proportional shares in assets of the collective investment scheme and the income generated by those assets in the form of interest, dividends and capital gains. One of the major developments in the financial systems of OECD countries in the past few generations has been the emergence of collective investment as the main channel though which individuals participate in the capital market.

Such collective investment vehicles are currently operating in countries such as France, Canada, the United Kingdom and the United States, among others. Until recently, these instruments had only modest significance in the overall financing of SMEs in their respective markets. However, due to its rapid growth in the past few years, the "BDC model" has achieved a fairly prominent role in overall SME finance in the United States. In Canada, the tax-advantaged fund is an established feature of the market and is an important part of the overall finance for SMEs in the province of Quebec, but of marginal significance in other provinces.

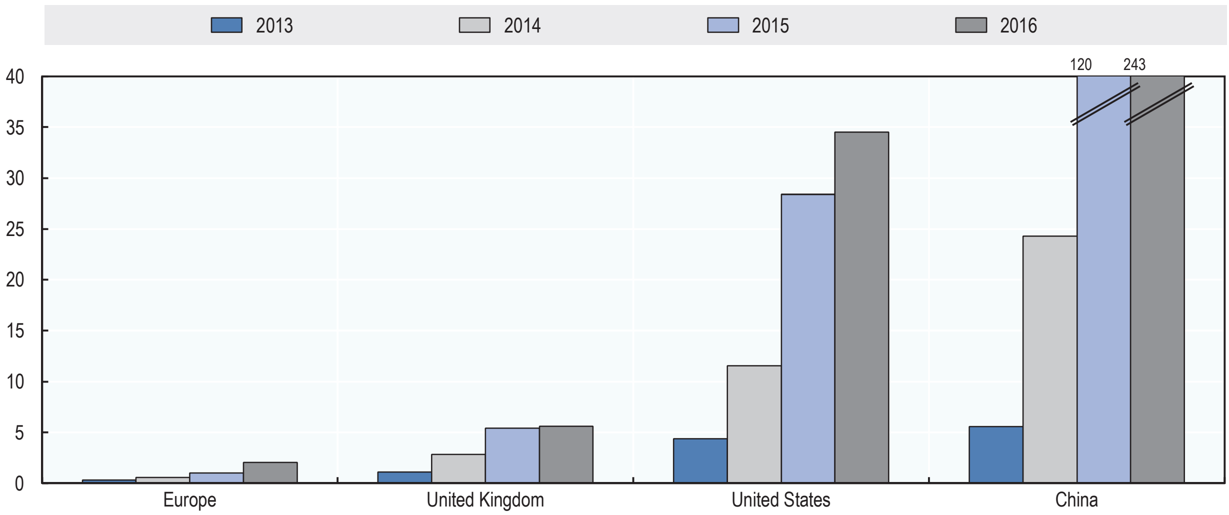
Online alternative finance

Online alternative finance is a means of soliciting funds from the public for a project/firm through an intermediate platform, usually through the Internet, and comprises peer-to-peer lending activities, equity crowdfunding and online invoice financing. Although not a particularly new type of alternative finance instrument, its potential to complement traditional sources of financing to meet firms' financing gap has increased in recent years. As reported in previous versions of this scoreboard, governments are increasingly seeking to create a framework for crowdfunding by crafting regulations for the industry.

Canada, South America and the United States observed growth in the industry, close to 23% from the previous year, with the lion's share of activities taking place in the United States. The total market volume of the online alternative finance industry in 2016 amounted to USD 34.5 billion in the country (The Americas Alternative Finance Industry Report, 2017). China is by far the biggest market for online alternative financial instruments, with a total of USD 243.28 billion raised in the country during 2016 (The 2nd Asia Pacific Region Alternative Finance Industry Report, 2017). In Europe, the online finance industry is most developed in the United Kingdom with volumes well above countries from other EU28 countries combined.[5] Volumes have roughly doubled every year between 2013 and 2016 for most of the regions and years, with the exception of the United Kingdom and the United States where 2016 growth levels, though still positive, are below recent levels. The global trends in volumes are summarised in Figure 1.14. below.

Figure 1.14. Total online alternative finance market volumes

By region, in USD billion



Note: All Lending and debt-models (ie P2P Business Lending, Business Balance Sheet Lending, Debt-based Securities, Invoice Trading, Mini-bonds and relevant debt volume from the profit-share model. Relevant business volume from P2P Consumer and Property Lending, and relevant balance sheet volumes were also included in this figure. All Equity based models including Equity-based Crowdfunding and Real Estate Crowdfunding relevant to business issuers. Spanish platform data was taken out of 2012-14. All the data are expressed in USD and are thus influenced by fluctuations in the value of currencies. In the United Kingdom, for example, volumes expanded by over 40% between 2015 and 2016 in GBP, but stagnated in dollar terms because of a depreciation of the currency over this period. The data on Europe includes all EU 28 countries except for Luxembourg and the United Kingdom.
Source: Regional reports of the Cambridge Centre for Alternative Finance at the University of Cambridge.

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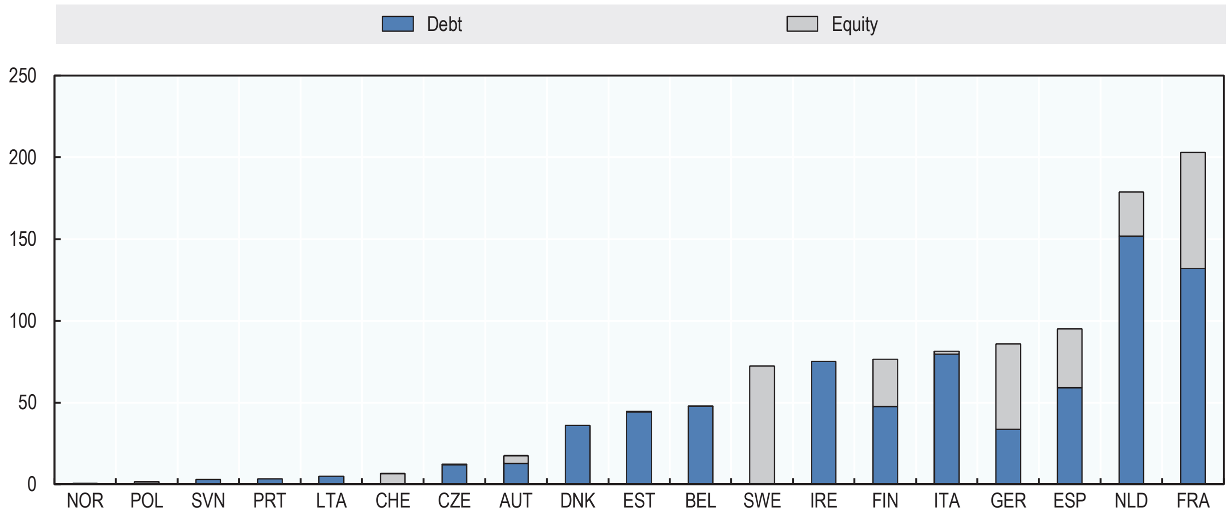
More granular data, restricting only to activities relevant to SMEs (and thus not including consumer lending or most real estate activities) illustrates that within continental Europe, online finance activities vary significantly across countries with the Netherlands accounting for the largest market in debt-based crowdfunding and Sweden the most active market in equity-based crowdfunding (see Figure 1.15).

Figure 1.15. Debt and equity crowdfunding volume by country, 2016



Note: All Lending and debt-models (i.e. P2P Business Lending, Business Balance Sheet Lending, Debt-based Securities, Invoice Trading, Mini-bonds and relevant debt volume from the profit-share model. Relevant business volume from P2P Consumer and Property Lending, and relevant balance sheet volumes were also included in this figure. All Equity based models including Equity-based Crowdfunding and Real Estate Crowdfunding relevant to business issuers. Spanish platform data was taken out of 2012-14.
Source: Cambridge Centre for Alternative Finance at the University of Cambridge.

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Online finance does not only offer an additional route to access financing; successful campaigns are often a signal of the creditworthiness and viability of a project, making it therefore more likely to attract additional funding (Short et al., 2017). In addition, crowdfunding campaigns can function as a publicity tool, increasing public exposure and can be easily combined with crowdsourcing, i.e. using non-financial feedback from internet users to improve products and services and to test ideas (Macht and Weatherston, 2014). There is therefore a strong incentive for governments to push for better data collection and understanding on the crowdfunding industry. Many countries, such as Austria, Australia and China have recently adopted regulatory frameworks for the industry in order to stimulate the growth of the market. In the United Kingdom, for example, the strong industry performance is linked to progressive reform and tax breaks offered to participants (Crowdfunding Hub, 2016).

While in many countries online finance is still in its infancy, it has a strong potential to grow and serve the financing gap among SMEs, as illustrated by the recent developments in China, the United Kingdom and the United States. It is especially true for young firms with medium or high credit risk that have better chances to be funded by online lenders than banks. In 2016, this segment of the SME population in the United States faced a credit approval rate of 45%, compared to 35% and 26% from small and large banks, respectively. Among established, employer small businesses, however, banks still remain the single most popular source of financing and there is some reason for concern regarding the quality of crowdfunding services that were rated the least satisfactory by small businesses (Small Business Credit Survey 2017). In addition, online alternative finance carries some risks, which the European Commission has identified in a recent report (EU Commission, 2016). Apart from the common risks linked to investment for retail investors, which raises investor protection concerns, there are few possibilities to exit the investment due to the absence of secondary markets, and difficulties in obtaining sufficient information to price securities correctly/assess the borrower's ability to repay. The platforms might also be used for illicit activities that in turn risk damaging the reputation of the crowdfunding market in general.

Business angel investments

Business angel investing is an important source of financing for early-stage start-ups, especially those which do not have own resources and/or are unable to access bank capital, but are not yet ripe for venture-capital funding. Angel investors tend to be wealthy individuals, or groups of them, who provide financing, typically their own funds, in exchange for convertible debt or ownership equity. This enables entrepreneurs to scale up to a stage where venture capitalists, who tend to invest larger amounts of capital in more advanced start-ups, may step in. It represents a potential means of narrowing the financing gap for early-stage, innovative SMEs, but is not suitable for all firms' profiles (OECD, 2016d).

Data on angel investment tends to be difficult to assess due to the discrete nature of such financing (leading to an "invisible market"), lack of regulation, and differences in definitions across countries on who qualifies as an angel investor. Further, survey-based data suffers from an inconsistency in number of respondents' year-on-year as well as from incomplete coverage of the market. Data shortcomings were extensively covered in the thematic chapter of the 2016 edition of this publication (OECD 2016d).

The European Business Angels Network has attempted to document the state of this industry in Europe since 2000. Angel investments increased by 8.2% in 2016, to EUR 6.7 billion, accounting for an estimated two thirds of all early stage investments (European Business Angels Network, 2017). Angel investment is growing in the United States as well, with angel groups' direct investments more than doubling in 2016 (Angel Capital Association, 2017).

In both Europe and the United States, the volume of angel investments differs considerably by region. In Europe, the United Kingdom holds the largest share of the market, followed by Spain, Finland and Germany (European Business Angels Network, 2017). In the United states, California garnered 30% of all angel investments in 2016, followed by New York with 11% (Angel Capital Association, 2017).

Payment delays, bankruptcies and non-performing loans

In 2016, payment delays remained similar to 2015, with the proportion of countries experiencing a decline roughly in balance with those where payment delays increased. While the number of firms going bankrupt went up in 17 of 29 participating countries in 2016, some of the increase is attributed to methodology, definition or legislative amendments, and may thus not fully or accurately reflect business trends. This is also reflected in the median value of the bankruptcy growth rate, which remained negative in 2016, although less so than in 2015. Data on NPLs indicates a small improvement in 2016 compared to the previous year.

Payment delays

The 2016 data on payment delays show no clear trend, with considerable declines observed in Belgium, Chile, Italy, Portugal and the Slovak Republic, and strong increases in Colombia, the Czech Republic, Greece and Korea. Out of 18 countries, a decline in payment delays in 2016 could be observed in seven, an increase in seven and no year-on-year change in four. The median value also remained broadly constant in 2016 compared to 2015 (see Table 1.9). This stands in contrast with data from the previous year, when an almost across the board reduction in payment delays between 2014 and 2015 could be observed.

Table 1.9. Trends in payment delays

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2015-16 change (%)
Australia	..	..	..	..	21.60	20.30	19.50	14.90	13.00	14.40	10.77
Austria	..	8.00	8.00	11.00	12.00	11.00	12.00	13.00	..	..	..
Belgium			17.00	17.00	15.00	19.00	18.00	19.00	13.00	10.00	-23.08
Chile	..	..	..	75.77	74.85	56.65	52.67	55.15	57.95	54.93	-5.21
China	..	..	..	..	..	..	95.91	72.31	64.44	65.21	1.19
Colombia	48.83	50.20	60.77	62.32	59.07	54.62	56.28	65.11	65.71	85.16	29.60
Czech Republic	16.00	18.00	19.00	14.00	14.00	15.00	14.00	14.00	14.00	19.00	35.71
Denmark	7.20	6.10	12.00	12.00	13.00	12.00	10.00	9.00	4.00	4.00	0.00
Estonia	9.00	8.10	12.70	12.80	10.20	10.10	9.40	7.00	6.90	6.00	-13.04
Finland	6.00	5.00	7.00	7.00	7.00	7.00	6.00	6.00	5.00	5.00	0.00
France	60.40	57.30	54.90	54.70	53.60	51.80	51.30	50.00	50.10		..
Greece	..	25.00	34.00	30.00	35.00	40.00	43.00	41.00	36.00	47.00	30.56
Hungary	16.30	19.00	19.00	15.00	22.00	20.00	..	17.40	17.40	..	..
Italy	..	23.60	24.60	20.00	18.60	20.20	19.90	18.50	17.30	15.40	-10.98
Korea	10.96	12.07	9.90	12.10	11.70	9.10	9.70	10.00	9.20	13.30	44.57
Netherlands	13.2	13.9	16.0	17.0	18.0	18.0	17.0	16.0	29.0	32.00	10.34
New Zealand	43.10	50.80	44.50	44.00	45.60	40.10	39.60	37.00	35.50	34.90	-1.69
Portugal	39.90	33.00	35.00	37.00	41.00	40.00	35.00	33.00	21.00	20.00	-4.76
Serbia	..	..	33.00	31.00	35.00	28.00	28.00	..	..	..	..
Slovak Republic	19.70	8.00	13.00	17.00	20.00	21.00	19.00	17.00	24.00	19.00	-20.83
Spain	5.00	5.00	14.00	12.00	6.00	9.00	16.00	11.00	8.00	..	..
Sweden	..	..	..	..	..	20.00	24.00	15.00	9.00	9.00	0.00
Switzerland	..	12.00	13.00	13.00	11.00	10.00	9.00	9.00	7.00	7.00	0.00
United States	..	..	..	..	..	..	23.58	..	41.24	..	..
Median Value	16.15	15.04	18.00	17.00	19.30	20.00	19.70	17.00	17.30	17.20	0.00

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2018.

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Scoreboard data suggest that changes in payment delays are linked to changes in GDP growth, with a correlation coefficient of -0.3 based on 152 observations. A potential assumption is that the observed decline in payment delays is linked to general improvements in the business climate in recent years. It is unclear how much policy has made an impact in this area, although policy makers have taken action in this area. In several countries including Australia, Ireland, the Netherlands, the United Kingdom and the United States, governments have adopted procurement and payment delay policies. These policies require payment within 5 to 30 days with terms enabling the request of penalty interests in case of late payments, depending on the country. In addition, in Australia, Ireland and the United Kingdom, a prompt payment code requires signatory companies that voluntarily commit to pay their suppliers in time. As of October 2017, the Code in the United Kingdom has over 2000 signatory companies, including 70 of the

FTSE100. In addition, the obligation to report by United Kingdom's largest companies and Limited Liability Partnerships took effect in April 2017, and requires these enterprises to report on a half-yearly basis on their payment practices (Duty to report on payment practices and performance, 2017).

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 reluctance on the part of firms to damage business relations (European Commission, 2015).

Evidence shows that late or non-payments are detrimental to the growth and even survival of enterprises, and especially of small businesses, that often lack cash-flow management capabilities and who have only limited possibilities to find sufficient funds elsewhere (Connell, 2014). While payment delays thus constitute a relevant indicator with respect to SMEs' cash flow position, they provide only partial information, and the picture could be complemented by examining other indicators.

For example, trade credit indicators such as the average customer and supplier payment periods can provide additional insights. The provision of trade credit i.e. the credit that is accorded to business customers for the purchase of goods or services, is a widespread practice, and plays a crucial role in financing SMEs. There is evidence that trade credit can, to a certain extent, substitute for bank financing. In the aftermath of the financial crisis, financially vulnerable SMEs, whose access to credit markets especially deteriorated, made more use of this source of financing (McGuiness and Hogan, 2016). In the European Union, for instance, outstanding trade credits amount to an estimated 30% of GDP.

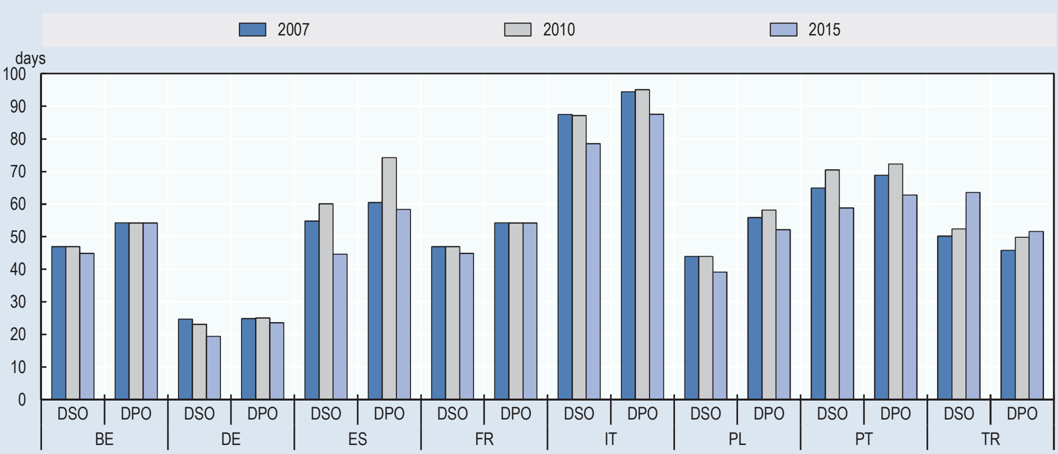
To get a better understanding in an area where data is often sparse and lacks comparability across countries, the European Committee of Central Balance Sheet Data Offices (ECCSBO) analysed balance sheet data from eight countries (see Box 1.2). It illustrates that there is a wide cross-country variance in terms of payment periods within the group of countries.

Box 1.2. The use of accounting information to estimate indicators of customer and supplier payment periods

This Box presents some results from a study carried out by the European Committee of Central Balance Sheet Offices. The analysis is based on a large dataset of accounting information from non-financial firms for eight countries (Belgium, France, Germany, France, Italy, Poland, Portugal, Spain and Turkey). It shows that large differences exist across countries both in the level and in the time changes of trade credit indicators. Italian firms present a very high level of days sales outstanding (DSO), a proxy for customer collection periods, with an average DSO of more than 100 days in 2015, followed by Portuguese, Turkish and Spanish companies. German firms have the lowest values with an average of around 30 days. This country variance hold, even after controlling by firm size and sector. It mainly reflects business culture, economic conditions and power imbalances in the market (see Figure 1.16).

Figure 1.16. Days of Sales Outstanding and Days of Payables Outstanding

By size and time across countries



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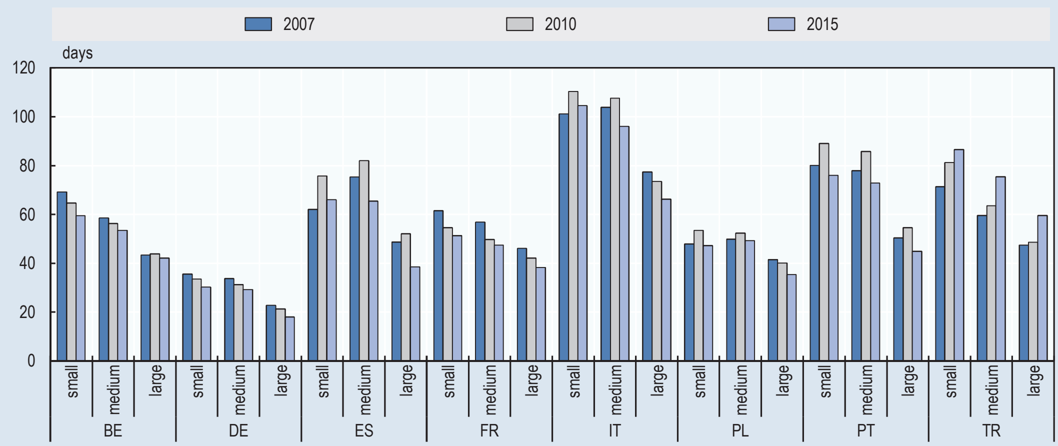
Looking at firm size, the general evidence shows that DSO levels are substantially lower for large enterprises than for small businesses with medium-sized firms taking an intermediate position. This size effect points out that larger firms tend to have stronger bargaining power and a better ability to get paid earlier from customers.

Figure 1.17. Days of Sales Outstanding

By size and time across countries



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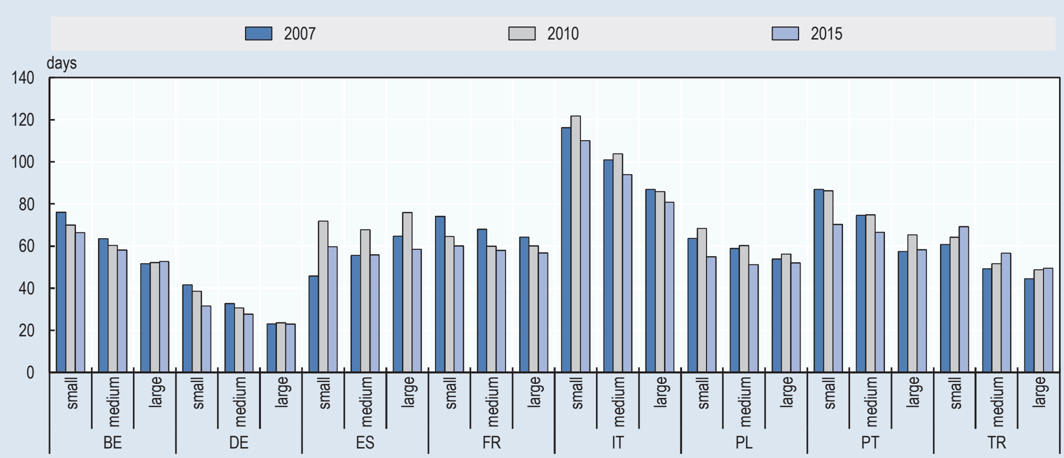
Similar differences can be observed for days payable outstanding (DPO), a proxy for supplier payment periods. As for DSO, the differences across countries remain, the lowest DPO value is registered in Germany (on average, German firms pay their suppliers within less than 25 days) and the highest one in Italy, whose firms' payments often exceed 100 days (Figure 1.18.). Differences by size classes can also be observed (in the sense that in most countries, the larger the firm, the smaller the DPO); firm size and DPO are negatively correlated. In this case, larger firms may pay their supplier earlier for marketing reasons (e.g. retaining good suppliers) or because late payments may incur costs which large firms are better able to avoid.

Figure 1.18. Days of Payables Outstanding

By size and time across countries



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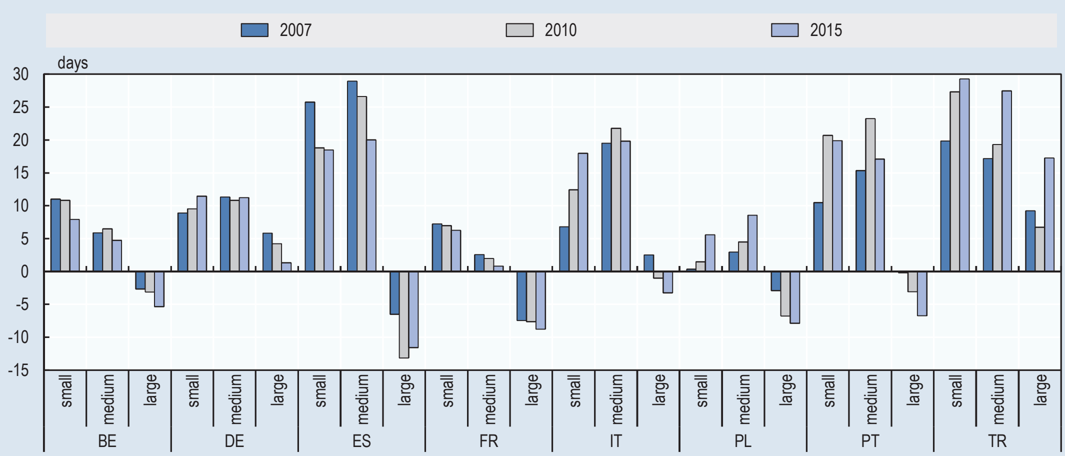
Regarding the net position on trade credit (assets – liabilities), measured by trade credit balance (TCB), large firms generally have a lower trade credit balance than small and medium-sized businesses (Figure 1.19.). Moreover, in six out of eight countries, the net position is negative for large firms, while this is never the case for smaller enterprises. These findings mean that large firms are more likely to find financing through trade credit than other size categories, reflecting their strong bargaining power in the supply chain. In other words, the period in which large firms pay their suppliers often exceeds the period in which they are being paid. From 2007 to 2015, the time pattern of trade credits among small and medium-sized enterprises has not been homogeneous across countries: in Spain, Italy, Poland, Portugal payment periods noticeably increased during the 2008-2009 financial crisis for both DSO and DPO and declined afterwards. On the other hand, a constant declining trend is visible in Belgium, France and Germany. Turkey represents an outlier, showing an upward trend over time. In 2015, small Italian and Spanish firms still present higher values of DSO with respect to 2007. The various time patterns could have been affected by different disrupting factors, such as the use of trade credit as an alternative financing channel during the crisis, the inclusion of the European Directive on Late Payment or the idiosyncratic shocks which have affected some countries or sectors of activity during the crisis.

Figure 1.19. Trade Credit Balance

By size and time across countries



Note: All are weighted average figures. The sectors included in the sample are manufacturing, construction and trade. Firm size is defined with respect to turnover thresholds: less or equal to EUR 50 million for medium, less or equal to EUR 10 million for small, less or equal to EUR 2 million for micro firms.

StatLink http://dx.doi.org/10.1787/888933665352

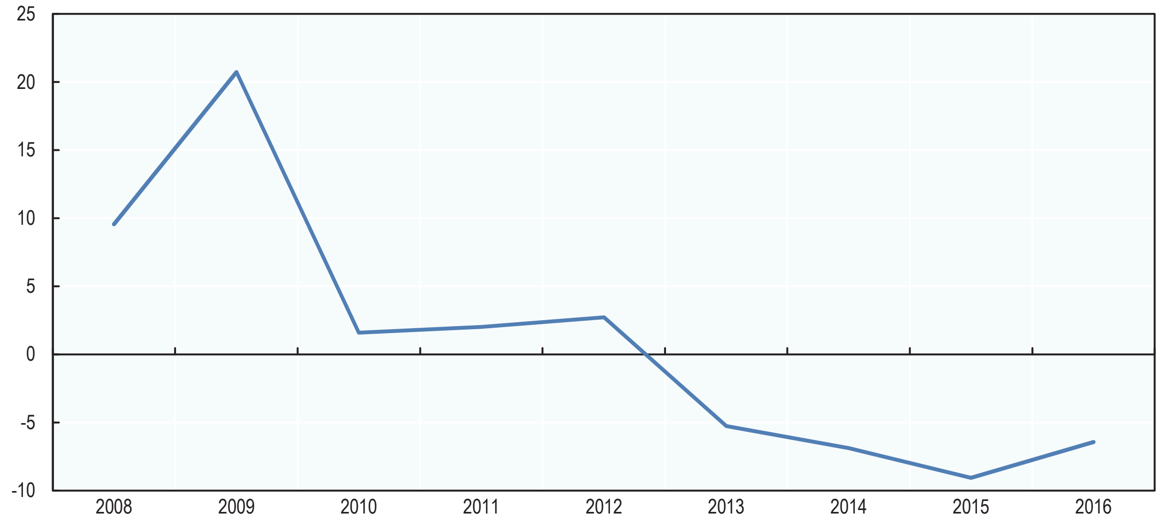
Source: FSA WG (2017).

Bankruptcies

For the fourth consecutive year, the number of bankruptcies was down in a majority of scoreboard countries. The median year-on-year change in bankruptcies declined by an annual 6.5% in 2016, after a fall of 6.9% and 9.1% in 2014 and 2015, respectively (see Figure 1.20).

Figure 1.20. Trends in bankruptcies

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



Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2018.

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In 2016, bankruptcies increased in seven out of 32 countries. In particular, after posting negative growth rates in 2015 and preceding years, Austria and the United Kingdom saw a reversal in the trend with positive single-digit growth in bankruptcy rates in 2016. France, Georgia, Greece, Korea and Portugal recorded the biggest 2016 improvements since 2007 in bankruptcy statistics in 2016 among participating countries (see Table 1.10).

While bankruptcy data over time is broadly indicative of the cash flow situation of enterprises, it should be highlighted that there are differences in the length and complexity of bankruptcy procedures between countries, meaning that insolvent enterprises are not declared bankrupt at the same pace. While bankruptcies (upon court ruling) constitute a very common path to firm closure or liquidation in some countries, this is not universally true. This also implies that legal and regulatory reforms that were introduced over this period can affect the numbers. A case in point is Chile, where only 6 firms were declared bankrupt in 2014. After a reorganisation and liquidation law passed in late 2014, bankruptcies rose to 154 and 256 in 2015 and 2016, respectively. Comparisons across countries, especially with respect to absolute levels of bankruptcies, should therefore be treated with caution. The increase in the United Kingdom is similarly due to changes in the regulatory framework leading to a sizeable number of companies entering creditors' voluntary liquidation in 2016.

Table 1.10. Trends in bankruptcies

Year-on-year growth rates, as a percentage

Country	Code	2008	2009	2010	2011	2012	2013	2014	2015	2016
Australia	Total, per 10 000 firms	4.44	0.00	6.38	2.00	3.92	-7.55	-20.41	5.13	-12.20
Austria	Total	0.32	9.30	-7.62	-7.95	2.93	-9.63	-0.66	-5.03	1.48
Belgium	Total	10.36	11.14	1.59	6.83	3.55	10.89	-8.55	-9.07	-6.06
Canada	SMEs, per 1 000 firms	-5.71	-10.61	-22.03	-6.52	-11.63	-5.26	-5.56	-2.94	-6.06
China	SMEs, per all SMEs							-4.36	-24.59	-13.37
Colombia	SMEs	187.88	56.84	6.71	11.95	-34.83	34.48	-9.62	16.31	21.95
Czech Republic	SMEs	4.05	46.62	1.64	-2.92	6.49	2.53	-10.95	-18.49	-9.69
Denmark	SMEs			0.78	-24.97	1.03	-13.28	-21.79	19.28	16.98
Estonia	SMEs	109.41	149.41	-2.56	-39.40	-20.55	-7.27	-6.75	-12.15	-10.90
Finland	SMEs	15.88	25.38	-12.55	2.90	0.48	5.74	-4.63	-13.80	-6.45
France	SMEs	8.23	13.76	-4.54	-1.40	2.72	2.36	-0.22	1.05	-7.92
Georgia	Total	-48.74	-14.75	3926.92	51.67	-20.53	-29.68	0.56	-12.61	-85.32
Greece	SMEs	-30.02	-1.11	0.00	25.35	-6.74	-5.54	-15.82	-42.73	-42.86
Hungary	total, per 10 000 firms	10.35	25.65	9.55	20.45	7.92	24.76	71.32	-24.18	-22.81
Ireland	SMEs	78.20	103.10	11.33	1.73	-6.60	-15.03	-10.01	-18.97	-21.32
Israel	SMEs			37.51	31.86	33.80	12.20	-5.13	-2.76	
Italy	Total	21.83	24.98	19.74	8.20	3.19	12.65	11.02	-6.08	-8.23
Japan	SMEs	10.76	-0.82	-13.96	-4.22	-4.81	-10.18	-10.37	-9.43	-4.17
Kazakhstan	Total		100.00	300.00	400.00	112.50	76.47	16.00	75.86	115.36
Korea	SMEs	19.22	-26.95	-21.42	-13.44	-9.64	-18.49	-15.98	-14.39	-22.92
Latvia	SMEs		59.32	-1.32	-67.65	7.16	-7.02	16.81	-16.37	-11.35
Luxembourg	Total	-12.90	20.73	32.47	6.54	7.36	-0.10	-18.97	2.71	10.08
Netherlands	SMEs	6.51	80.74	-10.63	-0.43	20.85	16.71	-20.51	-20.58	-16.53
New Zealand	Total	-31.28	2.11	21.14	-11.00	-10.45	-15.94	-6.89	4.25	-1.06
Norway	SMEs			-12.38	-4.38	-11.59	16.33	3.10	-1.91	-0.72
Portugal	SMEs	35.07	8.13	7.23	16.01	40.92	-9.84	-33.35	17.29	-23.29
Russian Federation	Total		11.19	3.46	-20.08	9.99	-6.59	10.32	0.86	
Serbia	SMEs, per all SMEs			14.17	5.52	-17.65	-4.76			
Slovak Republic	SMEs	48.52	9.96	24.64	5.52	-6.61	11.21	8.49	-14.43	-22.00
South Africa	Total	4.73	25.24	-3.41	-10.85	-23.69	-12.59	-13.06	-4.94	-1.43
Spain	SMEs	185.23	75.02	-6.18	17.32	34.91	13.43	-32.21	-22.94	-20.70
Sweden	SMEs	8.75	21.28	-4.77	-4.34	7.37	3.08	-7.05	-10.13	-6.44
Switzerland	Total	-2.16	23.55	19.94	6.49	2.70	-5.06	-9.67	3.94	6.66
Turkey	Total	-9.62	6.38	36.00	5.88	95.83	-51.06	43.48	9.09	105.56
United Kingdom	Total	33.07	13.99	-13.76	2.70	-4.16	-10.90	-6.73	-9.51	12.16
United States	SMEs	50.80	38.65	-8.60	-16.78	-17.69	-18.44	-20.18	-9.31	-3.78
Median value		9.55	20.73	1.59	2.00	2.70	-5.26	-6.89	-9.07	-6.45

Note: 1. China and Serbia use the percentage of firms in bankruptcy proceedings. 2. Data for Chile are not included since it was largely affected by a regulatory reform in 2014.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2018.

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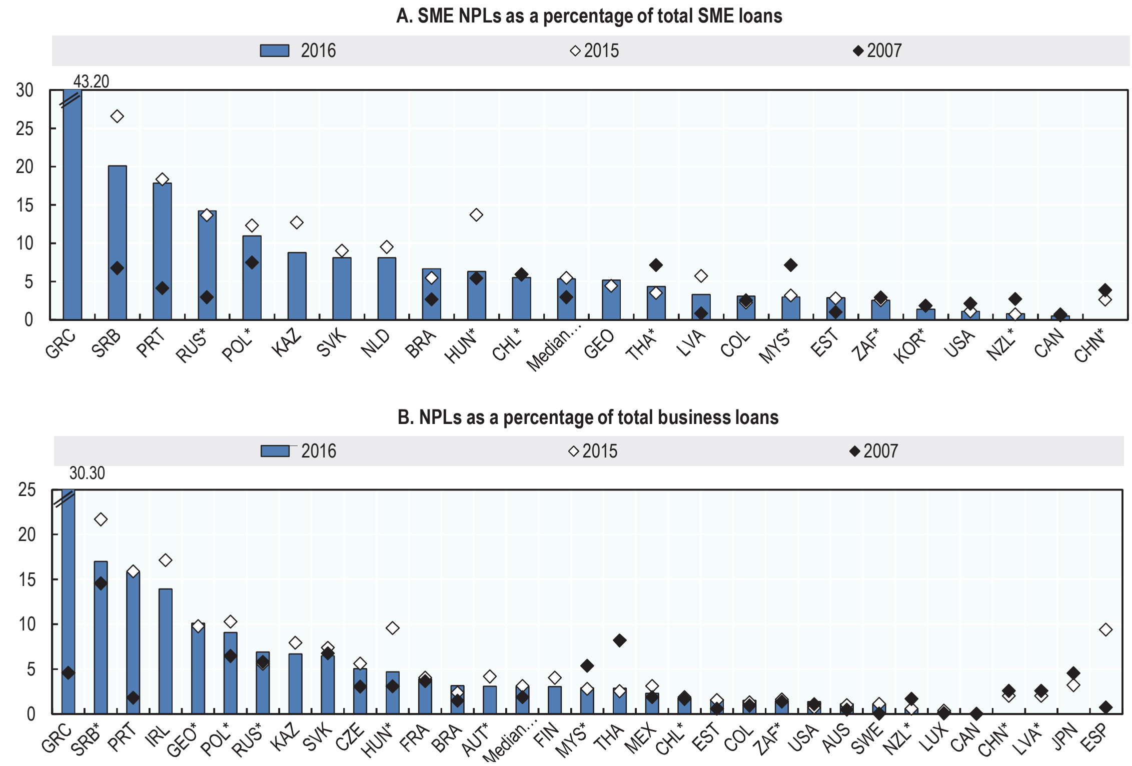
Non-performing loans (NPLs)

An analysis of the data on non-performing loans show that these are generally more prevalent for SMEs than for all business lending with the median value of NPLs for all corporate lending remaining below the level observed for SME lending. In Greece, for example, 43.2% of the value of SME loans was considered non-performing, compared to

30.3% of the value of outstanding business loans. In Brazil and Latvia, SME NPLs are more than twice as prevalent as business NPLs (6.7% versus 3.2% and 2.0% versus 5.7%, respectively). In other countries such as China and Thailand, the gap is much smaller and in Georgia and the United States, NPLs are more common among large business loans than for loans to SMEs.

Data on non-performing loans show no clear trend; SME NPLs declined in 11 countries between 2015 and 2016, especially in Hungary and Serbia, where a fall of more than 5 percentage points could be observed, following a large increase after the financial crisis. Greece, Poland and Portugal also had double-digit SME NPL numbers in 2015 and experienced a reduction in 2016. In 9 other countries, the SME NPL rate rose, including in the Russian Federation, where SME NPLs roughly doubled in 2016 compared to 2014. NPL rates for all businesses show a clearer trend with NPL rates declining in 17 countries, increasing in 10 and remaining constant in two. In Brazil, Greece, Latvia, Portugal, the Russian Federation and Serbia, the proportion of non-performing loans in 2016 stood at a multiple of their pre-crisis level, likely weighing on SME lending activities. In most other countries, NPLs rose in the aftermath of the financial crisis, but have since levelled off to roughly pre-crisis levels (see Figure 1.21).

Figure 1.21. Non-performing loans as a percentage of loans



Note: 1. Canada reports a 90-day delinquency rate for small businesses, as a percentage of loans outstanding. 2. *Countries where 2007 data is unavailable make use of 2008 data (For Chart A, Hungary, Korea, Malaysia, Poland, the Russian Federation and South Africa. 3. Italy is excluded from this chart as NPL data are represented by "bad loans," a non-harmonised Italian subcategory which distinguishes the exposures with the worst credit quality from other non-performing exposures. For Chart B, Hungary, Malaysia, Poland, Serbia and South Africa) or 2009 data (For Chart A, Chile, China, New Zealand and Thailand. For Chart B, Chile, China Latvia, Mexico, New Zealand and the Russian Federation). 3. For Chart A, 2016 data for China is not available. For Chart B, 2016 data for China, Finland, Hungary, Ireland, Japan, Latvia and Spain are not available.

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2018.

StatLink http://dx.doi.org/10.1787/888933665409

As with bankruptcy, data on non-performing loans must be interpreted within context on account of non-uniformity of syntax, definition and taxonomy. In addition, some countries do not differentiate between SME NPLs and total business NPLs, hence the figures given would include information on large enterprises as well. Nonetheless, the relationship between the year-on-year change in (SME) NPLs and corresponding changes in SME credit is strong (with a correlation coefficient of -0.41). Countries such as Brazil and the Russian Federation experienced a sharp increase in NPLs between 2015 and 2016, which coincided with a sharp decline in the outstanding stock of SME loans. In Hungary and Latvia, 2016 reductions in non-performing loans occurred simultaneously with a strong credit expansion for SMEs.

Government policy responses in 2016-17

SME finance remains high on the policy agenda in most areas of the world, and many governments developed initiatives in 2016 and the first half of 2017 to ease access to various sources of finance, in addition to the wide range of policy instruments already in place. Based on information from 43 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 detailed information on initiatives in this area.

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

Most countries have a credit guarantee scheme in place, with the exception of Australia, Georgia and New Zealand. Credit guarantee schemes can be broadly categorised as individual guarantees or portfolio guarantees (see Box 1.3).

Box 1.3. Individual and portfolio guarantees

Most credit guarantees are traditionally provided through an “individual guarantee approach.” This means that guarantee applications are studied by the guarantor’s credit managers individually, in order to assess projects’ feasibility and perform the adequate due diligence requirements. Nonetheless, a trend can be observed in recent years towards a growing use of portfolio guarantees.

“Portfolio guarantees” entail a much lighter process on the part of the credit guarantee scheme. Under this arrangement, an agreement has been signed between guarantor and selected lenders, defining conditions and a maximum volume of loans to be guaranteed. The guarantor accepts to grant the guarantees without a study of each project’s risk, and relies on the lender’s credit risk assessment A ceiling (cap) is set to limit potential payments by the guarantor in the case of defaults.

In Europe, for instance, a recent survey illustrates that 12 AECM members (European Association of Guarantee Institutions) out of 23 respondents reported using portfolio guarantees, often alongside individual guarantees. Estimates indicate that portfolio activities represented about 18 % of the number of guarantees issued in 2016 by AECM members. In Central and Eastern European countries, such as Bulgaria, the Czech Republic and Poland, as well as in Ireland and the United Kingdom, credit guarantee institutions have mainly or exclusively adopted a portfolio process. In addition, 3 of out 23 respondents will adopt a portfolio approach for part of their activities from 2018 onwards.

The key advantages of portfolio guarantees are that is simplifies the whole procedure of according guarantees, with less red tape involved and offering immediate decisions (as often and increasingly demanded by both banks and borrowers). In short, it is a more customer friendly process. In addition, the guarantor incurs fewer operational costs (as due diligence and credit risk assessment are no longer required).

The outreach of the support of guarantee schemes can be increased for those reasons, especially for segments of the SME population where transaction costs are relatively high such as to smaller SMEs or SMEs located in underdeveloped or rural areas. This in turn increases the appeal of the risk sharing for new partner banks. The approach is especially appropriate in markets where SME borrowers are served by experienced banks staff, with accurate SME risk appreciation procedures where the guarantor’s analysis would bring little added value in risk mitigation.

Nonetheless, as the wide-spread continued use of the individual guarantee approach illustrates, they have their merits as well. Individual guarantees allow guarantors to select beneficiaries, and/or to modify the conditions and volume of their guarantee, which should minimise risks to supporting non-viable projects, as well as balancing the issuance of guarantees to a large population of eligible firms. Their reliance on their own risk experience (peer to peer appreciation in the mutual schemes, or risk specialisation on types of projects, for public schemes), can be considered as an asset in the relationship with lenders.

In choosing between these approaches, individual decisions appear to be more suitable when risk appreciation requires specific experience for projects that can be classified as challenging such as start-ups, business transfer, guarantees to innovative firms and so on where the guarantor can be expected to have a comparative advantage over commercial banks. Large individual risks, potentially jeopardising the scheme's financial reserves are also more appropriately managed by an individual approach. It matters also when moral hazard is high among emerging SME populations, and when bankers' skills are limited.

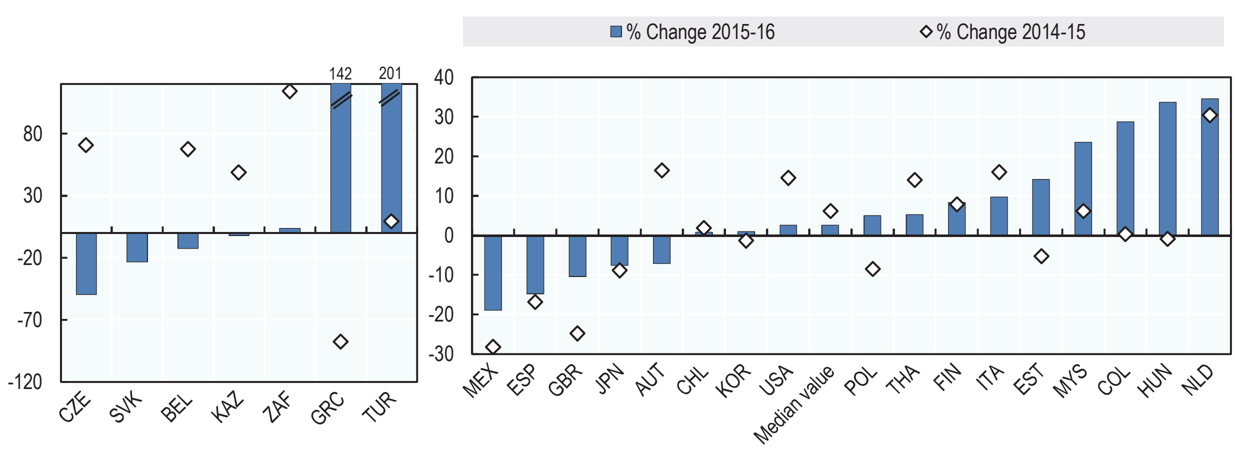
Portfolio processes can be used when risk competence is not higher in the guarantor staff than in the bank according the credit, typically for small projects of a well-known risk pattern presented by experienced lenders, allowing a reliable assessment of the risks at the portfolio level. Recent schemes can provide guarantees to a wide group of SMEs in a limited amount of time under this scheme. Finally, some schemes adopt a portfolio approach because of counter guarantee requirements such as imposed by EIF programmes for example, (such as COSME, INNOFIN, and SME initiative).

Source: Based on data and information from AECM (European Association of Guarantee Institutions).

Loan guarantees were the main instrument for governments to mitigate the impact of the financial crisis and witnessed a sharp increase in volumes in many countries in its aftermath. In recent years, the pattern has diverged across countries. In total, 2016 volumes were up in 13 countries and down in 9 others (see Figure 1.22). In some countries, the volume of credit guarantees expanded between 2014 and 2016. This trend is most apparent in middle income countries, such as Turkey where volumes tripled in 2016, and South Africa which saw an increase in 2015 by 114%, as well as in Colombia, Malaysia and Thailand. In other countries, volumes dropped in 2015 and 2016, but remain above pre-crisis levels. As a consequence, government loan guarantees remained much more important in scope in 2016 than in 2007 in a majority of participating countries.

Figure 1.22. Trends in government loan guarantees for SMEs

Year-on-year percentage growth between 2014 and 2015 and between 2015 and 2016



Note: 1. 2014-15 data for Belgium (67.31) and South Africa (114.03) is not depicted. 2. 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 2018.

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Credit guarantee schemes are continuously being revised and their offer adjusted to keep up with the shifting demands of their beneficiaries. In Switzerland, the federal government funds loan guarantee cooperatives to facilitate SME access to bank loans. These provide a maximum guarantee of CHF 500 000 per firm on an interest rate that is set by the bank and dependent on the riskiness of the project. In addition to the interest rate, the firm has to pay a 1.25 % commission fee to the guarantee cooperative. Currently, the Federal Council is amending the Federal Law on Financial Aid for guarantee organisations to allow guarantees up to CHF 1 million.

In March 2016, a new state-guaranteed small and medium-sized business fund was established in Israel, replacing the old fund. Various improvements have been introduced in favour of businesses, including the opening of a designated loan option for industry investments, in which a long-period 12-year loan can be issued, as well as increasing the maximum credit limit for exporters.

In Latvia, the Latvian Development Finance Institute (ALTUM) introduced credit guarantees to serve as collateral for SMEs to obtain loans from commercial banks. Active from 2007-13 and reintroduced for 2014-20, the programme issued 564 credit guarantees as of 2016 for a total public funding of EUR 158 million at an average interest rate of 0.4%. While there are no restrictions regarding SME categories, credit limits and maturity periods vary between SMEs and large firms, and among categories of large firms. The guarantee is limited to 80% of the financial services for both large companies and SMEs. It has certain restrictions for activities (e.g. financial and insurance activities, alcohol trade, etc.) and limitations on sectors as per EU regulation.

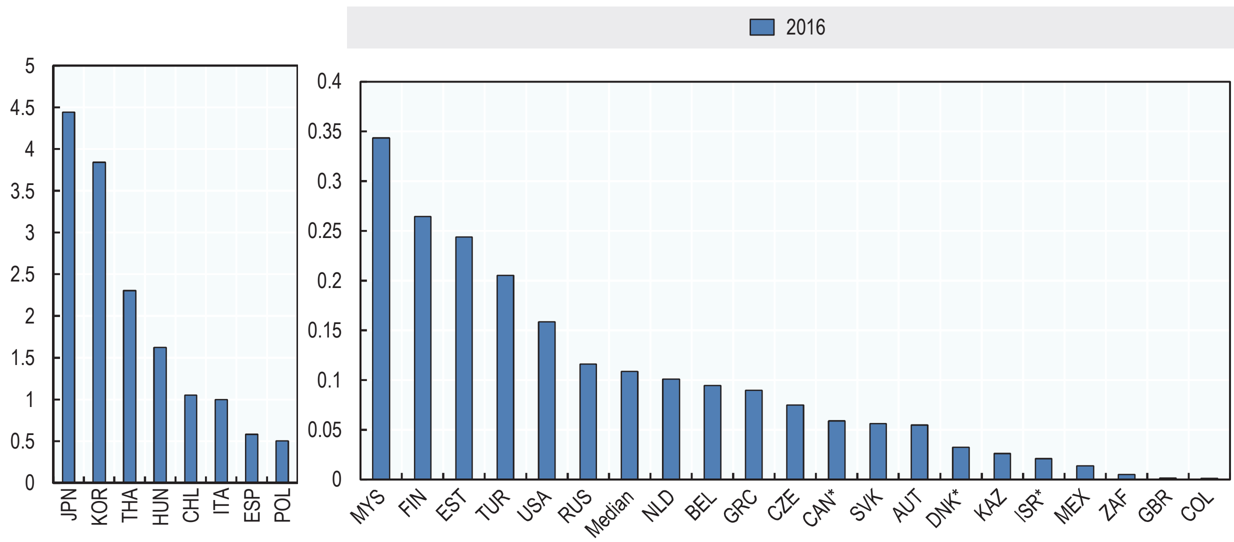
Austria, through the federal development and financing bank *Austria Wirtschaftsservice Gesellschaft* (aws), increased its guarantee volume by EUR 100 million to support innovative projects and growing companies in 2016. This follows its 2014 introduction of the principle of second chance, whereby failed entrepreneurs are not excluded from subsidies.

Loan guarantees amount to 4.4% of GDP in Japan and 3.8% in Korea, followed by Thailand where they make up 2.3% of GPD. In most other countries, the value of credit guarantees represents considerably less than 1% of GDP, as indicated by the median value of 0.11% (see Figure 1.23).

In addition, some countries have introduced measures to reduce the reliance of banks on tangible collateral, as another means to boost lending to SMEs (see Collateral requirements section).

Figure 1.23. Government loan guarantees for SMEs

As a percentage of GDP



Note: 1.The median value refers to all depicted countries in both graphs. *Countries where 2016 data is unavailable make use of 2015 data.

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2017. Given the importance of credit guarantees to support SMEs' access to finance in many countries, it is crucial to carefully monitor and evaluate the impact and effectiveness of such schemes. The thematic chapter of this publication provides insights from a recent survey in OECD countries on evaluation practices in this area (see Chapter 2).

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b. Policies to boost equity-type instruments and other sources of finance complementary to straight debt are proliferating

In general, a more balanced capital structure increases the likelihood of attracting bank credit at good conditions, and is associated with higher growth in employment and turnover (Brogi and Lagasio, 2016). Evidence also suggests that the recovery from the financial crisis was impeded by the strong dependence on bank lending observed in many European countries (EIB, 2014). High-growth SMEs especially struggle to find sufficient external financing to sustain their growth ambitions, as illustrated in the relationship between capital market financing and firm growth in many countries (Didier et al., 2016).

The Czech Republic's new venture capital fund was launched in January 2017 through the *Československá Obchodní Banka* (CSOB) with the cooperation of the European Investment Fund (EIF). This fund will focus on seed and start-up financing of innovative firms with an initial budget of EUR 50 million over two years. Support for this also comes from the Juncker Plan, the European Commission's Investment Plan for Europe. This is the first of its kind EIF-managed equity fund of funds, and its aim is to boost entrepreneurship and innovation in the country, as well as reform the equity ecosystem for early stage development of SMEs.

The government of Canada also committed to make available CAD 400 million over three years, starting in 2017-18 through the Business Development Bank of Canada (BDC). These will go toward the creation of a new Venture Capital Catalyst Initiative (VCCI) that will increase late-stage venture capital available to Canadian entrepreneurs.

With funds leveraged from the private sector and dependent on proposals received, VCCI could inject CAD 1.5 billion into the Canadian innovation capital market. *Futurpreneur Canada*, a not-for-profit organisation providing mentorship, learning resources and start-up financing to young entrepreneurs, also received funding of CAD 14 million over two years, starting in 2017-18, to continue its support of Canada's next generation of entrepreneurs. BDC also announced the first closing of StandUp Ventures Fund I on 8 May 2017. This fund invests in Canadian pre-seed and seed-stage high growth, capital-efficient ventures in health, IT and cleantech with at least one female founder in a senior executive role, such as a Chief Executive Officer. BDC has contributed CAD 5 million into this fund with other investors being sought.

In Georgia, although exact data on the availability and use of alternative finance instruments are lacking, available evidence suggests that SMEs are very dependent on the banking sector to meet their financing needs. However, one source of alternative finance that is becoming increasingly relevant in the country is micro-finance. As of the fourth quarter of 2016, there were 80 micro-finance organisations registered in Georgia and supervised by the National Bank. These have over 430 branches throughout Georgia. Since 2010, the lending of microfinance-organisations to SMEs has steadily grown. By the end of 2016, the total amount of loans to SMEs in the portfolio of microfinance-organisations amounted to GEL 7.7 million compared to GEL 6.1 million in 2015 and GEL 1.7 million in 2010. The main clients of microfinance institutions in Georgia are non-bankable micro and small enterprises.

Market-complementary financing through state actors aims at contributing to improved access to finance in stages and segments, where the private market is particularly thin. In Sweden, market-complementary financing is currently provided by, among others, the state-owned corporation Almi (loans, as well as venture capital through the subsidiary Almi Invest), and the foundation *Industrifonden*. In June 2016, the Swedish parliament (*Riksdag*) adopted a proposal concerning the structure of public financing for innovation and sustainable growth. One aim of this new structure is to clarify and simplify the current system of state venture capital 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. In 2016 the government established a new, joint stock company, Saminvest AB, which is a funder of funds, and invests in companies in the development stages through privately managed venture capital funds.

The two-pronged approach to complement government policies to ease SMEs' access to credit with initiatives to support a more diversified financial offer for small businesses is in line with the G20/OECD High-Level Principles on SME Financing (see Box 1.4). In 2015, the OECD, together with other international organisations, developed these Principles 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 1.4). They highlight the importance of broadening the range of financial instruments by SMEs, especially for segments within the SME population that are not appropriate candidates for debt financing, owing 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. The implementation of the G20/OECD High-Level Principles on SME Financing would go a long way to addressing these issues. The OECD is supporting efforts to identify effective approaches to implementing the G20/OECD High-Level Principles on SME Financing.

Box 1.4. 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.

c. Governments around the world continue 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 China, Internet financing is believed to be key to addressing SME financing needs in the near future. To encourage this, the Chinese Government included developing a crowd-funding industry as a key task in the 13th National Five-Year Plan. The government has also become more aware of risks associated with Internet financing in 2015-16, and initiated reforms like a risk supervision framework for the Internet financing industry, which included shutting down illegal online financing platforms. In 2016, the China Internet Finance Association was established to strengthen industry self-discipline.

New Zealand introduced a licensed equity crowdfunding framework in 2014. The first full year of market activity saw four licensed operators run successful campaigns that raised NZD 14.9 million of retail investment for 27 companies. There are currently eight crowdfunding platforms in New Zealand licensed by the Financial Markets Authority to let businesses sell shares to the public through their website.

The crowdfunding industry in Chile has faced considerable growth since the creation of the first Chilean crowdfunding platform, Cumplo, in 2012. In October 2016, a crowdfunding association, *Asociación Chilena de Financiamiento Colaborativo* (AFICO), was founded to create an autoregulation framework and a code of best practices to increase transparency for investors and for SMEs in the industry. Furthermore, the Financial Stability Council led by the Minister of Finance has established a working group to determine a regulatory framework for crowdfunding. The regulatory framework should balance investor protection as well as facilitate financing options for SMEs.

France has undertaken an innovative method to encourage the usage of crowdfunding as a source of finance for SMEs. Its credit mediation scheme, Mediation du Credit 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.* This synergy between the two sources of funding aims to increase access to finance for SMEs of varied profiles.

The Mexican Government has been supportive to the crowdfunding industry since the first platform (*Fondeadora*) started operations in 2011 and the Mexican crowdfunding association, *Asociación de Plataformas de Fondeo Colectivo*, A.C. (AFICO), was created in 2014 by 8 founding members (24 members by the end of 2017). Several organisations and government institutions and the Office of the Digital Strategy of the Presidency of Mexico have worked together to accelerate the crowdfunding ecosystem in the country. As a result, Mexico is committed to establish a regulatory framework for this new industry through the proposal of the *Ley para Regular las Instituciones de Tecnología Financiera* (known as Fintech Law), which seeks to protect users of crowdfunding platforms and other fintech developments against the risks of fraud, cyber-attacks that compromise their data, as well as enforce transparency and disclosure of information. In addition, this law seeks that financial technology institutions (including crowdfunding platforms) implement policies to prevent money laundering and financing terrorism, and it is expected that in early 2018 its final draft will be discussed in the Chamber of Deputies for its final approval and publication, after being unanimously approved by Mexico's Senate in December 2017.

d. Governments addressed the financing gap among innovative start-ups with comprehensive policy reforms

Governments moved to foster growth of a start-up ecosystem for high growth potential and technologically advanced SMEs with wide-ranging policy measures that include specific efforts to improve their access to finance, but also address other concerns such as the regulatory burden, managerial skills, access to labour, governance, innovation and internationalisation. In particular, several countries implemented comprehensive "start-up packages" that aim to encourage creation and growth of high-impact firms. Such programmes or instruments are now in place in many participating countries, with some examples provided below.

The development of start-up ecosystem is a priority of the Latvian Government. Start-up Law has come into force on January 2017 and it reduces taxes on employees' salaries for start-ups. It allows for a flat tax on employee salaries, co-financing of highly qualified labor, and waives personal and corporate income tax. Additionally, there is start-up visa for start-up founders introduced into the market that come into force starting May 2017. In addition, several new acceleration funds and seed and start-up funds will be made available, as well as innovation vouchers for start-ups providing support for experimental development, prototyping, intellectual property issues and new product or technology testing and certification.

In July 2016, the Austrian Government launched a start-up programme with a total volume of about EUR 185 million in three years. This aims at fostering existing assets, realising potentials and reducing barriers to improve the start-up ecosystem in Austria. Key initiatives addressing the existing market failure of risk financing in Austria include an expansion of the Austrian Business Angel Fund, a new risk capital premium for investors to promote equity stakes in innovative start-ups, and tax exemptions for dividends of private investments in *Mittelstandsfinanzierungsgesellschaft*, a financing company for SMEs.

"Startup Georgia" was launched in May 2016, as part of the Georgian Government's reform agenda to facilitate the development of innovative start-ups. The total budget of the programme is GEL 35 million, while GEL 11 million was spent in 2016 for the first round of the project. In addition to financial support, Georgia's Innovation and Technology Agency (GITA) provides training, coaching, mentoring and consulting services for all programme beneficiaries. In total 65 participants were financed in 2016 in both components.

In Chile, the *Corporación de Fomento de la Producción de Chile* (CORFO) manages the Start-Up Chile programme that aims to attract world-class entrepreneurs in early-stage projects to Chile to create a vibrant entrepreneurial ecosystem. The programme provides entrepreneurs with CLP 10 million of equity-free capital through a reimbursement process. For foreign entrepreneurs, a one-year working visa is granted to the founder and to a team of up to three people included in the formal application. Start-up Chile also has incentives for project owners willing to develop their business non-metropolitan areas, as well as to Chilean postgraduate students that have finished their graduate programmes abroad, and are returning to the country. It has a follow-on fund called Scale Up that provides start-ups graduating from the Start-up Chile accelerator with follow-on funding of up to CLP 60 million per project. CORFO also has a pre-accelerator programme, S Factory that supports start-ups led by female entrepreneurs.

Italy has continually updated provisions of its "Startup Act", introduced in 2012 to benefit innovative Italian start-ups. The legislation consists of a vast and diversified package of measures that touch every aspect of a company's lifecycle, including the introduction of more flexible corporate management tools, the liberalisation of remuneration schemes, the facilitation of access to credit – for example by facilitating the investment in equity, and support in the process of internationalisation of innovative enterprises. In 2014, the Italia Startup Visa (ISV) programme was launched by the Italian Ministry of Economic Development, introducing an online, centralised, fast-track and free procedure aimed at granting self-employment visas to non-EU citizens who wish to establish an innovative start-up company in Italy, as defined by the Italian Startup Act. Other measures include "fail fast" procedure to enable entrepreneurs to start-up again instead of being stuck in bankruptcy proceedings, fast-track and free access to the state SME Guarantee Fund, and the possibility to collect capital through online equity crowdfunding portals.

Mexico has taken the route of matching grants to encourage innovation in its start-up ecosystem. One of Mexico's key programming areas in recent years has been the High-Impact Entrepreneurship Programme to support knowledge-based innovative SMEs in Mexico. SMEs with the highest growth potential can thus develop projects such as IT platforms and financial/managerial/commercial consulting. In 2013, *Instituto Nacional del Emprendedor* (INADEM) created the Programme to Foster the Venture Capital Industry, which aims to multiply the resources allocated to VC funds, throughout the co-investment in foreign and national vehicles to invest in high impact Mexican enterprises. Beneficiaries also receive mentoring and counselling in order to scale their projects in a more successful way.

Greece, which saw a huge drop in venture capital after the global financial crisis, has also recognised the need to foster growth of innovative start-ups and has implemented several measures toward this. The Institution for Growth (IfG) was established in 2014 as a non-bank financial institution to support innovation and growth in Greece by catalysing private sector financing, especially for SMEs. EquiFund, established in December 2016, is a participating fund to provide equity to enable high value-added investments. The fund's initial total resources of EUR 320 million will go toward investments in three key areas – research and innovation, general entrepreneurship for start-up enterprises, and general entrepreneurship for enterprises in development. Special emphasis will be given to the strategic sectors of the Greek economy such as tourism and energy. Additionally, the European Investment Fund signed agreements under the Equity Facility for Growth (EFG) mechanism of COSME programme for the provision of equity to innovative SMEs with high opportunities to expand.

e. Financing needs of SMEs are increasingly being addressed at regional level

Governments are increasingly catering more to local needs and requirements of SMEs, which can sometimes be region-specific. This allows for more tailor-made policy reforms and enables a better uptake of policy. In addition, best practices are sometimes transferrable to other regions, increasing the impact of knowledge-sharing while allowing for experimentation with policy proposals.

In Belgium, the capital region of Brussels has focussed resources on helping SMEs that were adversely affected by the "lockdown" of 2015 and the terror attacks of March 2016. The aim is to ensure the continuity of Brussels enterprises, which were hit by a fall in their turnover in the aftermath of the above-mentioned events, by granting them crisis loans of up to EUR 250 000 guaranteed by the Brussels guarantee fund. In 2016, crisis loans amounting to EUR 5 219 000 had been granted, representing more than EUR 3 450 000 in associated guarantees from the fund.

In China, the national SME development fund that was established in 2015 set up its first regional subsidiary fund in Shenzhen City in 2016. In 2017, Special Funds for SME Development changed its funding system to initiate a national programme of innovative demonstration cities for small micro-enterprises. A fund of CNY 600-900 million will be granted to each innovative demonstration city, and will be used to directly fund innovative small business and entrepreneurship, or to improve the environment at the city-level for SME innovation and entrepreneurship.

In Ireland, regional balance is an important policy priority and the Strategic Banking Corporation of Ireland (SBCI), Ireland's National Promotional Institution for SMEs, has a broad regional spread of the SMEs supported for that reason, with 84.8% of them based outside Dublin. The SBCI is currently seeking to broaden its distribution capability and market coverage; it is engaging with potential new on-lenders in this regard. Alongside promoting enhanced access to sources of finance for SMEs, the Irish Government is also keen to remove other bottlenecks toward the scaling up of such firms. Digital technology can open up new opportunities for rural SMEs in Ireland, but access to high-speed broadband can still be an issue. The state is currently intervening to subsidise such a service to all parts of the country. There is also a focus on encouraging e-hubs or spaces where entrepreneurship, e-working business assistance and networking are combined.

In the United Kingdom, the British Business Bank launched its first regionally-focused fund in February 2017 – the GBP 450 million "Northern Powerhouse Investment Fund (NPIF)". NPIF is a collaboration between the government-owned British Business Bank and ten Local Enterprise Partnerships (LEPs) in the North West, Yorkshire & the Humber and Tees Valley and provides commercially-focused finance to help SMEs start up and grow. It combines GBP 400 million of funding from the UK Government, European Regional Development Fund, British Business Bank and European Investment Bank to help businesses in the region to scale-up and become a successful part of the government's Northern Powerhouse vision. NPIF provides commercial finance through three types of product funds: microfinance, debt finance and equity finance NPIF therefore aims to nurture regional entrepreneurship by providing investment and support for small and medium businesses between 2016 and 2021. NPIF's funding will support new and growing SMEs, create jobs and encourage and attract additional private sector investment. The Bank will introduce similar interventions for the Midlands in 2017-18.

In Chile, there is a focus on access to finance, advertising and training through local development centres, internationalisation by taking advantage of free trade agreements and reducing bureaucracy and regulatory burdens by implementing a one-stop shop which will facilitate interaction between SMEs and local governments.

Similarly, in France's efforts to support very small enterprises, the *Banque de France* has put in place a correspondent for these firms in every region, to provide advice and discuss their financial situation if necessary, to avoid specific difficulties before they encounter them. Around 100 advisors have been designated in this perspective and focus on firms with less than 10 employees and turnover of less than EUR 2 million. The rationale behind such an initiative, launched in September 2016, is to break the isolation of entrepreneurs and to solve financial problems before they become too heavy for a small firm (Banque de France 2017c).

Overview of government policies

Table 1.10 summarises the types of measures in place in 2016. 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. These policies sometimes have a focus on groups which are underrepresented in entrepreneurship, such as women. Box 1.5 provides evidence from Canada on female-owned businesses and their access to finance compared to male-owned enterprises.

Table 1.10. Government policy instruments to foster SME access to finance

Policy instruments	Sample of countries using the instrument
Government loan guarantees	Austria, Belgium, Brazil, Canada, Chile, Colombia, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Greece, Hungary, Ireland, Israel, Italy, Japan, Kazakhstan, Korea, Latvia, Luxembourg, Malaysia, Mexico, the Netherlands, Norway, Poland, Portugal, Russian Federation, Serbia, Slovak Republic, Slovenia, South Africa, 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, Kazakhstan, Latvia, 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, Latvia, 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, Latvia, Korea, Malaysia, Norway, Portugal, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland*, Turkey
Subsidised interest rates	Austria, Czech Republic, China, Georgia, Hungary, Kazakhstan, Latvia, 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, Latvia, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Russian Federation, Slovak Republic, Spain, Sweden, Turkey, United Kingdom, United States at EU level: EC and EIB Group (EIF)
SME banks	Brazil, Canada, China, Czech Republic, France, Ireland, Luxembourg, Kazakhstan, Latvia, Malaysia, Poland, 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, Latvia, Malaysia, the Netherlands, New Zealand, Norway, Poland, 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, Latvia, 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 discontinued 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 2018.

Box 1.5. Access to finance for male-owned and female-owned businesses: Evidence from Canada

Although the percentage of majority female-owned Canadian SMEs increased by 1.4 percentage points between 2000 and 2014, they still compromise a relatively small proportion of the overall business population at 15.7% in 2014. In addition, these companies are generally smaller as 91.6% of majority female-owned SMEs employed 1 to 19 workers, compared with 85.8% of SMEs majority-owned by males. Majority female-owned SMEs were concentrated in the Retail Trade, and Accommodation and Food Services sectors. These two factors – the smaller size of majority female-owned SMEs, and their concentration in less export-oriented sectors – explain, in part, why fewer majority female-owned SMEs (8.4%) export compared to majority male-owned SMEs (12.8%).

In 2014, 45% of majority female-owned SMEs sought external financing, compared with 53% of majority male-owned SMEs. The primary reason for not seeking external financing given by both majority female-owned (86%) and majority male-owned (89%) SMEs was that financing was not required. Among SMEs that did not seek external financing, very few were discouraged borrowers. Nonetheless, 2.6% of majority female-owned SMEs did not seek external financing because they thought their request would be rejected, compared to 1.4% of male majority-owned SMEs. Moreover, the overall request rate for debt financing was lower for majority female-owned SMEs (23.2%) compared to majority male-owned SMEs (29.0%) in 2014. Request rates for majority female-owned SMEs were also lower for all forms of debt financing and the ratios of total amount authorised to total amount requested varied by gender of ownership across types of debt financing in 2014. In 2014, the average interest rate for each type of debt financing by gender of ownership were similar, however.

While there were differences in 2011, econometric results suggest that by 2014 there were no statistically significant differences in the ratio of debt financing authorised to requested and charged interest rates due to the gender of business ownership. By 2014, there were no differences on these measures between majority male-owned and majority female-owned SMEs, all other things equal. The results show that any differences in the descriptive statistics for these groups on these measures could be accountable for by the assessed risks that the financial sector placed on factors such as sector risk and business size and not on gender.

Source: Rosa and Sylla, 2016.

Recommendations for data improvements

Data gaps on SME finance remain prominent and further efforts to improve the collection of data and evidence on SME finance could be pursued. First, the SME population is very heterogeneous, and financial challenges differ substantially alongside different parameters such as the age of the firm, its size, location, sector, growth potential as well as on characteristics of the principal business owner such as their gender or business experience. Despite the widespread recognition of the need to tailor policies to the different needs of the enterprise population, data collection efforts do not always capture granular information along these parameters. This negatively impacts policy makers' ability to assess the impact and effectiveness of initiatives on these different segments.

Second, quantitative surveys, either directed to a representative group of SMEs or to senior loan officials, provide valuable additional insights alongside more qualitative information. These surveys are not universally adopted, however. In addition, there appears to be wide differences in terms of methodology, questions asked, coverage and scale of existing surveys, hindering international comparisons. An international harmonisation of survey methods in this area would enable more meaningful analysis SMEs' access to finance and financial conditions.

Third, the evidence base continues to be weak when it comes to most sources of finance other than straight bank debt. Often, data are not SME-specific, incomplete, hard to compare from one country to the other, and sometimes questions arise about the reliability and methodology of data collection efforts. Initiatives to promote the use of alternative sources of financing by SMEs have proliferated in recent years, but their impact often remains hard to gauge because of the lack of data.

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] 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

[4] Factors Chain International is an umbrella organisation for factoring organisations and currently has over 275 members in 74 countries

[5] Countries included in this report include all EU 28 countries except for Luxembourg and the United Kingdom. UK data are reported in a different periodical study.

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Chapter 2. Evaluating publicly supported credit guarantee programmes for SMEs: Selected results from an OECD/EC survey

This chapter surveys practices to assess costs and benefits of financial guarantee programmes for SMEs, based on the "OECD/EC Survey on Evaluating Publicly Supported Financial Guarantee Programmes for SMEs". It highlights the wide range of different evaluation approaches across countries, and offers guidance on what specific characteristics of evaluation methodologies are considered particularly helpful.

This chapter was prepared by Sebastian Schich, Principal Economist of the Directorate for Financial and Enterprise Affairs, Financial Markets, Insurance and Pensions Division (DAF/FIN). It is based on OECD (2017), "Evaluating Publicly Supported Credit Guarantee Programmes for SMEs," available at http://www.oecd.org/finance/financial-markets/Evaluating-Publicly-Supported-Credit-Guarantee-Programmes-for-SMEs.pdf by Sebastian Schich, OECD, and Jessica Cariboni, Anna Naszodi and Sara Maccaferri, Scientific Officers at the European Commission Joint Research Centre, prepared for (and having benefitted from inputs and comments from members of) the OECD Committee on Financial Markets. Box 2.2 has been drafted by Asad Ghani, British Business Bank.

Introduction and objectives

As underscored in the trends chapter of the Scoreboard (Chapter 1), credit guarantee schemes (CGS) remain the most widespread instrument to support SME access to finance, and 2016 guaranteed loan volumes remain well above pre-crisis levels in most countries. CGS typically provide a partial guarantee for a bank credit to an SME that would be triggered in the event of debtor default. Over the past decades, there has been a proliferation of such schemes worldwide; more recently, in response to the effects of the global financial and economic crisis, CGS were used as a counter-cyclical policy tool.

The need to evaluate the performance and cost-effectiveness of credit guarantee schemes has been widely recognised, including in recently developed G20/OECD High Level Principles on SME Financing (G20/OECD, 2015, see Box 2.1) and in public credit guarantee arrangements (The World Bank and FIRST Initiative, 2015). Given the public expenditure that publicly supported CGS may entail, it is essential to provide accountability, and to monitor and evaluate the effect of CGS and the extent to which they meet their stated objectives. The expansion of CGS since the financial crisis has further increased the demand on the part of policy makers for monitoring and evaluating publicly supported financial support arrangements for SMEs.

Box 2.1. High-level principles related to SME financing and public support programmes for SMEs

The G20/OECD High-Level Principles on SME Financing developed in 2015 emphasise the need for public SME support programmes to be assessed in order to ensure their additionality and cost effectiveness. The principles recognise that CGS can play a positive role and help SMEs access to bank credit. They also suggest that there is a need to complement SME bank financing with a broad range of non-traditional financing instruments, although they do not explore to what extent there might be any interactions between traditional and alternative sources of SME funding (i.e. complementarity or substitutability). The principles suggest the need for monitoring and regular evaluation of public programmes against their specific target objective(s) and that the results should feed back into the policy-making process.

In addition, the World Bank, in collaboration with the FIRST Initiative, developed high-level principles for the design, implementation, and evaluation of public CGS for SMEs in 2015. The principles ask for systematic and regular evaluations to be conducted and published, in particular on the additionality and sustainability of CGS. In addition, the principles suggest the need to collect relevant data and information and to adopt a transparent methodology. No recommendation is made about the choice of any specific evaluation method.

Evaluating the performance of these different arrangements is not straightforward but important, as the design of many CGSs has been revised and might need to be further adapted to meet the challenges of an evolving environment and enable CGS to effectively perform their objectives. As the country profiles in this publication suggest (Chapter 3), some schemes provide more support than others to SMEs in terms of amounts guaranteed and other features. Other CGS have started to offer new types of guarantees, or have changed the distribution channels for their guarantees. An earlier survey highlighted that

CGS differ in their objectives, ownership structures, legal and regulatory frameworks, operational characteristics, eligibility criteria and credit risk management (OECD, 2013a). Evaluations are essential to assess whether and to what extent these design changes have been effective in allowing the CGS to achieve their intended effects.

Despite the agreement among policy makers of the importance of performance assessment, it is not always clear whether national authorities undertake rigorous evaluations of CGS activities and use the results of their findings to improve the functioning of the arrangements. There is no internationally agreed set of good practices on methods to evaluate the performance and cost-effectiveness of CGS. To find out more about national approaches in this regard, an "OECD/EC Survey on Evaluating Publicly Supported Financial Guarantee Programmes for SMEs" was circulated to OECD members and partner country authorities in 2016. The goal was to enable participants to learn what approaches others are using and what specific characteristics of evaluation methodologies are considered particularly helpful. The results are described in Schich et al. (2017) on which the present chapter draws.

This work adds to the body of OECD analysis on instruments to foster SME access to finance, including a 2012 study on the design elements of credit guarantee schemes and mutual guarantee societies (OECD, 2013b). The present work places a sharper focus on how public authorities assess the performance of publicly supported arrangements, so as to allow them to adjust design elements; it is based on responses received from member countries through a survey among public authorities.

The rationale for credit guarantee schemes

Public intervention in lending to SMEs aims to overcome the effects of a diagnosed market failure. SMEs in general or certain segments within the SME population such as those with high growth potential are sometimes seen as receiving fewer funds than they could productively use, and that they are requesting. Such a situation might arise both in the case of large and small firms, but problems of information asymmetry are likely to be more relevant in the case of small firms (Kraemer-Eis et al., 2017). This reflects the disproportionality between the cost of assessing a small company’s credit worthiness on the one hand, and the potential financial return on the other. As the costs of conducing a credit assessment does not scale up linearly with the size of the firm of its need for debt, small enterprises run a greater risk to be credit-constrained. Moreover, financial regulation that adds to these costs can have a disproportionate effect on the supply of credit to SMEs.

The potential market failure created by the existence of non-negligible fixed costs associated with SME lending can be further complicated by a lack of collateral, limited credit history and lack of expertise to produce financial statements on the part of SMEs. As a result, a difference may arise between the demand for finance and the supply of funds to SMEs, which is often considered a structural market failure and is generally referred as the “financing gap for SMEs”. Of particular concern is the financing gap for those SMEs that have a high growth potential. These firms are typically risky and lack a track record and standardised information on past performance and growth prospects. A common reaction on the part of banks to such a situation is to charge higher interest rates as well as demanding collateral to cover losses in the event of default on the SME loan. SMEs, especially young ones, typically lack not only a track record but also collateral and they thus can find themselves rationed out of the credit market.

Publicly supported credit guarantee schemes for lending to SMEs are one answer to this situation as they perform part of the functions of collateral and limit the losses of the creditor in the case of SME insolvency. Such guarantees address diagnosed market failure. It should be noted in this context that there are also other means of addressing market failure, such as improving transparency, creating and disseminating additional information e.g. through databases that allow to improve assessment of growth prospects and risks, as well as by providing education and training to SMEs to present their information in more standardised formats. Whatever the specific type of intervention, it is acknowledged that the various types of support need to be part of a coherent approach and that there needs to be an important element of coordination across different programmes.

Similar to any other type of policy intervention, publicly supported credit guarantee arrangements for SMEs can generate both benefits and costs. Thus, the economic and social benefits in terms of maintaining or creation of employment, increased investment, enhanced productivity, etc. need to be carefully compared with the costs (Schich et. al, 2016). Costs include both operational costs as well as opportunity costs of public funds. In addition, these schemes can have unintended consequences. For example, they might channel funds to companies that cannot make productive use of them, keep companies alive that otherwise would exit the market; reduce the incentives to explore and develop alternative financing sources; create deviations from the level playing field between companies that benefit from credit guarantees and those that do not; and creating contingent fiscal liabilities.

Selected considerations regarding the evaluation of the performance of public intervention

The OECD Framework for the Evaluation of SME and Entrepreneurship Policies and Programmes was developed in 2007 and provides guidance to policy makers in this area (OECD, 2007). In recent years, considerable advances in both the techniques and availability of data for SME and entrepreneurship policy evaluation have been made. Nonetheless, high-quality evaluations remain relatively rare in the field of SME and entrepreneurship policy. As regards developments in both policy inputs (e.g. amount of loan guarantees) and intermediate outcomes (e.g. number of firms having received loan guarantees), national systems to monitor CGS have improved considerably. This is due also in part to international efforts, including the OECD Scoreboard and complementary efforts at the World Bank, European Investment Bank Group (EIF and EIB) and European Commission. Cross-border reviews of key characteristics of CGS, including their functioning, funding, and some elements of performance include OECD (2013b) and Chatzouz (2017).

Performance is typically assessed based on intermediate outcomes (e.g. new loans generated as a result of loan guarantees), as evaluation of policy outcomes (e.g. new employment created as a result of loan guarantees) continues to be challenging. The key challenge consists of robustly assessing the causal impact of policy interventions. Establishing causality between policy inputs and outcomes requires the construction of a valid counterfactual. In other words, what would have happened to SMEs benefitting from support if they had not received that support? One method that provides an answer to this question relies on an experiment where the guarantee is granted to a sample of randomly selected SMEs. If selection is independent of SMEs characteristics, then the difference between the outcomes for the “treated group” (enterprises benefitting “by chance" from the support measure) and the "control group" (enterprises not benefitting from the programme) can, in principle, be attributed to the treatment, and not to pre-existing differences between the two groups.

In reality, guarantees are not assigned randomly. First, only those SMEs that apply for a loan guarantee have the possibility of obtaining it; second, applicants have to meet certain criteria to be selected for the guarantee programme. As better managed SMEs, with higher growth potential, are in general more likely to get the guarantee, any detected difference between the outcomes for the "treated group" and the "control group" cannot be attributed to the programme only, but should be attributed also in part to intrinsic differences between the groups. If these differences are not controlled for, then the estimated effect of the programme is subject to the so-called selection-into-treatment bias. In the absence of randomised selection to the programme (which, however, would be an "ideal" setup from the programme evaluator's point of view), analysing the counterfactual requires more sophisticated statistical methods than the simple comparison of the outcomes in the two groups.

Perhaps even more importantly, comparing pre-intervention period and post-intervention period levels of a target variable (such as employment, turnover, or a measure on gender inequality or regional income inequality, etc.) for the group of SMEs receiving guaranteed loans does not provide information about the value added of the programme, as a change in performance can be affected either by the policy intervention or by other factors. Without development of a proper counterfactual, evaluation studies that exploit data covering treated firms only can test whether the performance of the SME has improved or not after receiving the guaranteed loans, but not whether that improvement is due to the policy intervention.

OECD/EC Survey on Evaluating Publicly Supported Financial Guarantee Programmes for SMEs

The OECD/EC Survey describes practices adopted to assess costs and benefits of financial guarantee programmes for SMEs, based on responses from public authorities. The goal of the survey was to enable authorities to learn what approaches others are using and what specific characteristics of evaluation methodologies are considered particularly helpful. To assess whether credit guarantee programmes achieve their scope effectively, periodical evaluations are important, and they are essential for policy makers to improve design elements of these programmes.

Coverage of the survey

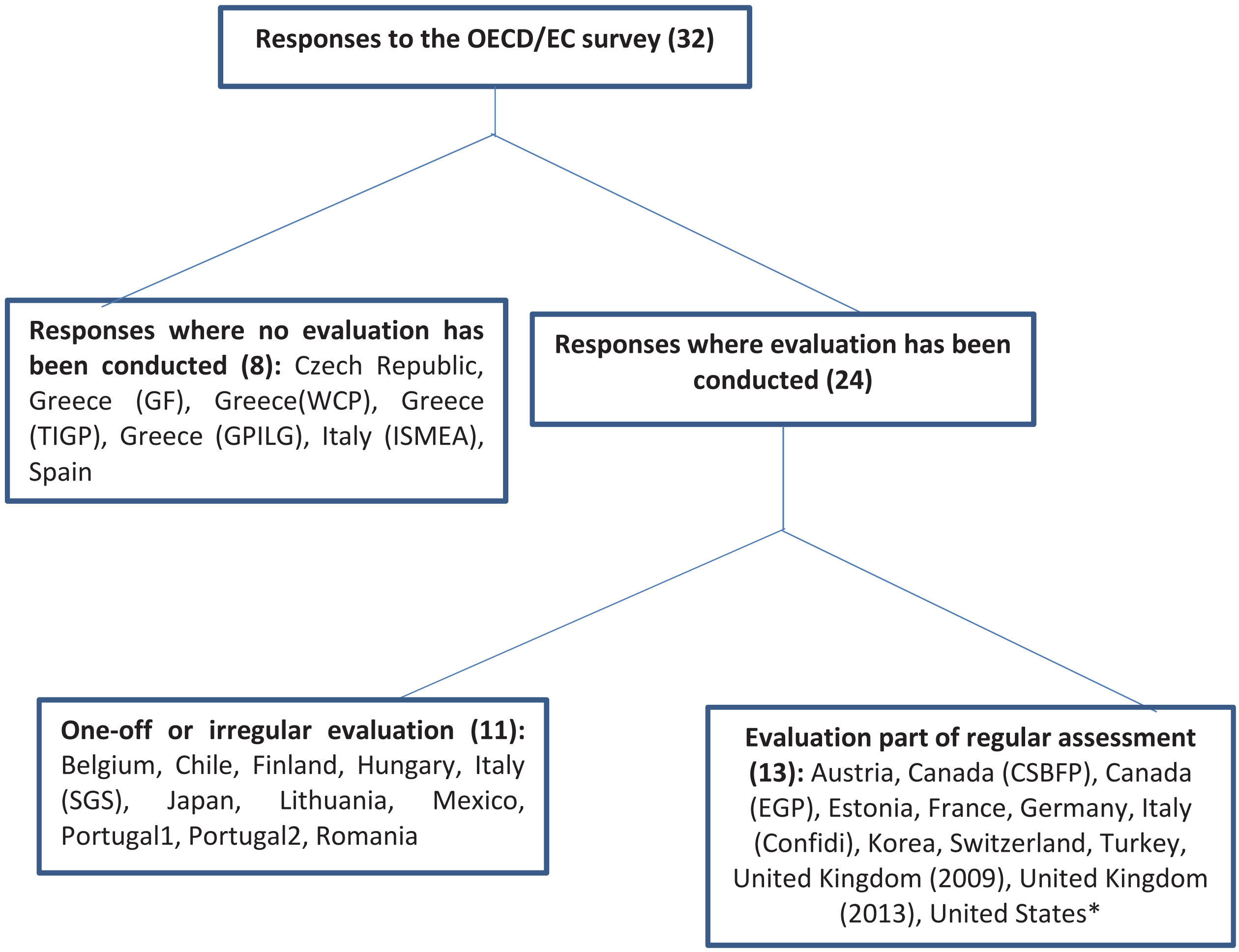
A questionnaire was circulated to collect information on how OECD, EU members and partner countries evaluate the performance of their domestic CGS. Altogether 33 responses were received from 24 countries. Responses were invited from countries with or without CGSs, although Iceland was the only country without a CGS that provided a response to the questionnaire. 32 responses from countries with a CGS and 31 completed questionnaires were received, covering 23 countries (Table 2.1).

Table 2.1. Responses received to the OECD/EC survey

Country name	Name of credit guarantee arrangement
Austria	Austrian Wirtschaftsservice (AWS)
Belgium	Participatie Maatschappij Vlaanderen NV (PMV NV)
Canada	Canada Small Business Financing Program (CSBFP)
	Export Guarantee Program (EGP)
Chile	Corporación de Fomento de la Producción de Chile (CORFO), Banco Estado
Czech Republic	Czech-Moravian Guarantee and Development Bank
Estonia	KredEx Credit Insurance (KredEx)
Finland	Finnvera
France	Bpifrance
Germany	German Guarantee Banks
Greece	Entrepreneurship Fund - Guarantee Fund (ETEAN)
	Working Capital Program (ETEAN)
	Raw Material Guarantee Program (ETEAN)
	Tax and Insurance Guarantee Program (ETEAN)
	Guarantee Program for Issuance of Letters of Guarantee (ETEAN)
Hungary	Garantiqa, Agrár-Vállalkozási Hitelgarancia Alapítvány (AVHGA)
Italy	Central Guarantee Fund (CGF) for SMEs
	Confidi
	Istituto di servizi per il mercato agricolo alimentare (ISMEA)
Japan	Credit Guarantee Corporation
Korea	Korea Credit Guarantee Fund (KODIT)
Lithuania	Investiciju ir verslo garantijos (INVEGA)
Mexico	Nacional Financiera (NAFISA)
Portugal	SNGM (Sistema Nacional de Garantia Mútua) - assessment commissioned by the CGS, henceforth 'Portugal1'
	SNGM (Sistema Nacional de Garantia Mútua) - assessment commissioned and conducted by researchers, henceforth 'Portugal2'
Romania	National Credit Guarantee Fund for SME (FNGCIMM S.A.-IFN)
Spain	Sociedades de Garantía Recíproca (SGR)
Switzerland	Gewerbeorientiertes Bürgschaftswesen
Turkey	Kredi Garanti Fonu
United Kingdom	Enterprise Finance Guarantee - assessment in 2009, henceforth UK(2009)
	Enterprise Finance Guarantee - assessment in 2013, henceforth UK(2013)
United States	Small Business Administration (SBA)

Note: Multiple responses from individual countries were invited, where relevant. Altogether 32 responses were obtained from 23 countries. Iceland provided a response but is not listed in the table as no CGS exists in the country. The United States is listed in the table although it provided only general information and did not answer specific survey questions.

Figure 2.1. Overview of OECD/EC Survey responses



Note: Assessment based on responses to OECD/EC survey (and also including the United States response related to SBA for completion). The two evaluations provided by the United Kingdom and the two provided by Portugal are shown separately and are referred to as United Kingdom (2009), United Kingdom (2013) and Portugal1 and Portugal2 respectively. In two cases, responses were ticked both "regular" and "irregular" evaluations, and these responses are included under "evaluations that are part of regular assessments". * The United States did not provide answers to the specific questions of the OECD/EC questionnaire but instead provided a written explanation of a more general nature.

Selected lessons from the survey

Independent evaluations versus self-evaluations

Responses from national authorities to the OECD/EC survey regarding the overall outcome of the evaluation range between "positive" and "positive/mixed". Table 2.2 links the overall outcomes of the evaluations covered by respondents with the identity of the entities undertaking them. Only five evaluations are self-assessments and the majority of evaluations are performed by independent research institutions. The table shows that none of the evaluations identifies negative (or mixed-negative) effects. It also fails to show any clear and systematic links between the identity of the entity conducting the evaluation and the overall outcome. For example, the last row shows that self-evaluations result in either positive or mixed-positive results. In this regard, self-evaluations do not differ from other types of evaluations that were submitted to the OECD/EC survey; in this context, it should be noted that literature reviews suggest that self-assessments tend to result in better outcomes being identified than other types of studies (*e.g.* Schich, Maccaferri and Cariboni, 2016; Venetoklis, 2000).

In any case, it is useful to "pre-emptively" consider employing practices that can help minimise any potential bias toward positive outcomes in self-assessments. The involvement of independent researchers in the evaluation can help to limit the existence of such bias. This practice has already been adopted by many respondents to this survey, and is also consistent with the commentaries of the explanatory notes to the World Bank/FIRST Initiative Principles.

Table 2.2. Outcome of the study and entity undertaking the evaluation

Institution conducting the survey	Overall outcome of the CGS evaluation				
	Negative	Negative / mixed	Positive / mixed	Positive	Number of observations
Research institution/university			Belgium, UK (2013)	Chile, Finland, Germany, Japan, Portugal 1, Portugal 2, Switzerland, UK (2009)	**10**
Research institution/ university with CGS			Austria		**1**
Research institution/ university with CGS and public authority			France		**1**
Public authority			Estonia, Italy (CGF)	Korea, Canada (CSBFP), Italy (Confidi)	**5**
Public authority with CGS				Turkey	**1**
CGS			Canada (EGP), Hungary, Romania	Lithuania, Mexico	**5**
TOTAL	**0**	**0**	**9**	**14**	**23**

Note: Based on the responses to the OECD/EC survey. 'Portugal 1' and 'Portugal 2' refer to evaluations of SNGM (Sistema Nacional de Garantia Mútua) undertaken by two different evaluators, 'United Kingdom (2009)' and 'United Kingdom (2013)' refer to the assessments of the Enterprise Finance Guarantee 2009 and 2013, respectively.

Frequency of evaluations

Concerning assessment frequency, the survey results suggests that evaluations are often, but not always undertaken regularly. In some cases, only one-off evaluations are performed and, in a few cases, no evaluations are available. According to the two sets of high-level principles, evaluations should be undertaken regularly (G20/OECD principles) or at least periodically (World Bank/FIRST Initiative principles). Thus, there is scope in several countries to increase the frequency of evaluations undertaken.

Objectives against which to conduct the evaluation

The G20/OECD High-Level Principles on SME Financing suggest evaluations should be performed based on "clearly defined, rigorous and measurable policy objectives" (Principle 11 "Monitor and evaluate public programmes to enhance SME finance"). When asked about what specific weaknesses were targeted by the CGS, almost all respondents referred to the lack of sufficient collateral on the part of SMEs, suggesting that the guarantee would substitute for a diagnosed lack of collateral. A general lack of collateral was considered as the specific weakness targeted by the CGS by 26 out of altogether 32 respondents (Figure 2.2). Other respondents suggested that the lack of collateral was confined to either specific firms or to firms in specific sectors, with other respondents suggesting that the CGS was meant to address the issue of the inadequacy of the type of collateral available.

Other shortcomings were also identified, although they seem to play a much less prominent role. Some of these shortcomings refer to social goals, the achievement of which tends to be more difficult to measure as part of an evaluation of CGS activities. Compared to economic variables that are more or less straightforward to estimate, the role of such social objectives seems to be quite limited overall.

Figure 2.2. Weaknesses targeted by the CGS

Note: Multiple choices were allowed; numbers of responses for the given choice are in parentheses. The numbers in the outer ring do not necessarily sum up to the number in the inner ring given that multiple choices were allowed. Answers from Portugal and the United Kingdom are counted only once, even though two survey responses were provided by both. For information, survey respondents were given the option to name "other shortcomings" targeted by the CGS. Responses included "lack of finance for start-ups due to high risk", "export performance", "value added", "lack of motivation for investment and for funding", "high interest rate", "high cost of raw material", "downturn and credit crunch", "SME competitiveness" and "local employment opportunities", which could be taken as a form of economic shortcoming. Responses also included "social and territorial cohesion", "disadvantaged areas", "natural disasters" and "female entrepreneurship", which could be taken as identified social shortcomings. Finally, "insufficient means for funding documents for public procurement" was named by one respondent.
Source: Responses to OECD/EC survey.

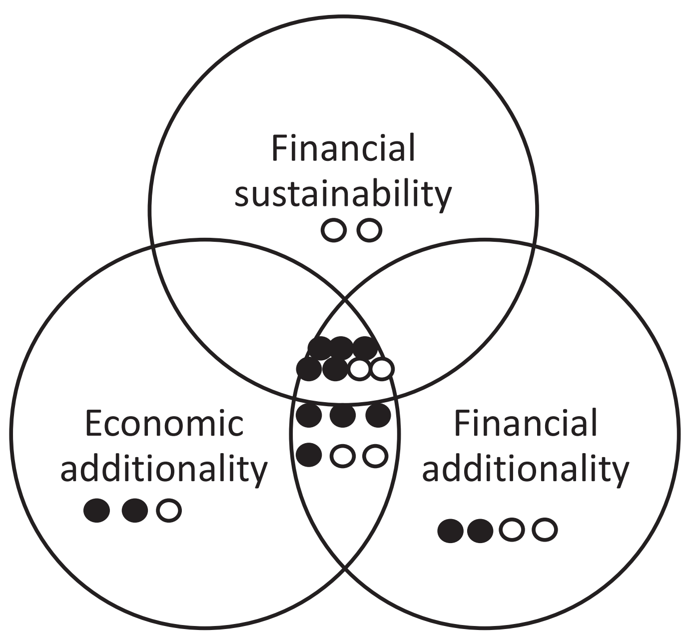
Three concepts are often identified as criteria for the evaluation of CGS (OECD, 2013b): financial sustainability, financial additionality and economic additionality, although the dividing line between the three concepts is not always as clear-cut as the definitions of these three concepts below might suggest.

- Financial sustainability refers to the ability of the programme to cover the costs of its operations and defaults.
- Financial additionality is reflected in incremental credit flows to SME and/or improvements in terms and conditions. This concept relates to intermediate outcomes.
- Economic additionality refers to economic effects, e.g. to the effects on variables such as employment, turnover, sales and probability of default, which might have been influenced causally by the credit guarantee. This concept relates to policy outcomes.

In terms of the objective of the evaluation, most respondents are assessing financial additionality and economic additionality, and far fewer financial sustainability. The circles size in Figure 2.3 is proportional to the number of respondents indicating the objectives against which the CGS activities are being evaluated. The figure also shows that many evaluations consider economic additionality in combination with financial additionality; some also consider the former in combination with financial sustainability. Compared to the (mostly academic) studies reviewed in Section 3, respondents to the OECD/EC survey seem to place relatively more emphasis on the evaluation of economic additionality as opposed to financial additionality.

More than half of survey responses reveal that a counterfactual analysis is conducted as part of evaluation studies. Figure 2.3 identifies these responses by black, as opposed to empty, dots. Typically, a counterfactual is constructed in evaluations where economic additionality is assessed. In principle, counterfactual analysis can also be developed in cases where the objective of CGS evaluation is to identify financial sustainability or financial additionality. For instance, the Swiss CGS is evaluated only against the objective of financial additionality; but is based on an analysis of the counterfactual.

Figure 2.3. Objectives against which the CGS has been evaluated



Note: Each dot represents one evaluation. Circle sizes are proportional to the number of evaluations falling under the given category. Black (white) dots indicate that the evaluation (does not) includes a counterfactual analysis. Please note that Korea provided additional information on the evaluation of its credit guarantee schemes in December 2017, which has been incorporated in the chapter.
Source: Responses to OECD/EC survey.

Data collected for the evaluation

Survey responses confirm that no single database is sufficient to conduct a rigorous evaluation of the performance of CGS activities. Combinations of databases, e.g. administrative and commercial, as well as those maintained by CGS need to be used, and are being used. Ideally, the CGS should ensure that it collects and keeps relevant data pertaining to its own operations, to facilitate future evaluations (World Bank/First

Initiative, 2015). In practice, this is not always the case, as highlighted by OECD/EC survey responses, and already confirmed in the literature review.

Firm level data, as opposed to data at higher levels of aggregation, allows more rigorous evaluations and their use has multiple advantages. First, firm-level data facilitates efforts to redesign existing programmes, which are essentially targeted at firms. They could also facilitate the understanding of which specific parts of programmes work and which parts do not, and what firms should be targeted or not. Second, the programme's impact is easier to detect using firm-level data, especially as analysis at a more aggregated level might fail to identify significant effects, as a result of measurement problems. Third, conducting counterfactual analysis on firm-level data provides more reliable estimates, given the potentially larger number of observations available. In fact, the assumption that the entities in the "treated" and "untreated" group are identical is more plausible if made at the level of a firm for data at higher levels of aggregation, e.g. at the level of regions or countries, etc.

Survey responses reveal shortcomings in data collection for control groups, however. For example, data on firms that are not beneficiaries of CGS programmes are rarely collected. It would, however, be useful for CGSs to collect information on unsuccessful applicants. Lacking such data, an alternative approach is to construct the control group using data for firms that have not benefitted from the programme, although this approach does not allow differentiation between unsuccessful and successful applicants. It is important to differentiate between these two groups to facilitate the redesign of the programme taking into account information regarding previously unsuccessful applicants. For instance, deciding on the size of a new programme could be a function of the interest shown by unsuccessful applicants for a previous programme.

The recent evaluation of the UK Enterprise Finance Guarantee provides an example of an evaluation that constructed a counterfactual control group based on micro-level data. Statistical techniques are used to ensure that observed differences between the beneficiaries of the guarantee and the control group can be attributed to the impact of the guarantee (see Box 2.2).

Box 2.2. The UK Enterprise Finance Guarantee

In 2017, the United Kingdom completed an economic impact evaluation of the Enterprise Finance Guarantee (EFG) scheme. This evaluation builds on the previous series of assessments conducted in 2009 and 2013. The 2017 results show that the EFG scheme continues to create significant economic benefits to society. EFG supported loans to SMEs across 2010/11 to 2012/13 generated GBP 415 million of economic benefits, compared to GBP 82 million economic costs. Five-year societal benefit-to-cost ratios ranged from 7.2 (for the 2010/11 loan cohort) to 11.3 (for the 2012/13 loan cohort).

The cost benefit analysis takes into account only costs and benefits that are additional. In the context of a loan guarantee programme such as the EFG scheme, additional benefits refer to the economic benefits of loans: i) extended to borrowers that would not have been able to take out loans otherwise, ii) which do not displace the economic benefits that other businesses may have experienced in the absence of the scheme while iii) adjusting for firm survival. Further, the estimates of benefits were derived from an econometric analysis of EFG participants and a counterfactual group of non-participants that are otherwise similar to EFG participants. As such, the estimates of benefits can be attributed to EFG loans.

Baseline estimates of economic benefits were derived within a propensity score matching framework, whereby the difference-in-differences in the economic outcomes of EFG beneficiaries were compared to a matched sample of non-beneficiaries. Moreover, robustness of the estimates was tested econometrically which controls for firm-level fixed effects and time-varying shocks.

EFG beneficiaries demonstrated turnover and employment growth that was 7.3% per annum and 6.6% per annum faster than non-beneficiaries, respectively. Turnover and employment growth impacts were larger for relatively small and young firms, perhaps because they typically face financial constraints due to a combination of a lack of credit history and collateral shortages.

The central estimates for the impacts of EFG loans on survival probability show that EFG beneficiaries had a 0.6% lower annualised survival probability than non-beneficiaries. The lower annualised survival probability of EFG beneficiaries may reflect that, once provided with access to finance, some of the least productive of the EFG beneficiaries face firm deaths more rapidly. Interestingly, start-up EFG beneficiaries' survival probabilities were 1.2% higher than non-beneficiaries, suggesting that access to finance through the EFG scheme was crucial when starting a business.

Financial additionality for the surveyed EFG beneficiaries was 63%. The level of financial additionality observed indicates that 37% of firms surveyed stated that they could have accessed external finance without the guarantee from the EFG scheme and that the loan size, interest rate and other terms and conditions would have been at least as competitive as a guaranteed loan under the EFG scheme.

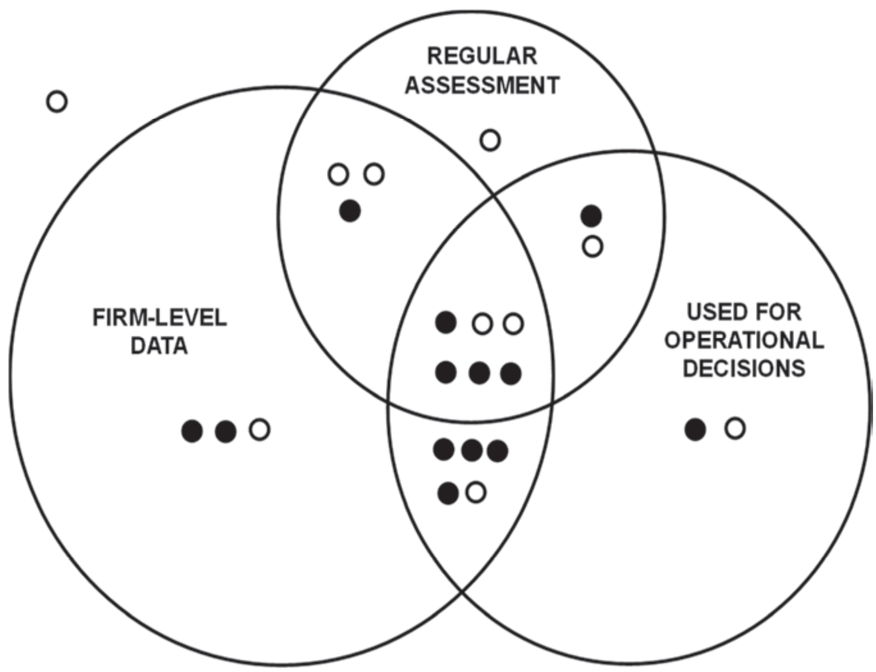
Source: British Business Bank.

Using evaluation results for operational decisions

The final aim of any policy intervention evaluation is to provide policy makers with sound evidence on the effectiveness of the programme in different dimensions. It should also support informed operational decisions on the design elements of the programmes, potentially adjusting them as a function of the outcomes of the evaluation. The OECD/EC survey reveals that many but not all assessments are being used for such types of operational decisions (15 out of 23).

Figure 2.4 combines the information collected from the responses concerning the operational changes resulting from the evaluation with the information on the frequency of evaluations and on the level of data considered. It suggests that evaluation is more likely to lead to changes in the operational decisions, and hence feed into policy making, when the evaluations are conducted regularly and when firm-level data are considered. Two responses indicate that operational decisions can be taken even in the absence of these two factors, however.

Figure 2.4. Evaluation used for operational decisions, use of firm-level data and frequency of assessment



Note: Each dot represents one evaluation. A black dot indicates that the evaluation does include a counterfactual analysis; a white dot indicates that the evaluation does not include a counterfactual analysis. One evaluation does not i) conduct a counterfactual analysis, (ii) use firm-level data, (iii) find itself being part of a regular schedule, (iv) foresee its results being used for operational decisions. This evaluation is captured in the figure by a white dot that falls outside of all three circles. Sizes of circles are proportional to the number of evaluations falling under the respective category.
Source: Responses to OECD/EC survey.

Conclusions

The need to evaluate the performance and cost-effectiveness of SME support arrangements has been widely recognised, including in the recently developed G20/OECD High Level Principles on SME Financing (G20/OECD, 2015) and in public credit guarantee arrangements (The World Bank and FIRST Initiative, 2015). Despite this agreement among policy makers, there is no internationally agreed set of good practices on methods to evaluate the performance and cost-effectiveness of CGSs. Thus, to find out more about national approaches in this regard, a "OECD/EC Survey on Evaluating Publicly Supported Financial Guarantee Programmes for SMEs" was conducted to enable participants to learn what approaches others are using and what specific characteristics of evaluation methodologies are considered particularly helpful.

The responses highlight the wide range of different evaluation approaches across evaluated CGSs and across countries. Taking together the survey results, the results of the academic literature and the recently developed high-level principles (G20/OECD and World Bank/FIRST Initiative), one conclusion is that evaluations of CGS activities should be undertaken regularly and that evaluations should include the following key features:

- A clear objective against which the added value of the programme is measured. Perhaps the most straightforward is financial additionality, which captures the added value of CGS activities in terms of increasing flow of funds (or reducing their costs). In addition, the effect of these activities on the economy (e.g. change in employment, investment, growth, etc.) could be considered. Also, it is important to assess whether the programme is financially sustainable, i.e., are CGS activities designed and managed in such a way that substantial financial losses (e.g. where premiums collected are not sufficient to cover claims) will be avoided. A more ambitious evaluation would also verify whether the initially diagnosed market failure that the CGS is supposed to address still persists, as well as what the effect of alternative policy choices might be;
- To ensure effectiveness, independent evaluation is preferable to self-evaluation. However, self-evaluation effectiveness can be ensured by having an appropriate governance framework in place. Collaborative efforts with independent research or other institutions can also be conducive to evaluation effectiveness;
- Counterfactual analysis should be developed to understand what would have happened in the absence of the CGS. In this context, it is key to collect detailed data not only on firms benefiting from guarantees, but also on unsuccessful applicants. In addition, data need to be collected not only on the variables of key policy interest (e.g. employment, growth), but also on additional variables capturing pre-existing heterogeneity across firms in the treated group and in the control group.

One of the key impediments to rigorous performance evaluations in practice is the lack of appropriate data. More data needs to be collected, not only on the variables of key policy interest (e.g. employment, growth), but also on additional variables capturing pre-existing heterogeneity across firms in the treated group and in the control group. Micro data (i.e., firm-level or contract level data) are preferred to aggregated data, as they facilitate a more rigorous analysis and the results lend themselves more naturally to changes in programme design. Furthermore, existing databases should be made available for the purposes of performance evaluations. Typically, no single database alone is sufficient to construct a robust counterfactual, and different databases need to be combined, typically requiring a matching datasets at the micro level. Such exercises are difficult and time-consuming, however.

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

Small and medium sized enterprises (SMEs) account for 99.8% of all enterprises in Australia, according to the Australian Bureau of Statistics (ABS). In 2015-16, there were 2 167 732 SMEs in Australia.

The Australian economy has completed its 26th consecutive year of economic growth, and is expected to grow at a solid pace as the drag on growth from falling mining investment nears completion. Real GDP growth in 2016-17 was 2.0%.

Business borrowing rates are historically low for both SMEs and large businesses. SME interest rates in Australia have gradually declined from 8.6% in 2007 to 5.3% in 2016. The interest rate spread more than doubled from 96 basis points (2007) to 183 basis points in 2008, and remained higher afterwards.

New lending to SMEs in 2016 declined 4.9% after a period of growth; having risen by 7.4% (2013), 7.8% (2014) and 6.7% (2015). Total outstanding SME loans increased by 4.2% in 2015 and 3.9% in 2016. Over the recent years the share of SME lending to total business lending declined gradually, to 30.7% in 2016.

Total valuations of all investments by Venture Capital and Later Stage Private Equity (VC&LSPE) investment vehicles rose 4.7% to AUD 9 213 million in 2016, from AUD 8 802 million reported in 2015. Leasing and hire purchase volumes dropped from AUD 9 546 million in 2007 to a low of 6 904 million in 2009. Leasing and hire purchase volumes have recovered since, rising to AUD 9 474 million in 2016.

The number of bankruptcies per 10 000 has reached a new low in the last ten years, declining to 36. Non-performing loans as a percentage of total outstanding business loans have declined to 1.1% in 2016.

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 businesses, increasing incentives for investment, and enhancing rewards and opportunities for private endeavour. Policies aiming to increase long-term opportunities for SMEs include innovative finance and crowd-sourced equity funding; competition and consumer policies; taxation and business incentives; export financing; and small business assistance.

Table 3.1. Scoreboard for Australia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	AUD million	188 709	203 880	203 598	223 624	234 271	238 267	241 220	249 855	260 282	270 408
Outstanding business loans, total	AUD million	710 887	771 942	721 345	705 885	714 619	737 796	749 726	784 781	835 077	881 298
Share of SME outstanding loans	% of total outst. business loans	26.55	26.41	28.22	31.68	32.78	32.29	32.17	31.84	31.17	30.68
New business lending, total	AUD million	374 997	336 145	265 484	265 820	310 696	273 774	292 430	360 436	391 641	341 766
New business lending, SMEs	AUD million	77 517	79 914	69 562	82 506	81 561	73 674	79 130	85 373	91 126	86 658
Share of new SME lending	% of total new lending	20.67	23.77	26.20	31.04	26.25	26.91	27.06	23.69	23.27	25.36
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	1.13
Interest rate, SMEs	%	8.56	7.99	7.56	8.29	7.94	7.07	6.44	6.18	5.58	5.29
Interest rate, large firms	%	7.6	6.16	5.85	6.67	6.37	5.29	4.29	4.15	3.59	3.2
Interest rate spread	% points	0.96	1.83	1.71	1.62	1.57	1.78	2.15	2.03	1.99	2.09
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	9 213
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	4.67
Leasing and hire purchases	AUD million	9 546	9 342	6 904	7 140	7 579	8 691	7 549	8 690	10 368	9 474
Factoring and invoice discounting	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	4 426	5 616	5 266	5 858	4 761	4 007	4 088	4 350
Bankruptcies, Unincorporated	Per 10 000 enterprises	42	36	36	45	43	50	42	35	34	36
Bankruptcies, Corporates	Number	7 489	9 067	9 465	9 605	10 439	10 583	10 854	8 822	10 093	8 511
Bankruptcies, Corporates	Per 10 000 companies	48	55	56	54	57	55	54	41	45	36
Bankruptcies, Total	Per 10 000 businesses	45	47	47	50	51	53	49	39	41	36
Invoice payment days, average	Number of days	53	56	54	53	54	53	54	53	47	..
Outstanding business credit, Unincorporated business	AUD million	111 156	117 386	118 676	121 905	124 813	131 234	136 395	141 887	149 552	156 812
Outstanding business credit, Private tr. corp.	AUD million	498 098	553 148	512 493	498 342	512 711	522 074	529 004	554 573	590 402	624 743

Source: See Table 1.4 of full country profile.

StatLink http://dx.doi.org/10.1787/888933665827

The full country profile is available at

http://doi.org/10.1787/fin_sme_ent-2018-13-en

Austria

In 2015, SMEs made up 99.7% of all firms and employed 67.5% of the labour force.

New lending has been in continuous decline since 2009, except for a slight bump in 2011. This downward pattern continued in 2016, with new lending to SMEs falling by 7.6%. This development is dominated by a decline in short term loans (less than 6 months). These loans are typically of very short maturity and are regularly rolled over. Due to multiple counting of these loans, their development has an over-proportionate effect on new loans statistics. Whereas short term loans decreased by 50% from 2009 to 2016, long term loans increased by 11.1% over the same period.

The weak dynamics of bank lending in the corporate sector are due to both demand and supply side factors. However, for the first time since 2007, demand for bank loans reveals a clear positive trend.

Interest rates for SMEs decreased for the fifth year in a row, further improving on a historical low of 2.0% in 2015 to reach 1.9% in 2016. Interest rates for large firms as well as the interest rate spread declined in 2016.

As in many countries, venture and growth capital investments in Austria are very volatile. One major investment can make a big difference in the data. Total venture and growth capital slumped in 2012 to less than EUR 70 million, after a peak of EUR 208 million in 2011. At EUR 76.2 million in 2016, this figure more than halved compared to the previous year.

Crowdfunding as an alternative source of financing is gaining importance. In 2016, Austrian crowdfunding platforms collected EUR 22.8 million compared to EUR 8.7 million in 2015.

In 2016, bankruptcies per 1 000 firms stood at their lowest level since 2009 amounting to only 10 per 1 000 firms compared to 18 in 2009. Rejected loan applications had been decreasing from 10.2% in 2009 to 0.4% in 2012. However, in 2016, this indicator stood at 2.5%, down from 5.5% in the previous year. The ratio of non-performing loans (NPLs) decreased markedly from 4.2% in 2015 to 3.1% in 2016.

Business-to-business (B2B) payment delays have not recovered to their 2007 level of 8 days, and have ranged from 11 to 13 days in 2009-14. Business-to-customer (B2C) payment delays have more than halved in the reference period, falling from 20 days in 2007 to 9 days in 2014.

In July 2016, the Austrian Government launched a comprehensive start-up programme with a total volume of about EUR 185 million within three years. This “Start-up Package” aims at fostering access to finance, realising the potential of high-growth firms and reducing barriers to improve the start-up ecosystem in Austria.

Table 3.2. Scoreboard for Austria

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	136 829
New business lending, total	EUR million	..	..	85 490	74 896	73 041	80 867	73 460	73 126	61 711	55 543
New business lending, SMEs	EUR million	..	..	10 054	9 414	9 476	9 347	8 884	8 237	8 116	7 499
Share of new SME lending	% of total new lending	..	..	11.76	12.57	12.97	11.56	12.09	11.26	13.15	13.50
Short-term loans, SMEs	EUR million	..	..	6 014	5 139	4 944	4 901	4 536	4 016	3 345	3 010
Long-term loans, SMEs	EUR million	..	..	4 040	4 275	4 532	4 446	4 348	4 221	4 771	4 489
Share of short-term SME lending	% of total SME lending	..	..	59.82	54.59	52.17	52.43	51.06	48.76	41.21	40.14
Government loan guarantees, SMEs	EUR million	341	164	214	173	143	158	167	172	204	192
Government guaranteed loans, SMEs	EUR million	429	211	279	226	185	207	211	225	258	282
Direct government loans, SMEs	EUR million	535	579	574	607	633	539	594	490	543	583
Non-performing loans, total	% of all business loans	..	..	..	..	..	..	..	4.1	4.2	3.1
Interest rate, SMEs (loans up to EUR 1 million)	%	5.11	5.47	2.89	2.43	2.92	2.46	2.28	2.27	2.02	1.92
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	1.54
Interest rate spread	% points	0.42	0.43	0.56	0.47	0.37	0.48	0.51	0.53	0.41	0.38
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	26.33	27.53	25.50	28.32	27.64	25.70	28.66	21.23
Rejection rate	1-(SME loans authorised/ req.)	..	..	10.24	2.60	0.78	0.41	2.67	6.02	5.52	2.49
Non-bank finance											
Venture and growth capital (seed, start-up, later stage)	EUR million	60.9	57.4	73.5	43.3	97	38.6	57.1	59.7	108.9	50.5
Venture and growth capital (growth capital)	EUR million	22.9	15.7	39.6	31.9	111.6	26	25	45.2	77.8	25.7
Venture and growth capital (total)	EUR million	83.8	73.1	113.1	75.2	208.6	64.6	82.1	104.9	186.7	76.2
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	-12.8	54.7	-33.5	177.4	-69.0	27.1	27.8	78.0	-59.2
Other indicators											
Payment delays, B2B	Number of days	..	8	8	11	12	11	12	13	..	..
Payment delays, B2C	Number of 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	5 226

Source: See Table 2.1 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933665941

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-14-en

Belgium

In 2015, SMEs dominated the business enterprise landscape in Belgium, comprising 99.9% of all firms.

The outstanding stock of SME loans expanded moderately by 1.7% in 2016, 2 percentage points down from its growth rate in the previous year.

SME interest rates continued their downward path, and stood at 1.7% in 2016. The interest rate spread between loans charged to large enterprises and to SMEs amount to 25 basis points in 2016.

Survey data illustrates that lending conditions eased between 2013 and the end of 2015 and have been relatively stable since.

Leasing volumes increased in 2016 by more than a quarter of their 2015 volumes, which is the highest growth rate posted in the period. In contrast, factoring volumes posted the lowest growth rate of the period at 2.7%.

Factoring continues to be overall more widely used by Belgian SMEs. After a strong period of expansion, with rates of more than 10% every year between 2012 and 2015, factoring grew at a slower pace in 2016. While factoring volumes accounted for 6.3% of GDP in 2008, this percentage increased to almost 15% in 2016.

Venture capital investments continue to show considerable variation due to the small number of deals conducted every year. Total venture capital investments increased by more than 60.0% in 2016 after a contraction of 10.8% in 2015.

Both payment delays and bankruptcy rates were down in 2016 compared to 2015 and were the lowest figures since 2008.

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

In 2016, the Flemish region made some small adjustments to instruments of PMV6. The Startlening + is now also available for student-entrepreneurs. PMV also adapted the application of *winwin-lening* to make cooperation with crowdfunding platforms possible. Crowdfunding platforms who collaborate with PMV can offer winwin-lening as a service to crowd funders.

In the aftermath of the "lockdown" of 2015 as a result of terrorist attacks in Paris and the terror attacks of March 2016 in Brussels, the government of the Brussels-Capital Region has taken an array of measures to support the sectors worst-affected economically. In this context, crisis loans as well as specific assistance have been implemented to support companies facing difficulties.

The aim of this measure is to ensure the continuity of Brussels' enterprises which were hit by a fall in turnover in the aftermath of the above mentioned events, by granting them crisis loans of up to EUR 250 000 guaranteed by the Brussels guarantee fund.

Table 3.3. Scoreboard for Belgium

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	EUR million	82 833	89 066	88 925	93 900	100 031	109 646	109 487	100 743	104 422	106 219
Outstanding business loans, total	EUR million	134 211	149 389	141 761	150 610	153 739	167 571	161 973	151 734	164 596	160 948
Share of SME outstanding loans	% of total outst. business loans	61.72	59.62	62.73	62.35	65.07	65.43	67.60	66.39	63.44	66.00
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	31 995
Outstanding long-term loans, total	EUR million	59 676	66 092	72 233	77 194	79 329	82 484	83 893	80 330	84 764	90 836
Share of short-term lending, total	% of total business lending	38.52	37.91	32.08	31.45	31.50	29.48	28.74	28.02	26.65	26.05
Government loan guarantees, SMEs	EUR million	..	156.54	411.94	553.94	317.51	266.01	480.21	265.60	448.23	398.34
Governm.guaranteed loans, SMEs	EUR million	..	312.67	832.70	888.38	561.74	484.34	826.07	476.75	805.59	735.91
Direct government loans, SMEs	EUR million	..	113.71	142.20	141.87	148.29	170.54	235.62	..	..	..
Interest rate, SMEs	%	5.45	5.70	3.01	2.51	2.88	2.32	2.06	2.09	1.83	1.73
Interest rate, large firms	%	4.72	5.05	2.09	1.70	2.22	1.74	1.76	1.77	1.60	1.48
Interest rate spread	% points	0.73	0.65	0.92	0.81	0.66	0.58	0.30	0.32	0.23	0.25
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	74.30	71.90	78.60	..	..	..	..
Percentage of SME loan applications	SME loan appli./ total # of SMEs	..	..	22.22	26.46	30.20	29.33	29.36	39.33	36.61	36.71
Rejection rate	1-(SME loans auth./ requested)	..	..	0.52	5.13	6.44	10.40	10.91	5.88	5.71	6.13
Utilisation rate	SME loans used/ authorised	77.80	79.05	80.69	80.07	80.16	77.45	77.79	79.76	79.62	80.11
Non-bank finance											
Venture and growth capital	EUR million	395.23	355.54	448.52	243.18	224.40	351.63	285.13	401.62	358.27	573.24
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	-10.04	26.15	-45.78	-7.72	56.70	-18.91	40.86	-10.79	60.00
Leasing and hire purchases	EUR million	4 405.9	4 856.4	3 756.4	4 005.5	4 439.0	4 450.2	4 121.7	4 356.9	4 800.5	6 009.6
Factoring and invoice discounting	EUR million	19.20	22.50	23.92	32.20	36.87	42.35	47.68	55.37	61.17	62.85
Other indicators											
Payment delays, B2B	Number of days	..	..	17	17	15	19	18	19	13	10
Bankruptcies, total	Number	7 680	8 476	9 420	9 570	10 224	10 587	11 740	10 736	9 762	9 170
Bankruptcies, total (growth rate)	%, year-on-year growth rate	..	10.36	11.14	1.59	6.83	3.55	10.89	-8.55	-9.07	-6.06

Source: See Table 3.6 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933666112

The full country profile is available at http://dx.doi.org/10.1787/fin_sme_ent-2018-15-en

Brazil

Micro and small-sized enterprises (MSEs) form an essential part of the Brazilian economy, accounting for 98.5% of all legally constituted companies (11.5 million). In all, they are responsible for 27% of GDP, and 41% of the total payroll.

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. GDP growth amounted to 0.5% in 2014, declining 3.8% in 2015 and further shrinking 3.6% in 2016. It is believed that GDP will grow 0.5% in 2017, thus ending the most severe recession since 1947.

The overnight reference interest rate of *Banco Central do Brasil* (Special Clearance and Escrow System - SELIC) has been in a process of gradual decline, from 14.25% per annum in December 2015, to 13.75% in December 2016, and 9.25% in August 2017.

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 and 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. The government has taken on a more active role in this area, often with the aim to provide 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 and further adjusted in 2017, 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 were introduced in 2017.

SEMPE, the Special Secretariat for Micro and Small Enterprises (SEMPE/MDIC) is the main body of the Brazilian government responsible for formulating, coordinating, articulating and defining public policy guidelines aimed at strengthening, expanding and formalising artisans, individual entrepreneurs and micro and small enterprises. In addition, SEMPE/MDIC leads the articulation of actions aimed at improving the business environment and at contributing to the expansion and sustainability of micro and small enterprises, with the consequent employment and income generation.

Table 3.4. Scoreboard for Brazil

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Outstanding business loans, SMEs	BRL billion	281.13	347.21	388.58	476.96	564.12	629.56	681.31	692.26	656.25	576.9
Outstanding business loans, total	BRL billion	507	690	781	939	1 114	1 289	1 460	1 623	1 7340	1 563
Share of SME outstanding loans	% of total outstanding business loans	55.49	50.35	49.76	50.97	50.64	48.93	46.66	42.65	37.84	36.91
New business lending, total	BRL billion	..	..		..	..	917.83	948.01	992.11	1 027	817.48
New business lending, SMEs	BRL billion	..	..		..	..	566.88	562.21	532.2	490.9	408.98
Share of new SME lending	% of total business lending	..	..		..	..	61.76	59.3	53.64	47.79	50.03
Outstanding short-term loans, SMEs	BRL billion	105.57	109.37	104.07	119.57	150.72	158.58	161.9	155.96	141.47	122.28
Outstanding long-term loans, SMEs	BRL billion	160.04	200.91	240.04	309.64	386.91	469.35	518.06	534.8	513.04	454.62
Share of short-term SME lending	%	39.75	35.25	30.24	27.86	28.03	25.25	23.81	22.58	21.61	21.20
Direct government loans, SMEs	% points	9.87	11.5	13.51	14.08	16.71	18.27	21.26	23.15	26.3	29.06
Non-performing loans, total	% of all business loans	1.51	1.53	2.65	1.82	2.01	2.21	1.84	1.88	2.39	3.15
Non-performing loans, SMEs	% of SME loans	2.64	2.79	4.68	3.39	3.63	4.18	3.56	3.9	5.43	6.66
Interest rate, SMEs	%	..	..	..	..	..	20.5	24.1	26	37.1	33.5
Interest rate, large firms	%	..	..	..	..	..	12.3	14.9	15	17.4	20.8
Interest rate spread	% points	..	..	..	..	..	8.2	9.2	11	19.7	12.7

Source: See Table 4.2 of the full profile.

StatLink http://dx.doi.org/10.1787/888933666226

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-16-en

Canada

In 2016, Canadian small businesses (1-99 employees) constituted 98.0% of all businesses and employed 8.3 million individuals, representing 70.1% of the private sector labour force.

Data from the supply-side survey shows that debt outstanding to all businesses increased by 7.8% in 2016, to CAD 772 billion, while lending to small businesses increased by 3.1%, to CAD 99.1 billion. Small businesses' share of total outstanding business loans decreased by 0.6 percentage point, to 12.8% in 2016 - its lowest level since 2000.

Indicators show that small business credit conditions have remained relatively stable since 2011. The average interest rate charged to small businesses in 2016 is at the same level as in 2011, 5.3%. The average business prime rate, which remained at 3.0% during the period 2011-14, slightly decreased to 2.8% in 2015 and 2.7% in 2016. The business risk premium is back to its 2013 level of 2.6% in 2016. 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. At the end of 2016, the 90-day loan delinquency rate reached 0.48%, lower than the level of 0.66% observed at the beginning of 2007.

Equity financing (provided in the form of venture capital) increased by 40.6% in 2016, to reach CAD 3.2 billion. Between 2015 and 2016, later stage capital increased by 63.5% to reach CAD 1.46 billion and early stage capital grew by 28.6% to reach CAD 1.6 billion.

In 2016-17, the government of Canada continued to provide measures in support of small and medium-sized enterprises. The government of Canada committed to take actions to support innovative and growth-oriented businesses in reaching their potential, and to help firms put innovation at the core of their business strategy. As announced in its 2017 budget, the government of Canada is making available up to CAD 950 million over five years, starting in 2017-18, to support innovation networks and clusters.

The government of Canada also committed to make available through the Business Development Bank of Canada (BDC) CAD 400 million over three years, starting in 2017-18, for a new Venture Capital Catalyst Initiative (VCCI) that will increase late-stage venture capital available to Canadian entrepreneurs. The government of Canada also reaffirmed its commitment to the vision and mandate of the Accelerated Growth Service (AGS), an initiative launched in 2016-17 to provide coordinated support for businesses across various federal departments and agencies.

Supporting women entrepreneurs has continued to be one of the key focus areas for the government of Canada. On 9 November 2016, BDC announced an investment of CAD 50 million into women-led technology firms as part of its ongoing efforts to support women entrepreneurs. BDC also announced the first closing of StandUp Ventures Fund I on 8 May 2017. This fund invests in Canadian pre-seed and seed-stage high growth, capital-efficient ventures in health, IT and Cleantech with at least one female founder in a senior executive role, such as a Chief Executive Officer.

Table 3.5. Scoreboard for Canada

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	CAD million	83 422	83 363	86 428	85 676	89 090	87 155	91 135	94 008	96 136	99 090
Outstanding business loans, total	CAD million	479 793	533 951	482 290	489 480	503 161	548 025	592 561	642 855	716 238	771 824
Share of SME outstanding loans	% of total outst. business loans	17.39	15.61	17.92	17.50	17.71	15.90	15.38	14.62	13.42	12.84
New business lending, total	CAD million	..	..	..	..	126 181	141 640	151 027	168 677	188 350	203 041
New business lending, SMEs	CAD million	..	..	..	..	20 176	21 670	22 806	23 179	23 971	22 745
Share of new SME lending	% of total new lending					15.99	15.30	15.10	13.74	12.73	11.20
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 terms loans, SMEs	CAD million	36 174	..	..	..	19 674	..	..	28 000	..	..
Short-term loans, SMEs	% of total SME loans	41.62		43.40	36.30	35.13	39.00	46.00	55.71	47.20	36.20
Government loan guarantees, SMEs	CAD billion	1.2	1.3	1.2	1.3	1.3	1.1	1.1	1.5	1.2	1.3
Loans auth., small bus.	CAD million	36 174	..	..	..	19 674	..	..	23 000	..	..
Loans req., small bus.	CAD million	42 259	..	..	..	21 647	..	..	27 400	..	..
Authorisation ratio, small business	%	85.6	..	72.1	87.9	90.9	91.5	87.3	83.9	91.4	86.2
SME loan applications	applications/ total number of SMEs	17.0	..	14.9	18.0	24.0	26.0	30.0	27.8	23.0	26.0
Interest rate, SMEs	%	7.5	..	6.2	5.8	5.3	5.4	5.6	5.1	5.1	5.3
Collateral, SMEs	% of SMEs needing coll. to obtain loans	47.7	..	56.1	66.7	64.8	76.0	56.0	66.6	80.0	74.0
Rejection rate	Debt financing request denied (%)	..	..	..	9.0	8.0	7.0	9.0	12.8	7.0	9.0
Non-bank financing											
Venture and growth capital	CAD billion	..	..	..	..	..	..	1.9	2.0	2.3	3.2
Venture and growth capital	%, year-on-year growth rate	..	..	..	..	..	..	..	5.3	15.0	39.1
Leasing request rate	Leasing appl./total number of SMEs	20.8	..	1.0	2.0	7.0	8.0	11.0	7.9	8.0	9.0
Leasing approval rate	% of leasing appl. approved	93.0	..	76.0	97.0	97.3	95.0	95.0	98.6	94.0	94.0
Other indicators											
90-Day Delinquency Rate Small business	% of loans outstanding	0.69	1.01	1.42	0.8	0.62	0.57	0.41	0.43	0.58	0.49
90-Day Delinquency Rate Medium business	% of loans outstanding	0.05	0.06	0.36	0.2	0.04	0.01	0.02	0.02	0.03	0.12

Source: See Table 5.5 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933666321

The full country profile is available at
http://dx.doi.org/10.1787/fin_sme_ent-2018-17-en

Chile

Economic growth in Chile has slowed down in recent years, facing a declining trend since 2013. After a small rally from 1.9% to 2.3% in growth rate from 2014 to 2015, it fell to 1.6% in 2016. These growth rates are considerably below the levels of 2011-13, which ranged from 4.1-5.8%. This slowdown has negatively affected credit lending, which grew by only 4.5%, in 2015-16. However, the SME share increased during the same period, and at 19.5% in 2016, it stood at the highest level since a decade. SMEs' contribution to employment has remained stable, with an employment rate of 46% of the population.

The stock of SME outstanding business loans has been increasing since 2007, with micro and small enterprises mainly responsible for the rise. *Banco Estado* has been the main financial institution working to improve access to financing for SMEs.

However, credit conditions have worsened for SME in recent years. According to the Central Bank, SMEs display a stronger credit demand and face a more restrictive credit supply. Nevertheless, credit approval conditions has remained stable since 2014 for both large firms and SMEs, and the interest rate spread between large firms and SMEs has fallen to 5.3 percentage points in 2016.

Rejection rates for SME loans dropped significantly from 41.4% in 2007 to 14.7% in 2009, but have remained steady since. In 2015, the utilisation rate was 96.7%, the highest it has reached since 2007. This is related to a shift toward bank financing as a primary source of funds, as opposed to own resources, as well as the decline in interest rates.

The *Corporación de Fomento de la Producción's* (CORFO) venture capital funds and Start-Up Chile programmes are the main drivers of SME equity financing, although other private and public initiatives have been developed as well. Transaction costs associated with hiring lawyers/financial advisors/underwriters, registration fees, or fees associated with organising events like road shows continue to be an obstacle for SMEs.

The crowdfunding industry has faced considerable growth since the creation of the first Chilean crowdfunding platform, Cumplo, in 2012. In October 2016, a crowdfunding association, *Asociación Chilena de Financiamiento Colaborativo* (AFICO), was founded to create an autoregulation framework and a code of best practices to increase transparency for investors and for SMEs in the industry. Furthermore, the Financial Stability Council led by the Minister of Finance has established a working group to determine a regulatory framework for crowdfunding.

Payment delays to SMEs show a downward trend since 2010 with the average term of payment for the fourth trimester of 2016 at 45.9 days for SMEs and 61.5 days for large firms. Non-performing corporate loans remain stable and relatively low.

The *Fondo de Garantía para Pequeños Empresarios* (FOGAPE) and CORFO Credit Guarantee Schemes provide guarantee rights to financial intermediaries through an auction process. The number of operations and value of guarantee-backed credits increased for both compared to previous years. During 2016, *Fondo de Garantía de Inversiones* (FOGAIN) backed credits for CLP 751 billion, and FOGAPE for CLP 535 billion.

Table 3.6. Scoreboard for Chile

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	CLP billion	6 812	7 579	8 102	9 268	10 139	11 542	11 775	13 745	15 763	17 322
Outstanding business loans, total	CLP billion	40 905	49 890	46 293	48 136	57 178	64 564	69 771	76 407	84 924	88 746
Share of SME outstanding loans	% of total outstanding business loans	16.7	15.2	17.5	19.3	17.7	17.9	16.9	18.0	18.6	19.5
New business lending, total	CLP billion	..	..	..	53 261	57 969	57 972	58 070	63 900	67 800	67 423
New business lending, SMEs	CLP billion	..	..	..	2 610.4	3 085.1	3 762.5	3 806.2	4 360.6	5 114.9	5 092.1
Share of new SME lending	% of total new lending	..	..	..	4.9	5.3	6.5	6.6	6.8	7.5	7.6
Short-term loans, SMEs	CLP billion	..	..	..	1 571.5	1 951.9	2 268.0	1 817.9	1 828.7	1 885.8	1 822.1
Long-term loans, SMEs	CLP billion	..	..	..	1 038.9	1 133.2	1 494.5	1 988.4	2 531.9	3 229.2	3 270.0
Share of short-term SME lending	% of total SME lending	..	..	..	60.2	63.3	60.3	47.8	41.9	36.9	35.8
Government loan guarantees, SMEs	CLP billion	217.4	298.5	778	1 128.4	1 268.8	1 869.5	1 943.0	1 582.0	1 678.7	1 756.7
Government guaranteed loans, SME	CLP billion	313.7	486.7	1 296.2	1 798.6	1 967.7	2 885.7	3 146.9	2 318.1	2 447.6	2 570.6
Non-performing loans, SMEs	% of all SME loans	..	..	5.9	6.1	5.5	5.4	6.1	6.1	5.9	5.5
Interest rate, SMEs	%	..	..		..	..	..	11.8	10.3	9.3	9.3
Interest rate, large firms	%	..	..		..	..	..	4.7	4.0	3.8	4.0
Interest rate spread	% points	..	..		..	..	..	7.1	6.3	5.5	5.3
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	44.0	..	49.8	..	..	..	72.8	..	68.1	..
Percentage of SME loan applications	SME loan applications/total number of SMEs	32.9	..	32.4	..	..	..	26.4	..	24.6	..
Rejection rate	1-(SME loans authorised/requested)	41.4	..	15.0	..	..	..	12.3	..	14.7	..
Utilisation rate	SME loans used/ authorised	86.6	..	91.0	..	..	..	87.9	..	96.7	..
Non-bank finance											
Venture and growth capital	CLP billion	26.7	19.3	22.2	27.1	33.9	43.1	30.8	43.2	34.7	..
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	-27.8	15.3	22.0	25.1	27.0	-28.5	40.1	-19.6	..
Leasing and hire purchases	CLP billion	2 981.4	3 625.0	3 474.3	3 782.3	4 502.9	5 004.8	5 555.0	6 223.2	6 571.5	6 672.4
Factoring and invoice discounting	CLP billion	2 018	2 023	1 379	1 918	2 402	2 638	2 612	2 568	2 552	2 689
Other indicators											
Payment delays, B2B	Number of days	..	..	..	75.8	74.9	56.7	52.7	55.2	58.0	54.9
Bankruptcies, SMEs	Number	122	127	125	136	146	146	164	6	154	295
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	4.1	-1.6	8.8	7.4	0.0	12.3	-96.3	2 466.7	91.6

Source: See Table 6.5 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933666511

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-18-en

China (People's Republic of)

In China, micro, small and medium enterprises (SMEs) represent a fundamental part of the economy. There were more than 20 million small companies and 54 million self-employed individuals in 2015. In 2016, new business creation reached record highs with an average 15 100 new companies being created daily, up by 25.8% compared to 2015.

The stock of SME loans increased to CNY 35 300.3 billion in 2015. As loan growth for SMEs usually outpaced total business loan growth in this period, the SME loan share of total business loans increased from 54.6% to 65.5% over 2009-15. In 2015, the growth in the outstanding stock of SME loans slowed down substantially.

Only 63.1 % of SMEs applied for bank financing in 2016, down by 6.8 percentage points from 2015. Additionally, new SME lending in 2016 totalled CNY 3 229.6 billion, a 10.3% reduction from the previous year.

In 2016, Chinese SMEs enjoyed slack credit conditions, as interest rates continued their downward trend for the fourth year in a row. In 2015-16, the surveyed lending rate for SMEs fell from 5.2% to 4.8% while that of large firms went from 5.3% to 4.9%. For the second year in a row, the interest rate spread between SMEs and large enterprises remained negative, even widening slightly in 2016.

SMEs with qualified collateral are more likely to receive credit in China. Collateral requirements steadily increased year-on-year in the 2009-15 period, from 50.6% in 2009 to 55.7% in 2015, possibly contributing to the dip in SME loan applications. In contrast, the rejection rate for SME loan applications was 6.1% in 2016, down by 5.6 percentage points from 2015.

In 2016, payment delays for the B2B (business to business) and B2C (business to customer) sectors kept stable, albeit slightly increased to 65.2 days and 29.0 days, respectively. The percentage of SME non-performing loans increased to 2.6% in 2015 from 1.97% in 2014. In contrast, the bankruptcy rate for SMEs was at 4.7% in 2016, continuing its year-on-year decline since 2013.

In 2015, the national SME development fund was established through the PPP model and with CNY 60 billion. The first regional subsidiary fund of the national SME development fund was established in Shenzhen City in 2016. In the same year, the National Guide Fund for Venture Investment in Emerging Industries with a scale of CNY 40 billion was officially put into operation. In 2017, Special Funds for SME Development changed its funding system to initiate a national programme of innovative demonstration cities for small and micro-enterprises.

In 2016, the total financing amount of issuing bonds amounted to CNY 1 283.0 billion, and equity financing on the domestic stock market by non-financial enterprises totalled CNY 587.6 billion. The demand for equity financing of SMEs is gradually met through the rapid development of China's multi-level capital market. Total venture capital investments in 2015 amounted to CNY 336.1 billion, up by 14.6% over the previous year and more than three times the level in 2007. Seed and early stage capital account for 29.6% of this amount, a 4.3 percentage point increase from 2014.

Table 3.7. Scoreboard for China

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	CNY billion	..	..	13 616.4	17 138.9	21 167.5	25 355.5	28 584.8	33 301.8	35 300.3	..
Outstanding business loans, total	CNY billion	..	..	24 939.7	30 291.5	35 016.9	39 282.9	44 019.2	52 162.4	53 895.4	..
Share of SME outstanding loans	% of total outst. business loans	..	..	54.60	56.58	60.45	64.55	64.94	63.84	65.50	..
Share of short-term SME lending	% of total SME lending	..	..	..	..	..	..	56.10	49.24	47.56	54.69
Direct government loans, SMEs	CNY billion	..	..	..	1 222.6	1 550.0	1 813.4	2 082.4	2 470.0	2 820.0	..
Non-performing loans, total	% of all business loans	..	..	2.58	1.76	1.26	1.21	1.25	1.49	2.04	..
Non-performing loans, SMEs	% of all SME loans	..	..	3.83	2.52	1.75	1.65	1.66	1.97	2.59	..
Non-performing loans, total (amount)	CNY billion	..	..	642.5	532.0	442.6	477.1	549.0	779.7	1 100.2	..
Non-performing loans, SMEs (amount)	CNY billion	..	..	521.8	431.8	370.0	417.8	475.6	657.1	915.5	..
Interest rate, SMEs	%	..	..	..	..	..	..	8.39	7.51	5.23	4.77
Interest rate, large firms	%	..	..	..	..	..	..	7.72	7.47	5.26	4.89
Interest rate spread	% points	..	..	..	..	..	..	0.67	0.04	-0.03	-0.12
Collateral, SMEs	% of SMEs needing collateral	..	..	50.55	51.64	51.59	52.98	54.52	54.76	55.67	..
Percentage of SME loan applications	SME loan appl./ number of SMEs	..	..	..	..	..	..	..	..	69.88	63.06
Rejection rate	1-(SME loans auth./ requested)	..	..	..	..	..	..	6.19	11.97	11.72	6.13
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	93.51	94.75	94.48	94.03
Loan fee, SMEs	% of loan amount	..	..	..	..	..	..	3.70	1.38	1.29	1.27
Non-bank finance											
Venture and growth capital	CNY billion	111.29	145.57	160.51	240.66	319.8	331.29	263.9	293.33	336.12	..
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	30.80	10.26	49.93	32.88	3.59	-20.34	11.15	14.59	..
Venture and growth capital(seed, early st.)	CNY billion	24.04	41.34	52.49	66.42	61.08	85.8	91.31	74.34	99.63	..
Venture and growth capital(gr., later st.)	CNY billion	87.25	104.23	108.02	174.24	258.72	245.49	172.59	218.99	236.49	..
Leasing and hire purchases	CNY billion	24	155	370	700	930	1 550	2 100	3 200	4 440	5 330
Factoring	EUR million	..	55 000	67 300	154 550	274 870	343 759	378 128	406 102	352 879	301 635
Other indicators											
Payment delays, B2B	Number of days	..	..	..	..	..	..	95.91	72.31	64.44	65.21
Payment delays, B2C	Number of days	..	..	..	..	..	..	48.38	42.64	27.43	28.96
Bankruptcies, SMEs	Number	..	..	..	..	..	..	7.57	7.24	5.46	4.73
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	..	..	..	..	..	..	-4.36	-24.59	-13.37

Source: See Table 7.8 of the full country profile.

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The full country profile is available at
http://dx.doi.org/10.1787/fin_sme_ent-2018-19-en

Colombia

Microenterprises and SMEs (MSMEs) account for an important part of the Colombian economy, employing around 80% of the country's labour force and contributing 40% of GDP in 2016.

Bank credit is the main source of financing for SMEs: According to the survey of the National Association of Financial Institutions (ANIF), 42% of SMEs requested bank credit in 2016, on average. This percentage amounted to 46% in the industrial sector, 43% in the commercial sector and 39% in the services sector. When comparing these results with the ones from 2015, the credit request has decreased by 3 percentage points (45% on average in 2015). These findings are consistent with the strong increase in interest rates during 2016, with fixed-term deposit rates (DTF) rising by 220 basis points. When it comes to financing options, micro, small and medium-sized enterprises seem to prefer suppliers, then leasing, thirdly their own resources and finally factoring.

The resources requested by SMEs were used mainly for working capital. In the second half of 2016, about 61% of requested resources were used for working capital within the industry sector (69% within the commercial sector and 54% in services). The consolidation of liabilities was the second main use of financial means. The percentage of companies that spent these resources to search for better terms regarding rates or amortisation of current loans with financial intermediaries was 23% in industry, 17% in commerce and 25% in services. The third reason for financing needs for the industrial sector was the purchase or leasing of machinery (19%), while the services sector were essentially seeking possibilities for remodelling or adjustments (18%). The commercial sector used financing for both, with purchase or lease of machinery and remodelling or adjustments having an equal share (both 13%).

In the period from 2015 to 2016, the value of loans to MSMEs increased by 6.7%, while the share of MSME loans in total commercial loans decreased by 0.18 percentage points from 25.7% in 2015 to 25.52% in 2016. The increase in interest rates in 2016 coincided with a 1.53% decrease in short-term loans and a 9.29% increase in the long-term borrowing by SMEs. The average interest rate on loans to SMEs increased by 2.17 percentage points from 14.69% in 2015 to 16.86% in 2016.

While the total number of bankruptcies from 2013 to 2014 decreased by 9.6%, from 156 to 141, an increase of 16.31% and of 21.95% can be observed for 2015 and 2016, respectively.

In 2016, company creation in Colombia rose by 15.8%. 299 632 productive units were created in 2016, 76 794 companies and 222 838 natural persons. The constitution of companies grew by 21.7% and registrations of natural persons increased by 14% compared to the previous year.

In 2016, the Second-tier Bancoldex bank, an entity attached to the Ministry of Commerce, Industry and Tourism, consolidated its strategy of being the best partner of Colombian entrepreneurs. The strategy goes beyond the provision of financial services and also focused on the added value of knowledge that complements credit and responds effectively to the needs of MSMEs.

In 2016, it supported Colombian entrepreneurs with resources that exceeded USD 1 048 million, supporting the growth of more than 105 000 companies of all sizes, located in 713 municipalities across the country. In cooperation with the World Bank

International Finance Corporation (IFC) Bancoldex also set up a vehicle specialised in promoting the productive insertion and financial inclusion of microenterprises. Moreover, it created the first fund of Colombian funds that will mobilise third party resources of minimum USD 34 million to contribute to the growth of Colombian companies through intelligent capital and the linking of new financial intermediaries focused on the needs of entrepreneurs and companies at an early stage.

The Colombian Government seeks to facilitate access to credit for micro, small and medium enterprises through the National Guarantee Fund S.A. that grants credit guarantees. In a legal act deriving from a debtor's obligation vis-à-vis a financial intermediary, the fund pays all or part of the secured obligation against the debtor's default. In addition, law 1676 of 2013 on the registration of secured guarantees seeks to expand the possibilities of access to credit for entrepreneurs throughout the country.

Table 3.8. Scoreboard for Colombia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
						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	62.09
Outstanding business loans, total	COP trillion	78.39	94.70	95.94	113.84	134.78	152.78	171.38	197.16	226.31	243.20
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	25.53
New business lending, total	COP trillion	67.68	76.02	77.23	79.04	77.74	95.36	104.04	117.02	117.65	117.29
New business lending, SMEs	COP trillion	13.20	13.50	15.22	16.91	21.09	23.53	23.57	24.69	25.53	25.30
Share of new SME lending	% of total new lending	19.51	17.75	19.71	21.39	27.13	24.67	22.65	21.09	21.70	21.57
Short-term loans, SMEs	COP trillion	4.98	7.52	6.14	6.41	10.00	11.55	12.36	12.93	13.80	13.59
Long-term loans, SMEs	COP trillion	20.63	21.07	20.44	22.71	29.97	35.22	39.24	42.30	44.37	48.50
Share of short-term SME lending	% of total SME lending	19.44	26.30	23.11	22.02	25.02	24.69	23.96	23.40	23.73	21.89
Government loan guarantees, SMEs	COP trillion	0.56	1.39	1.82	1.94	5.46	6.19	7.14	7.51	7.72	10.52
Government guaranteed loans, SMEs	COP trillion	2.23	2.59	2.98	3.16	7.26	9.12	10.81	11.96	12.69	15.37
Non-performing loans, total	% of all business loans	0.95	1.27	1.59	1.07	1	1.03	1.08	1.33	1.34	1.51
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	3.12
Interest rate, SMEs	%	20.09	23.13	20.43	18.66	14.34	14.68	13.24	13.54	14.69	16.87
Interest rate, large firms	%	12.53	14.24	10.09	7.23	9.28	9.25	7.98	8.33	8.78	11.00
Interest rate spread	% points	7.56	8.89	10.34	11.43	5.06	5.43	5.26	5.21	5.91	5.86
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	79.25	87.54	86.28	87.31	90.04	90.12	90.02	89.30	91.04	91.71
Percentage of SME loan applications	SME loan applications/ total number of SMEs	49	53	44.6	49.6	47	44	43.3	39.6	42.6	34
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	4.0
Utilisation rate	SME loans used/ authorised	98	96	91	95	97	96	93	97	92.5	96
						Non-bank finance					
Venture and growth capital	COP billion									1 827	2 910
Venture and growth capital (growth rate)	%, Year-on-year growth rate										59.31
Leasing and hire purchases	COP billion	11 012	12 298	12 882	14 059	17 733	21 081	24 071	27 794	33 342	39 452
Factoring and invoice discounting	COP billion	5 774	6 039	7 152	7 011	12 845	10 552	17 555	23 747	31 474	25 768

Other indicators											
Payment delays, B2B	Number of days	49	50	61	62	59	55	56	65	66	85
Bankruptcies, SMEs	Number	33	95	149	159	178	116	156	141	164	200
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate		187.88	56.84	6.71	11.95	-34.83	34.48	-9.62	16.31	21.95

Note: Colombia uses the large-scale name system. However, for English-speaking countries the short scale is used, and this is used throughout the profile.
Source: See Table 8.5 of the full country profile.

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Czech Republic

In 2016, there were roughly 1.1 million active enterprises in the Czech Republic. 99.8% of these firms were SMEs with less than 250 employees each. Together, they employed almost 1.8 million people or 58.4% of the Czech Republic's workforce. Micro-firms dominated the business landscape, comprising 96.3% of all SMEs in 2015[7].

SME interest rates continued their decline in 2016 as they dropped by 20 basis points vis-à-vis 2015, reaching a record low at 2.5%. Over the 2007-16 period, SME interest rates dropped by 50.3% in total.

Venture capital investments peaked in 2008, and then declined dramatically up to and including 2016 to 10.2% of its peak value. Growth capital fell even more steeply, from EUR 192.0 million in 2009 to EUR 4.9 million in 2016.

Government support for enterprises and entrepreneurs primarily comprises measures with respect to developmental and operational financing, export support, support of the energy sector, development of entrepreneurial skills and 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 Sized Enterprises Support Strategy 2014-20 (SME 2014+), which represents the key strategic document for the preparation of the European Union (EU) cohesion policies over the 2014–20 programming period in the area of enterprise development. This is specifically for the preparation of the Operational Programme Enterprise and Innovations for Competitiveness (OPEIC), and similarly important national SME support programmes.

SME 2014+ also acknowledges the need to support social enterprises and strengthen social entrepreneurs' education. The SME 2014+ concept is implemented through national programmes that support enterprises, such as the GUARANTEE, REVIT or Inostart programmes; and via the OPEIC.

SME 2014+ aims to motivate entrepreneurs to utilise available funding for the development of their businesses through national and EU programmes. This includes several tools, such as government loan guarantees (Czech-Moravian Guarantee and Development Bank), 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 (OPEIC), which provides support to SMEs through grants, preferential loans and guarantees.

The Czech-Moravian Guarantee and Development Bank (CMGDB) is a specialised state-owned banking entity with a mission to primarily facilitate SME access to financing. In 2016, the bank obtained an additional CZK 10 billion from the European Fund for Strategic Investments to strengthen the national GUARANTEE programme. Another guarantee scheme, launched in April 2017 and administered by the CMGDB, is the EXPANSION programme. It aims to facilitate access of SMEs to bank loans by providing them with soft (subsidised, preferential) investment loan and a financial contribution in a form of interest rate subsidies of commercial co-loan (applicable only for projects in disadvantaged regions).

In June 2016, the Agency for Entrepreneurship and Innovation (API) was established. API is an implementing organisation for support programmes of the OPEIC. It has a branch in every region of the Czech Republic. Apart from administering OPEIC support programmes, it provides potential beneficiaries with information on the potential for financial support from the operational programme and holds expert workshops on OPEIC support schemes.

Table 3.9. Scoreboard for the Czech Republic

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	CZK million	476 267	555 030	527 545	550 072	587 908	589 675	610 789	621 385	652 590	703 141
Outstanding business loans, total	CZK million	745 797	850 765	784 069	783 538	831 206	840 593	871 578	890 229	935 364	995 318
Share of SME outstanding loans	% of total outstanding business loans	63.86	65.24	67.28	70.20	70.73	70.15	70.08	69.80	69.77	70.64
New business lending, total	CZK million	852 729	866 109	780 874	667 977	599 089	694 944	500 502	544 725	607 585	510 582
New business lending, SMEs	CZK million	208 216	207 237	147 740	123 398	124 117	129 830	86 660	97 764	118 217	100 464
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	19.68
Short-term loans, SMEs	CZK million	..	..	..	73 626	72 433	77 853	45 531	40 360	41 742	36 974
Government loan guarantees, SMEs	CZK million	1 925	3 529	6 369	6 593	472	1 534	3 251	4 010	6 913	3 530
Government guaranteed loans, SMEs	CZK million	2 959	5 094	9 550	10 070	630	2 215	4 616	5 771	9 947	5 055
Direct government loans, SMEs	CZK million	931	286	209	629	1 090	782	101	86	65	7
Non-performing loans, total (amount)	CZK million	22 816	35 340	61 904	70 166	67 876	61 480	62 032	58 694	52 677	50 288
Non-performing loans, total	% of all business loans	3.06	4.15	7.90	8.96	8.17	7.31	7.12	6.59	5.63	5.05
Interest rate, SMEs	%	5.03	5.57	4.64	4.01	3.73	3.48	3.13	3.76	2.70	2.50
Interest rate, large firms	%	4.05	4.84	3.46	3.34	2.63	2.43	1.89	2.00	1.80	1.80
Interest rate spread	% points	0.98	0.73	1.18	0.67	1.10	1.05	1.24	1.76	0.90	0.70
Non-bank finance											
Venture and growth capital	EUR thousand	120 789	103 986	219 659	151 222	18 284	9 492	20 392	34 936	10 420	9 061
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	- 13.91	111.24	- 31.16	- 87.91	- 48.09	114.83	71.32	- 70.17	- 13.04
Other indicators											
Payment delays, B2B	Number of days	16	18	19	14	14	15	14	14	14	19
Bankruptcies, SMEs	Number	839	873	1 280	1 301	1 263	1 345	1 379	1 228	1 001	904
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	4.05	46.62	1.64	- 2.92	6.49	2.53	- 10.95	- 18.49	- 9.69

Source: See Table 9.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933666872

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-21-en

Denmark

In 2015 SMEs accounted for 98.5% of all enterprises in Denmark, disregarding non-employer enterprises.

SME lending suffered disproportionately in the aftermath of the financial crisis. The share of new business lending by SMEs relative to total new business lending declined from 12% in 2007 already low by international comparison to 9% in 2009 and remains low at 10% in 2016.

New lending to SMEs decreased by 30% in 2016 on a year by year basis after having increased by 34% in 2015.

Survey data illustrates that credit conditions have become more favourable in Denmark since 2014 with only two exceptions. Nonetheless, 16% of SMEs described their financial conditions as bad in the first quarter of 2017 down from 37% in the second quarter of 2012. Credit demand among small enterprises was much higher in the second quarter of 2017 compared to the same quarter in 2016 but less than the second quarter of 2015. Overall demand for bank credit by SMEs has been rising since 2016 with the exception of the first quarter in 2016 and 2017 respectively.

Interest rates for SMEs more than halved over the 2008-16 period from an average of 6.6% in 2008 to 2.7% in 2016. As interest rates for large enterprises declined even more strongly over this period the interest rate spread has widened from 0.9% in 2008 to 1.4% in 2016.

Venture and growth capital investments decreased 13% between 2015 and 2016 after having risen by 54% between 2014 and 2015. With recent increases venture capital and growth investments are at their second highest level in 2016 only beaten by 2015.

Payment delays declined from 9 days in 2014 to 4 days in 2015 and remained at 4 days in 2016 reaching a plateau following a continuous downward trend since 2012. Bankruptcies were up by almost 17% in 2016 after having increased 20% from 2014 to 2015 but remain significantly below levels observed 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 loans targeted entrepreneurs and the credit guarantee programme were merged into a single scheme.

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

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	1 706
Outstanding business loans, total	EUR million	6 800	7 203	6 858	6 455	5 945	6 148	6 249	6 437	6 803	7 344
Share of SME outstanding loans	% of total outstanding business loans	35.83	34.55	31.01	29.37	28.28	26.24	26.45	26.40	24.56	23.23
New business lending, total	EUR million	8 553	7 307	4 457	4 258	5 062	5 612	6 168	6 412	6 682	6 990
New business lending, SMEs	EUR million	3 600	3 523	2 126	1 866	1 955	2 122	2 370	2 463	2 254	2 365
Share of new SME lending	% of total new lending	42.09	48.21	47.70	43.82	38.63	37.80	38.43	38.42	33.73	33.84
Short-term loans, SMEs	EUR million	481	475	377	318	326	302	317	333	301	315
Long-term loans, SMEs	EUR million	1 956	2 013	1 749	1 578	1 355	1 311	1 336	1 366	1 370	1 391
Share of short-term SME lending	% of total SME lending	19.73	19.09	17.74	16.76	19.39	18.74	19.20	19.62	18.00	18.46
Government loan guarantees, SMEs	EUR million	15	19	36	42	32	43	34	46	44	51
Government guaranteed loans, SMEs	EUR million	27	32	55	64	50	66	53	71	67	77
Non-performing loans, total	% of all business loans	0.61	3.71	8.76	8.53	5.91	3.79	2.01	1.97	1.56	1.62
Non-performing loans, SMEs	% of all SME loans	0.95	3.59	7.36	8.17	6.31	5.18	3.27	2.96	2.79	2.88
Interest rate, SMEs	%	6.11	6.71	5.34	5.06	4.92	4.02	3.41	3.36	3.04	2.96
Interest rate, large firms	%	5.68	6.13	4.21	3.90	3.76	3.05	2.86	2.68	2.05	2.08
Interest rate spread	% points	0.43	0.58	1.14	1.16	1.16	0.98	0.56	0.68	0.99	0.88
Non-bank finance											
Venture and growth capital	EUR thousand	..	4 744	4 507	17 745	5 529	16 600	10 900	48 200	14 000	49 000
Venture and growth capital (growth rate)	%, Year-on-year growth rate			- 5.0	293.7	- 68.8	200.2	- 34.3	342.2	- 71.0	250.0
Leasing and hire purchases	EUR million	891	710	223	281	519	650	546	537	543	676
Factoring and invoice discounting	EUR million	1 290	1 406	989	909	1 129	1 924	1 981	2 094	2 239	2 090
Other indicators											
Payment delays, B2B	Number of days	9	8.1	12.7	12.8	10.2	10.1	9.4	7	6.9	6
Bankruptcies, SMEs	Number	202	423	1055	1028	623	495	459	428	376	335
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate		109.4	149.4	- 2.6	- 39.4	- 20.5	- 7.3	- 6.8	- 12.1	- 10.9

Source: See Table 10.5 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933666929

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-22-en

Estonia

In 2015, Estonian SMEs employed 79.6% of the workforce and accounted for 76.5% of value added. 90.7% of all firms were micro-enterprises, i.e. firms with less than 10 employees, employing 32% of the workforce and accounting for 26.8% of value added in 2015.

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 2016, 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 4.0% in 2012, slightly below 3.0% in 2016. For larger loans, the interest rate declined from 3.0% to 2.1% 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. In 2016, venture capital investments jumped 250% to reach their highest level ever.

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 2016, from EUR 909.3 million to EUR 2 090.4 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 2016, payment delays continued to drop 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 2016 amounted to a 2.9% share of total SME loans, almost three times lower than its peak in 2010; SME bankruptcies declined by 10.9% 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 2016, subordinated loans financed 92 projects for a total amount of EUR 29.9 million and start-up loans added 433 projects financed for a total amount of EUR 11.7 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 will be added by private investors.

Table 3.11. Scoreboard for Estonia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	1 706
Outstanding business loans, total	EUR million	6 800	7 203	6 858	6 455	5 945	6 148	6 249	6 437	6 803	7 344
Share of SME outstanding loans	% of total outstanding business loans	35.83	34.55	31.01	29.37	28.28	26.24	26.45	26.40	24.56	23.23
New business lending, total	EUR million	8 553	7 307	4 457	4 258	5 062	5 612	6 168	6 412	6 682	6 990
New business lending, SMEs	EUR million	3 600	3 523	2 126	1 866	1 955	2 122	2 370	2 463	2 254	2 365
Share of new SME lending	% of total new lending	42.09	48.21	47.70	43.82	38.63	37.80	38.43	38.42	33.73	33.84
Short-term loans, SMEs	EUR million	481	475	377	318	326	302	317	333	301	315
Long-term loans, SMEs	EUR million	1 956	2 013	1 749	1 578	1 355	1 311	1 336	1 366	1 370	1 391
Share of short-term SME lending	% of total SME lending	19.73	19.09	17.74	16.76	19.39	18.74	19.20	19.62	18.00	18.46
Government loan guarantees, SMEs	EUR million	15	19	36	42	32	43	34	46	44	51
Government guaranteed loans, SMEs	EUR million	27	32	55	64	50	66	53	71	67	77
Non-performing loans, total	% of all business loans	0.61	3.71	8.76	8.53	5.91	3.79	2.01	1.97	1.56	1.62
Non-performing loans, SMEs	% of all SME loans	0.95	3.59	7.36	8.17	6.31	5.18	3.27	2.96	2.79	2.88
Interest rate, SMEs	%	6.11	6.71	5.34	5.06	4.92	4.02	3.41	3.36	3.04	2.96
Interest rate, large firms	%	5.68	6.13	4.21	3.90	3.76	3.05	2.86	2.68	2.05	2.08
Interest rate spread	% points	0.43	0.58	1.14	1.16	1.16	0.98	0.56	0.68	0.99	0.88
Non-bank finance											
Venture and growth capital	EUR thousand	..	4 744	4 507	17 745	5 529	16 600	10 900	48 200	14 000	49 000
Venture and growth capital (growth rate)	%, Year-on-year growth rate			- 5.0	293.7	- 68.8	200.2	- 34.3	342.2	- 71.0	250.0
Leasing and hire purchases	EUR million	891	710	223	281	519	650	546	537	543	676
Factoring and invoice discounting	EUR million	1 290	1 406	989	909	1 129	1 924	1 981	2 094	2 239	2 090
Other indicators											
Payment delays, B2B	Number of days	9	8.1	12.7	12.8	10.2	10.1	9.4	7	6.9	6
Bankruptcies, SMEs	Number	202	423	1055	1028	623	495	459	428	376	335
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate		109.4	149.4	- 2.6	- 39.4	- 20.5	- 7.3	- 6.8	- 12.1	- 10.9

Source: See Table 11.4 of the full country profile.

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-23-en

Finland

In Finland, 99.3% of all employer firms were SMEs in 2015, employing 59.4% of the labour force. The number of employer firms decreased from 2014 to 2015, indicating that some employers have switched back into self-employment because of diminished demand for their products and services.

New SME lending continued expanding for the second year in a row, from EUR 8 444 million in 2015 to EUR 9 083 million in 2016. The share of new SME lending as a percentage of total new lending also increased in 2016.

Interest rates for both SMEs and large firms fell in 2016 and this also translated into a narrowing of the interest rate spread between the two. 35% of SMEs required collateral to obtain bank financing in 2016, down from 38% in 2015. The loan rejection rate, on the other hand, went up by 1% to 4% in 2016.

Although the amount of venture capital investments has decreased in the last couple of years, in 2015, investment activity in Finland was still the highest in Europe, when looking at the amount invested as a proportion of GDP (0.051%).

Average payment delays in Finland were historically low, compared to some other countries before the crisis. Finnish firms have a strong payment discipline, which they also maintained during and after the financial crisis.

The number of bankruptcies filed by SMEs in Finland fell for the third year in a row. 2 408 SMEs filed for bankruptcy in 2016, the lowest figure since 2008.

Finnvera is a financing company owned by the government of Finland and the country's official export credit agency. Finnvera provides financing for the start-up, growth and internationalisation of enterprises, as well as guarantees against risks arising from exports. In 2015-16, a few improvements relating to SME financing granted by Finnvera were introduced. Because of the increased compensation of possible credit and guarantee losses, Finnvera was able to increase its risk-taking.

In 2016, there was an upswing in the Finnish economy. For example, the Ministry of Finance expects a GDP growth of 2.4% in 2017. These economic forecasts have also increased the demand for SME finance, as can be observed from the most recent Banking Barometers provided by Finance Finland.

Table 3.12. Scoreboard for Finland

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	76 026
New business lending, total	EUR million	42 698	54 368	50 850	54 422	37 438	34 856	39 516	35 560	34 976	36 447
New business lending, SMEs	EUR million	11 576	11 881	9 944	8 300	7 902	7 749	7 330	6 832	8 444	9 083
Share of new SME lending	% of total new lending	27.11	21.85	19.56	15.25	21.11	22.23	18.55	19.21	24.14	24.92
Short-term loans, SMEs	EUR million	..	..	..	839	1 615	1 613	1 312	1 250	1 655	1 864
Long-term loans, SMEs	EUR million	..	..	..	3 314	6 287	6 136	6 018	5 583	6 789	7 219
Share of short-term SME lending	% of total SME lending	..	..	..	20.20	20.44	20.82	17.90	18.29	19.60	20.52
Government loan guarantees, SMEs	EUR million	416	438	474	447	497	408	379	476	522	570
Direct government loans, SMEs	EUR million	385	468	593	397	369	342	284	287	385	275
Non-performing loans, total	% of all business loans	..	..	..	..	..	..	..	..	4.07	3.07
Non-performing loans, total (amount)	EUR million	..	..	..	..	..	..	..	..	1 423	1 119
Interest rate, SMEs	%	5.39	5.58	3.02	2.66	3.23	2.86	2.81	2.94	2.96	2.76
Interest rate, large firms	%	4.83	5.08	2.24	1.86	2.59	2.07	1.91	1.92	1.46	1.33
Interest rate spread	% points	0.56	0.50	0.78	0.80	0.64	0.79	0.90	1.02	1.50	1.43
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	33	34	35	41	41	38	35
Percentage of SME loan applications	SME loan appli./ total # of SMEs	..	..	13.85	18.42	20.79	21.50	21.85	27.70	21.97	23.89
Rejection rate	1-(SME loans authorised/ req.)	..	..	6.98	4.92	3.12	8.08	7.06	6.71	6.24	5.59
Non-bank finance											
Venture and growth capital	EUR million	189	218	146	351	148	185	173	168	190	196
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	15	-33	140	-58	25	-6	-3	13	3
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	5
Bankruptcies, SMEs	Number	2 254	2 612	3 275	2 864	2 947	2 961	3 131	2 986	2 574	2 408
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	15.88	25.38	-12.55	2.90	0.48	5.74	-4.63	-13.80	-6.45

Source: See Table 12.5 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933667100

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-24-en

France

France has approximately 3 million SMEs (including non-employer firms), and they account for 99.8% of all enterprises.

SME lending has remained relatively constant in the 2007-16 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 until recently.

Access to bank financing is generally fluid, with 79% of SMEs obtaining the totality of their required loans, while the euro area average equals 70%. This is due to the continuous progression of credit loans, easing of credit conditions (reduced interest rates, softer loan conditions), and increasingly successful credit requests rates.

Since 2012, the value of venture and expansion capital invested followed a consistently growing pattern, reaching EUR 4 727 million in 2016. The consolidation of private equity investments in SMEs - after a post-crisis period of sharp decline in investments - has been confirmed for all segments of private equity.

Factoring has continued to increase in France since 2009.

For the first time since the financial crisis, the number of SME bankruptcies dipped below 60 000. Delayed payments have decreased again in 2016 according to national surveys, after an increase in 2015. 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 (with difficulties encountered by firms in their relation with their factors now part of their mandate).

Setting up the proper framework conditions to boost investment, and especially intangible investment, has been the focus of public action. Special financing efforts have been made in this field for very small enterprises with Bpifrance's online medium term loan covering both tangible and intangible investments (*prêt de développement)* to address their specific needs; and for industrial SMEs with the design of a dedicated instrument for the modernisation and transformation of production methods and processes (*prêt Industrie du futur*).The financing of their digital transformation is becoming a crucial issue for SMEs: while bank financing is available for tangible investments, it is rarely provided for the funding of a strategic counsel, employee training, website development or, for larger firms, the reorganisation of the production process. The two instruments set up by Bpifrance aim to complement bank loans to cover the whole range of transformation needs that SMEs have to face.

Table 3.13. Scoreboard for France

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	EUR million	180 579	189 150	189 676	199 757	210 331	214 141	216 664	219 364	224 355	233 118
Outstanding business loans, total	EUR million	868 898	927 546	938 872	974 523	1 012 765	1 009 835	1 025 938	1 036 510	1 078 346	1 129 696
Share of SME outstanding loans	% of total outstanding business loans	20.78	20.39	20.20	20.50	20.77	21.21	21.12	21.16	20.81	20.64
Short-term loans, SMEs	EUR million	43 078	42 654	37 532	38 116	40 343	41 097	42 850	43 276	43 630	44 039
Long-term loans, SMEs	EUR million	119 657	121 860	108 750	104 069	111 575	118 877	125 468	129 927	132 782	137 448
Share of short-term SME lending	% of total SME lending	26.47	25.93	25.66	26.81	26.56	25.69	25.46	24.99	24.73	24.27
Government loan guarantees, total	EUR million	5 850	6 861	11 267	11 883	9 826	8 465	8 925	7 800	8 000	8 400
Government guaranteed loans, total	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	3.96	4.06	4.25	4.14	4.05	3.90
Interest rate, SMEs	%	5.10	5.42	2.86	2.48	3.11	2.43	2.16	2.08	1.78	1.50
Interest rate, large firms	%	4.52	4.76	1.96	1.57	2.23	1.72	1.46	1.30	1.19	1.14
Interest rate spread	% points	0.58	0.66	0.90	0.91	0.89	0.71	0.70	0.78	0.59	0.35
Collateral, SMEs	% of SMEs needing coll. to obtain bank loans	..	..	..	..	..	9.42	8.52	7.28	6.33	5.17
Percentage of SME loan applications	SME loan appli./ total # of SMEs	..	..	..	..	..	38.42	35.64	35.73	37.88	37.90
Rejection rate	SME loans authorised/ req.	..	..	..	..	..	11.12	8.00	6.61	7.55	6.21
Utilisation rate	SME loans used/ authorised	87.69	87.78	87.18	86.38	87.02	87.64	87.32	87.49	87.16	86.99
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	4 727
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	21.34	-1.08	22.22	21.34	-32.46	3.35	30.98	42.55	2.54
Leasing and hire purchases	EUR million	9 343	9 532	9 018	8 472	8 125	6 591	6 086	5 713	7 122	7 654
Factoring and invoice discounting	EUR million	18 758	20 305	17 719	20 133	23 033	23 764	26 393	29 583	34 904	..
Other indicators											
Payment delays, B2B	Number of days	60.40	57.30	54.90	54.70	53.60	51.80	51.30	50.00	50.10	..
Bankruptcies, SMEs	Number	51 301	55 524	63 163	60 298	59 451	61 066	62 507	62 371	63 026	58 037
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	8.23	13.76	-4.54	-1.40	2.72	2.36	-0.22	1.05	-7.92

Source: See Table 13.5 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933667233

The full country profile is available at

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Georgia

In 2016, in the framework of the National Strategy of SME Development, the Georgian National Statistics office introduced new methodology and definitions to calculate the statistics on SMEs in the country.

According to the new methodology, 99.7% of all firms in Georgia in 2016 were SMEs, accounting for 64% of total private employment. Additionally, they contributed 55.8% of total business sector turnover and 57% of production value in 2016, illustrating that the Georgian economy strongly depends on small and medium companies.

In line with the recent economic expansion, credit to SMEs rose year-on-year between 2010 and 2016 by more than 185% 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. The share of credit to SMEs peaked in 2015 at 42.9%; while in 2016 despite overall credit growth, share of SME loans decreased to 38.0%.

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 9.9% in 2016. In 2016, the average interest rate for SMEs significantly decreased by 2.80 percentage points year-on-year. Furthermore, reaching 0.20% by 2016 , the interest rate spread between SMEs and large firms decreased to record lows within the reference period, indicating that SMEs are increasingly benefitting from looser credit conditions.

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

After the introduction of new legislation which allowed individual entrepreneurs to initiate procedures of enterprises' liquidation and bankruptcies, the figure rose more than 40 times from 2009 to 2010. This upward trend continued into 2011 with a 51.8% growth rate. From 2012 to 2015, that number has steadily declined by a cumulative 62%, except in 2014 when it remained largely constant. In 2016, it fell significantly by 85.3% to reach 229.

In 2016, the overall volume of non-performing loans among SMEs accounted to over GEL 206 million, which is the highest number since 2010. In the same year, the share of non-performing SME loans increased to 5.2%, from 4.4% in 2015.

To promote SME development and support competitiveness, the Entrepreneurship Development Agency (Enterprise Georgia) as well as Georgia’s 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 to the establishment of the agencies, the government of Georgia has introduced a number of private sector development programmes, which include financial and Technical Assistance (TA) components to support small and medium companies in different stages of development.

Table 3.14. Scoreboard for Georgia

Indicators	Units	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	GEL million	..	..	..	1 400	1 548	1 738	2 051	2 422	3 621	3 992
Outstanding business loans, total	GEL million	2 984	3 458	3 097	3 843	4 501	4 989	5 663	6 715	8 433	10 500
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	36.43	34.39	34.84	36.22	36.07	42.94	38.02
Non-performing loans, total (amount)	GEL million	121	766	926	784	667	810	791	988	1 200	1 380
Non-performing loans, SMEs (amount)	GEL million	..	..	..	144	134	111	102	101	161	206
Non-performing loans, total	% of all business loans	..	..	..	16.10	11.50	12.20	10.70	10.60	9.80	10.10
Non-performing loans, SMEs	% of all SME loans	..	..	..	10.30	8.70	6.40	5.00	4.20	4.40	5.20
Interest rate, SMEs	%	..	..	..	16.50	15.50	14.50	11.60	10.70	12.70	9.90
Interest rate, large firms	%	..	..	..	13.60	14.10	12.80	11.20	10.00	11.40	9.70
Interest rate spread	% points	..	..	..	2.90	1.40	1.70	0.40	0.70	1.30	0.20
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	..	..	95.60	..	..	..
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	..	..	4.60	..	..	..
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	95.40	..	..	..
Other indicators											
Procedures of enterprises' liquidation (incl. bankruptcy)	Number	119	61	52	2 094	3 176	2 524	1 775	1 785	1 560	229
Procedures of enterprises' liquidation (incl. bankruptcy) (growth rate)	%, year-on-year growth rate	..	- 48.7	-14.8	3 926.9	51.7	-20.5	-29.7	0.6	-12.6	-85.3

Source: See Table 14.7 of the full country profile.

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Greece

99.9% of Greek enterprises are SMEs, of which micro-enterprises are the most numerous. Micro-enterprises also continue to contribute more toward employment and add more value in Greece than in other European countries.

The financial crisis and the ensuing sovereign debt crisis had a deep and pronounced impact on the Greek economy.

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 2011-16 period. In 2016, new loans to SMEs more than halved vis-à-vis 2014.

The downward trend in SME lending has not reversed despite the improvement of the overall economic climate since 2014 and the forecasts of positive GDP growth in 2017 and 2018.

The SME interest rate has decreased in recent years, but remains much higher compared to other Eurozone economies, illustrating that the accommodative stance of the European Central Bank (ECB) had relatively little impact on Greek SMEs. The spread between SMEs' and large firms' interest rates increased in 2016 compared to 2014. The reduction of large firms' interest rate was higher than the one for SMEs in the same period.

Leasing and hire purchases also suffered from the economic crisis and remain well below pre-crisis levels in 2016. By contrast, factoring and invoice discounting activities have remained relatively stable over 2007-16, and are on an upward path since 2014.

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 have been on a declining path since. Various actions were announced by the Greek Government in 2016, focusing on the establishment of The Entrepreneurship Fund II and The Energy Saving Fund II. These use European Structural Investment Funds and national sources in parallel with programmes for the provision of short-term and long-term export credit insurance to SMEs as well as the more intensive efforts for the increase of the European Investment Bank's sources to banks doing business in Greece for the provision of various financial instruments to support Greek SMEs.

The government also supports equity financing through minority participation in venture capital funds, venture capital companies, and similar vehicles. Additionally, the Greek Government, with the cooperation of the European Investment Fund, announced the establishing of EquiFund for the provision of equity to enable high value-added investments.

Finally, various legislative actions were taken by the government with the cooperation of the Central Bank of Greece to address the serious increase of non-performing loans (NPLs) among Greek SMEs.

Table 3.15. Scoreboard for Greece

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	EUR million	..	..	..	44 853	41 649	39 114	48 063	48 140	46 928	48 410
Outstanding business loans, total	EUR million	102 160	124 131	123 820	116 514	113 044	100 758	96 610	95 198	89 141	87 501
Share of SME outstanding loans	% of total outst. business loans	..	..	..	38.50	36.84	38.82	49.75	50.57	52.65	55.33
New business lending, total	EUR million	..	36 544	36 345	20 740	29 386	21 796	24 301	14 929	6 940	5 771
New business lending, SMEs	EUR million	..	12 502	12 954	4 437	5 217	4 115	3 654	2 332	1 178	1 064
Share of new SME lending	% of total new lending	..	34.21	35.64	21.39	17.75	18.88	15.03	15.62	16.97	18.43
Short-term loans, SMEs	EUR million	..	..	..	..	..	..	..	18 088	17 634	18 849
Long-term loans, SMEs	EUR million	..	..	..	..	..	..	..	30 052	29 294	29 561
Share of short-term SME lending	% of total SME lending	..	..	..	..	..	..	..	37.57	37.58	38.94
Government loan guarantees, SMEs	EUR million	19 929	23 232	25 587	22 438	19 951	19 315	17 234	16 509	15 121	12 805
Non-performing loans, total	% of all business loans	4.60	4.30	6.70	8.70	14.20	23.40	31.80	29.40	31.00	30.30
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	..	..	41.20	44.10	43.20
Interest rate, SMEs	%	6.57	6.82	4.62	5.53	6.77	6.87	6.51	5.80	5.38	5.32
Interest rate, large firms	%	5.32	5.71	3.52	4.27	5.74	5.92	5.77	5.55	4.82	4.61
Interest rate spread	% points	1.25	1.11	1.10	1.26	1.03	0.95	0.74	0.25	0.56	0.71
Collateral, SMEs	% of SMEs needing coll. to obtain bank loans	..	..	51.41	40.52	49.43	46.69	45.93	46.24	49.21	39.81
Percentage of SME loan applications	SME loan appli./ total # of SMEs	..	..	37.91	39.64	30.75	29.92	21.36	25.53	18.80	21.50
Rejection rate	1-(SME loans authorised/ req.)	..	..	25.80	24.50	33.80	28.30	26.00	21.50	19.90	18.17
Non-bank finance											
Venture and growth capital	EUR thousand	27 658	36 857	16 886	25 030	17 197	0	4 853	200	0	0
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	33.26	- 54.19	48.23	- 31.29	- 100.00		- 95.89	- 100.00	..
Leasing and hire purchases	EUR million	7 278	7 874	7 496	7 285	6 846	6 215	3 362	4 083	4 725	4 400
Factoring and invoice discounting	EUR million	1 279	1 725	1 767	1 730	1 493	1 534	1 410	1 694	1 693	1 716
Other indicators											
Payment delays, B2B	Number of days	..	25	34	30	35	40	43	41	36	47
Bankruptcies, SMEs	Number	513	359	355	355	445	415	392	330	189	108
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	- 30.02	- 1.11	0.00	25.35	- 6.74	- 5.54	- 15.82	- 42.73	- 42.86

Source: See Table 15.6 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933667461

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-27-en

Hungary

SMEs comprise 99.8% of all enterprises in Hungary. This figure is dominated by micro-firms and includes self-employed. Hungarian SMEs employ more people than most other EU countries in relative terms, with 69.7% of the labour force in Hungary in 2016 working in SMEs, compared to 66.8% in the EU on average. However, the share of value added by these SMEs is below the EU average.

New lending to SMEs shows an erratic pattern over the 2007-16 period, rising by 14.2% year-on-year in 2016, following sharp declines in 2014 and 2015.

Non-performing loans to SMEs rose fast in the aftermath of the financial crisis, reaching a peak of 20.7% in 2014. In 2015 and 2016, SME NPLs plummeted, reaching 6.3% in 2016. The NPL rate for all business loans followed a broadly similar trend, standing at 15.6% in 2014 and 4.7% in 2016.

Credit conditions have eased recently according to survey data. In addition, interest rates charged to SMEs have declined significantly in recent years from an average of 12.3% in 2009 to 4.2% in 2016.

In January 2016, the Hungarian Central Bank (MNB) launched the third phase of the Funding for Growth Scheme (FGS). This provides refinancing loans to commercial banks, which in turn lend the available resources to SMEs at a preferential interest rate of 2.5%. The FGS has two pillars of HUF 300 billion (EUR 963 million) each, supporting HUF investment loans and helping SMEs reduce their debt in HUF and foreign currency. In parallel, the Growth Support Programme was launched to help domestic banks return to market-based financing by gradually phasing out the FGS.

Several new Economic Development and Innovation Operational Programme (EDIOP), financial programmes, managed by the Hungarian Development Bank (MFB), were implemented in 2015 and launched in 2016 under the EDIOP framework, to increase the competitiveness of Hungarian SMEs and ensure better access to finance. The main financial tools are loans, loans combined with grants, and risk capital on the EDIOP priority fields of SME Competitiveness, Research and Development, and Employment.

In 2017, several new venture capital programmes have been introduced.

Loan guarantees are very common and widely used as credit collateral in Hungary. The two main guarantee institutes (Garantiqa Ltd. and Rural Credit Guarantee Foundation), have set well-developed work processes and activities in place in recent years. These positive changes in workflow support SME lending, and commercial banks tend to be more receptive to faster, online cooperation with the guarantee institute.

Table 3.16. Scoreboard for Hungary

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	HUF million	5 279 722	5 823 289	5 379 295	4 782 676	4 796 982	5 013 917	5 063 783	4 831 238	4 942 418	4 889 492
Outstanding business loans, total	HUF million	8 466 015	9 612 649	8 958 573	8 769 596	8 825 160	7 892 281	7 648 219	7 761 067	7 355 137	7 072 866
Share of SME outstanding loans	% of total outstanding business loans	62.38	60.57	60.04	54.54	54.36	63.53	66.21	62.25	67.19	68.12
New business lending, SMEs	HUF million	3 850 833	4 383 500	3 660 438	3 530 765	3 585 129	3 869 819	4 662 255	4 301 916	3 665 462	4 186 691
Short-term loans, SMEs	HUF million	2 473 389	2 965 962	2 832 008	2 774 744	2 767 147	3 051 599	2 654 230	2 570 341	2 424 162	2 708 451
Long-term loans, SMEs	HUF million	1 377 444	1 417 538	828 430	756 021	817 982	818 220	2 008 025	1 731 575	1 241 300	1 478 240
Share of short-term SME lending	% of total SME lending	64.23	67.66	77.37	78.59	77.18	78.86	56.93	59.75	66.14	64.69
Government loan guarantees, SMEs	HUF million	308 800	352 100	409 200	377 100	343 400	251 850	350 009	346 172	348 679	469 321
Government guaranteed loans, SMEs	HUF million	381 400	436 400	600 300	472 019	437 200	314 813	457 992	433 842	429 405	568 640
Non-performing loans, total (amount)	HUF million	..	..	..	832 213	1 155 259	1 271 799	1 124 012	960 640	696 589	332 424
Non-performing loans, total	% of all business loans	3.1	4.7	10.1	12.8	17.4	19.1	17.5	15.6	9.6	4.7
Non-performing loans, SMEs	% of all SME loans	..	5.4	8.9	12.8	15.9	20.5	18.6	20.7	13.7	6.3
Interest rate, SMEs	%	10.19	11.25	12.31	8.99	9.38	9.7	7.4	5.1	4.7	4.2
Interest rate, large firms	%	8.97	10.28	11.07	7.25	8.08	8.9	5.9	4.1	2.4	2.8
Interest rate spread	% points	1.22	0.97	1.24	1.74	1.3	0.8	1.5	1	2.3	1.4
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	..	..	..	71	64.5	60.1
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	..	..	68.8	67	84.4	71.6
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	81.5	..	..	..
Non-bank finance											
Venture and growth capital	HUF million	3 949	13 782	720	6 982	11 308	19 361	15 880	18 759	19 626	12100..
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	249	-94.78	869.72	61.96	71.22	-17.98	18.13	4.62	-38.35
Leasing and hire purchases	HUF million	..	..	..	..	..	..	..	..	..	274 766
Factoring and invoice discounting	HUF million	..	..	..	..	..	..	..	..	..	126 038
Other indicators											
Payment delays, B2B	Number of days	16.3	19	19	15	22.0	20	..	17.4	17.4	..
Bankruptcies, total	Number	152.6	168.4	211.6	231.8	279.2	301.3	375.9	644	488.3	376.9
Bankruptcies, total (growth rate)	%, year-on-year growth rate	..	10.35	25.65	9.55	20.45	7.92	24.76	71.32	-24.18	-22.81

Source: See Table 16.5 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933667575

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-28-en

Ireland

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

Debt levels of Irish businesses are declining steadily and have reduced by 40% since 2010 from EUR 27.1 billion to EUR 16.1 billion in 2016.

New lending continues to grow with a 22% or EUR 589 million increase from 2015 to 2016.

Loan approval rates continue to be stable with 88% of applications either fully or partially approved.

The interest rate spread between large (2.18%) and small loans (4.65%) 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.

The venture capital raised by Irish SMEs continues to grow reaching a total of EUR 888.1 million in 2016, a 70% increase on 2016.

Bankruptcies continue to decline with a total decline of 54% since their peak in 2011 and a 21% decline on 2015 in comparison to 2016 figures.

Significant progress has 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. Some of the main policies introduced to encourage access to credit for small and medium businesses include:

- The Supporting SMEs Online Tool, a cross-government initiative, where on answering eight 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; and
- 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

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
					Debt						
Outstanding business loans, SMEs	EUR million	..	..	..	27 103	27 339	25 697	24 516	21 402	19 313	16 114
Outstanding business loans, total	EUR million	56 076	59 568	52 496	42 419	40 309	38 064	36 651	31 792	29 815	28 004
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	63.89	67.82	67.51	66.89	67.32	64.78	57.54
New business lending, SMEs	EUR million	..	..	..	2 284	2 211	1 990	1 905	2 401	2 646	3 235
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	2 032
Outstanding long-term loans, SMEs	EUR million	2 118	1 929	1 338	929	575	536	604	778	1 092	996
Share of short-term SME lending	% of total SME lending	89.07	88.62	89.09	86.69	86.90	85.08	83.34	75.46	62.04	67.11
Non-performing loans, total	% of all business loans	..	..	..	..	17.69	23.66	26.14	23.88	17.16	13.92
Interest rate, SMEs	%	6.23	6.67	3.98	3.88	4.68	4.34	4.3	4.78	4.77	4.65
Interest rate, large firms	%	5.95	6.19	3.22	2.86	3.33	2.81	2.76	2.98	2.43	2.18
Interest rate spread	% points	0.28	0.48	0.76	1.02	1.35	1.53	1.54	1.8	2.34	2.47
Collateral, SMEs		..	..	..	..	..	..	..	41	40	46
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	36	39	36	31	30	23
Rejection rate	SME loans authorised/ requested	..	..	..	..	30	24	20	14	15	16
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	81	82	84	75
					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	888.1
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	70.10
					Other indicators						
Bankruptcies, SMEs	Number	344	613	1 245	1 386	1 410	1 317	1 119	1 007	816	642
Bankruptcies, SMEs	%, year-on-year growth rate	..	78.20	103.10	11.33	1.73	-6.60	-15.03	-10.01	-18.97	-21.32

Source: See Table 17.10 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933667765

The full country profile is available at

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Israel

Small and medium enterprises (SMEs) constitute the overwhelming majority of business enterprises in Israel. As of 2015, there are 518 135 businesses in Israel and 99.5% of them are SMEs which employ up to 100 workers each.

SME and entrepreneurship policies in Israel are primarily designed by the Ministry of Economy and Industry and implemented by the Israel Innovation Authority (IIA) and the Small and Medium Business Agency (SMBA). While the IIA (former known as the Chief Science Office) has a longstanding presence in the Israeli policy framework and focuses on technology-based start-ups and SMEs, the SMBA has been established more recently to cater to SMEs in traditional sectors through business management training and coaching, subsidised access to finance (for e.g. - through the management of the national loans guarantee programme) and a new network of business support centres (MAOF centres).

In March 2016, the credit data law was passed, which sought the establishment of a central database for household and SME credit by 2018. It is expected to improve competition and data accessibility in the Israeli credit market. In January 2017, a law that separates credit cards companies and banks was passed as part of a series of moves to enhance competition in the banking industry, and to lower the financing costs for SMEs.

In March 2017, the Israel Securities Authority completed the enactment of mass financing regulations for research and development companies, and for SMEs. In April 2017, the same agency published regulations that define regulation hierarchy and easements for small corporations that issued shares. That same month, the Knesset passed the Morality of Payments to Suppliers Law. This law determines the maximum period within which payments can be made to suppliers for the sale of goods, provision of services or performance of work. The purpose of the law is to reduce the payment period in the business sector to diminish the need for credit among SMEs and to increase transparency in payments.

For the first time in 20 years, a new company received a credit clearing license, allowing it to enter and compete in the credit cards market the following year. This is expected to lower the clearing costs of small and medium-sized businesses.

Table 3.18. Scoreboard for Israel

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	ILS million	169 300	171 200	161 600	173 800	177 700	187 000	186 700	211 900	255 779	256 820
Outstanding business loans, total	ILS million	413 900	460 900	425 200	438 900	458 600	450 400	445 700	447 900	411 682	416 853
Share of SME outstanding loans	% of total outstanding business loans	40.9	37.14	38.01	39.6	38.75	41.52	41.89	47.31	62.13	61.61
Government loan guarantees, SMEs	ILS million	27	17	121	164	116	116	215	232	257	..
Government guaranteed loans, SMEs	ILS million	170	109	757	1 028	890	1 057	1 951	2 112	2 340	1 838
Non-performing loans, total	% of all business loans	..	..	..	..	0.39	0.41	0.25	0.12	-0.14	-0.14
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	0.53	0.47	0.4	0.35	0.14	0.2
Interest rate, SMEs	%	..	..	..	5	5.62	5.52	4.89	4.22	3.16	3.23
Interest rate, large firms	%	..	..	..	3	3.15	3.62	3.45	2.87	2.01	1.96
Interest rate spread	% points	..	..	..	2	2.47	1.9	1.44	1.35	1.15	1.27
Non-bank finance											
Venture and growth capital	USD million	1 759	2 076	1 120	1 219	2 076	1 878	2 404	3 408	4 307	4 775
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	18.02	-46.05	8.84	70.3	-9.54	28.01	41.76	26.38	10.87
Other indicators											
Payment delays, B2B	Number of days	..	..	..	..	..	..	..	..	..	57.2
Bankruptcies, SMEs	Number	..	..	2 061	2 834	3 737	5 000	5 610	5 322	5 175	..
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	..	..	37.51	31.86	33.8	12.2	-5.13	-2.76	..

Source: See Table 18.12 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933668012

The full country profile is available at

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Italy

Small and medium-sized enterprises represent the overwhelming majority of Italian firms, account for around 80% of the industrial and service labour force, and generate over two-thirds of turnover and value added. The legacy of the crisis still weighs on the economic performance of micro and small businesses, while larger ones have already outpaced pre-crisis levels.

Against the backdrop of a gradual economic recovery, total business loans virtually stabilised in 2016. Lending turned upwards for large enterprises, while kept falling for smaller ones, resulting in a persistent gap in credit developments by firm size.

Lending standards remained broadly accommodative, albeit collateral requirement kept rising. The cost of credit dropped further: the average interest rate charged to SMEs reached the lowest level since the outbreak of the crisis, narrowing the spread between small and larger enterprises.

Credit quality gradually benefitted from the cyclical upturn. As a legacy of the deep recession, bad loans remained relatively high in 2016, but the flow of new non-performing loans to outstanding credit declined, a trend kept up in the first part of 2017.

Equity financing for SMEs, provided in the form of early stage and expansion capital, recorded a slight increase in 2016, after holding steady in the previous year; by contrast, resources devoted to firms of all sizes nearly doubled, partly recouping the slump occurred in 2015.

Payment delays reached the lowest level since 2008: the decline was less marked for micro-firms than for SMEs and large businesses. The economic recovery fostered a further improvement in payment patterns, both in agreed timeframes and average delays. Bankruptcies declined for the second year running since the onset of the crisis, down by 8% on the previous year.

The Central Guarantee Fund continued to play a key role in easing access to credit in 2016, providing EUR 11.6 billion in guarantees for just under EUR 17 billion worth of loans. Reliance on the Fund rose during the crisis in response to the upsurge in borrowers' credit risk. The widespread increase in the coverage up to the maximum ceiling set by the regulation, leading to a growing absorption of public resources, has prompted a comprehensive overhaul of the system. The reform, which is due to come into effect in 2018, is based on a new evaluation system of firms' creditworthiness, aimed at pursuing more targeted credit policies and promoting a more efficient allocation of public resources.

In order to widen firms' financing opportunities, channelling private savings to investment in financial instruments issued by Italian companies, the 2017 budget law introduced long-term individual savings plans (*piani individuali di risparmio* or PIR), which are eligible for tax exemption. To ensure a regular inflow of funds to the issuing firms, fiscal incentives are granted only if the financial instruments included in the plans are held for a minimum of 5 years. A share of the assets held in the savings plans must be invested in financial instruments issued by companies other than those listed in the FTSE MIB index of the Italian stock exchange or in other regulated markets, thus providing a potential, alternative financing source for SMEs.

Table 3.19. Scoreboard for Italy

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	EUR million	186 882	190 811	193 017	210 043	206 586	203 879	196 686	191 782	187 685	175 360
Outstanding business loans, total	EUR million	998 461	1 066 999	1 056 930	1 121 881	1 133 717	1 117 599	1 060 607	1 025 358	1 015 335	983 730
Share of SME outstanding loans	% of total business loans	18.7	17.9	18.3	18.7	18.2	18.2	18.5	18.7	18.5	17.8
Short-term loans, SMEs	EUR million	59 145	56 486	51 734	50 125	47 683	46 595	42 163	39 162	35 100	30 625
Long-term loans, SMEs	EUR million	114 978	120 450	124 813	135 965	132 856	128 361	122 158	115 469	112 448	103 345
Total short and long-term loans, SMEs	EUR million	174 123	176 936	176 547	186 091	180 539	174 956	164 321	154 631	147 549	133 971
Share of short-term loans, SMEs	% of short and long-term SME loans	34	32	29	27	26	27	26	25	24	23
Direct government loans, SMEs	EUR million	354	373	255	276	272	252	390	597	392	418
Government guaranteed loans, SMEs (CGF)	EUR million, flows	2 300	2 353	4 914	9 119	8 378	8 190	10 811	12 935	15 065	16 703
Government loan guaran., SMEs (CGF)	EUR million, flows	1 146	1 160	2 756	5 225	4 435	4 036	6 414	8 392	10 216	11 570
Non-performing loans, SMEs	EUR million	12 760	13 875	16 470	23 952	26 047	28 924	32 365	37 150	40 136	41 389
Non-performing loans, SMEs	% of total SME loans	6.8	7.3	8.5	11.4	12.6	14.2	16.5	19.4	21.4	23.6
Interest rate, SMEs	%	6.3	6.3	3.6	3.7	5.0	5.6	5.4	4.4	3.8	3.2
Interest rate, large firms	%	5.7	4.9	2.2	2.2	3.3	3.8	3.4	2.6	2.1	1.8
Interest rate spread	%	0.6	1.4	1.4	1.5	1.7	1.8	2.0	1.8	1.8	1.4
Collateral, SMEs	%	54	54	52	53	55	55	55	55	56	57
Rejection rate	% of firms reporting not obtaining (part) of the req. credit	3.1	8.2	6.9	5.7	11.3	12.0	8.9	8.4	6.0	4.0
Utilisation rate	SME loans used/authorised	79.7	80.7	80.7	82.8	83.6	85.7	85.7	86.1	85.8	84.2
Non-bank finance											
Venture capital investments (early stage), SMEs	EUR million	66	115	98	89	82	135	82	43	74	103
Growth capital investments (expansion), SMEs	EUR million	295	440	260	263	500	504	438	230	170	155
Growth capital investments (expansion), total	EUR million	641	796	371	583	674	926	914	1 179	333	710
Other indicators											
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	15.4
Bankruptcies, total	Number	6 161	7 506	9 381	11 233	12 154	12 542	14 129	15 686	14 733	13 521
Bankruptcies, total	% y-on-y gr. rate		21.8	25.0	19.7	8.2	3.2	12.7	11.0	-6.1	-8.2
Incidence of insolvency, total	per 10 000 enterprises	11.2	13.7	17.0	20.2	21.6	22.0	25.0	27.9	26.4	24.1

Source: See Table 19.5 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933668373

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Japan

Japanese SMEs constituted 99.7% of all businesses and employed 34 million individuals, representing 70.1% of the private sector labour force in 2014.

Lending to SMEs continuously decreased every year 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%, and continuing to increase since then. Outstanding SME loans in 2016 reached JPY 265.6 trillion, slightly higher than its 2007 level.

Average interest rates on new short-term loans in Japan were very low and continuously declined between 2007 and in 2016, more than halving from 1.6% to 0.7%. Long-term interest rates on new loans followed a broadly similar pattern, declining from 1.7% in 2007 to 0.8% in 2016, and were thus only slightly higher than short-term interest rates.

Japanese venture capital investments peaked 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 a reversal, 2014 once more saw a decrease of 35% compared to the previous year, but volumes recovered again in 2015, increasing by 11.1% to JPY 130 billion.

Leasing volumes to SMEs plummeted in the aftermath of the financial crisis, dipping by almost 40% between 2007 and 2009. Between 2010 and 2013, leasing volumes recovered again. Leasing volumes reached JPY 2.6 trillion in 2016, remaining a little over a quarter below 2007 levels, however.

SME bankruptcies, which account for more than 99% of all bankruptcies in Japan, decreased by 40% from 2007 to 2016, to hit their lowest figure in 26 years.

Total non-performing business loans have been in continuous decline since 2013, after showing an erratic movement over the 2007-12 period. They declined from 2008-10 and before increasing 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 and further to JPY 11 787 billion in 2016.

The Japanese Government offers substantial financial support for SMEs’ financing needs, such as a credit guarantee programme and direct loans for SMEs. In March 2017, the total amount of lending outstanding for SMEs was approximated at JPY 237 trillion (provided by the following private financial institutions: domestically licensed banks and credit associations). The outstanding amount of the credit guarantee programme amounted to JPY 25.1 trillion, and the outstanding amount of the direct loan programme to JPY 21.2 trillion. The credit guarantee programme covers 1.3 million SMEs, and the direct loan programme, 1 million out of 3.8 million SMEs.

Table 3.20. Scoreboard for Japan

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	265 600
Outstanding business loans, total	JPY billion	374 476	384 962	379 347	366 103	366 907	370 438	369 680	387 211	395 206	405 092
Share of SME outstanding loans	% of total outst. business loans	69.64	67.31	66.72	67.82	66.94	65.76	66.87	65.00	65.38	65.57
Value of CGCs loan guarantees (Govern. loan guaran., SMEs)	JPY billion	29 368	33 919	35 850	35 068	34 446	32 078	29 778	27 701	25 761	23 873
Non-performing loans, total (amount)	JPY billion	17 068	17 122	16 782	16 628	17 186	17 274	15 319	13 937	12 778	11 787
Non-performing loans, total	% of all business loans	4.56	4.45	4.42	4.54	4.68	4.66	4.14	3.60	3.23	2.91
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	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	0.95
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	0.67
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	0.80
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	0.62
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	0.97
Non-bank finance											
Venture capital investments (all stages total)	JPY billion	193	136	87	113	124	102	181	117	130	..
Venture capital invest. (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	62.80	..
Venture capital (exp. and later stage)	% (share of all stages)	..	..	63.20	67.50	55.70	42.20	35.50	42.80	37.20	..
Leasing, SMEs	JPY billion	3 471	2 822	2 100	2 139	2 231	2 284	2 645	2 363	2 604	2 566
Other indicators											
Bankruptcies, SMEs	Number	14 015	15 523	15 395	13 246	12 687	12 077	10 848	9 723	8 806	8 439
Bankruptcies, SMEs	%, year-on-year growth rate	..	10.76	-0.82	-13.96	-4.22	-4.81	-10.18	-10.37	-9.43	-4.17
Bankruptcies, total	Number	14 091	15 646	15 480	13 321	12 734	12 124	10 855	9 731	8 812	8 446
Bankruptcies, total	%, year-on-year growth rate	..	11.04	-1.06	-13.95	-4.41	-4.79	-10.47	-10.35	-9.44	-4.15

Source: See Table 20.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933668525

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Kazakhstan

In 2016, SMEs made up 96.1% of all businesses in Kazakhstan. The share of people employed by SMEs was 35.9% of the total employed population. SMEs contributed 23.1% to the country's GDP that same year.

SME lending has been on the rise in Kazakhstan since 2014. Over the last three years, the SME loan portfolio has grown by a cumulative 73.7%, with new lending to SMEs increasing by 65.5% in the same period. Due to this, the SME loan share in total business loans reached 33.6% and that in new business lending, 25.7%.

Interest rates for SMEs have fluctuated over the reference period, growing steadily over the last two years from a record low of 11.5% in 2014. In 2016, they stood at 14.0%, lower than that of large enterprises which was 14.5%.

Among non-bank sources of finance, leasing has the largest market and is steadily growing. In 2016, leasing and hire purchases were 2.8 times their 2010 level. The factoring market is also developing dynamically. Originally started by independent factoring companies, it has now entered the sphere of interest of commercial banks.

Non-performing loans with arrears of more than 90 days (NPL) in banks' portfolio among both total business loans and SME loans fell in 2016 to 6.7% and 8.8%, respectively. This decline from 2015 is attributed to commercial banks' fulfilment of requirements of the National (Central) Bank of Kazakhstan that the maximum appropriate NPL level should be no more than 15% of the total loan portfolio in 2015 and no more than 10% of the same in 2016.

The state plays an important role in maintaining SME's access to lending by placing funds in commercial banks that in turn provide concessional lending to businesses during liquidity shortages in the market. The largest placement of state funds for SME lending took place in 2009, when interest rate for SMEs was restricted to 11.5%. In 2014-15, interest rates for SMEs in manufacturing industry were restricted to 6%. As a result of these measures, the market experienced an unusual situation when there was a negative interest rate spread between SME interest rates and total business loan interest rates in 2009, 2015 and 2016.

Since 2010, under the "Business Roadmap 2020" Programme and through the "Damu" Entrepreneurship Development Fund, the government has provided subsidised interest rate expense and loan guarantees for SMEs. A new financial instrument in Kazakhstan, loan guarantees are becoming popular very quickly, escalating from just three guarantees in 2010 to 2 600 at the beginning of 2017. Simultaneously, the conditions and the process of receiving a guarantee are constantly being improved.

Table 3.21. Scoreboard for Kazakhstan

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	KZT billion	1 508	1 571	1 709	1 389	1 341	1 412	1 283	1 788	2 060	3 105
Outstanding business loans, total	KZT billion	5 220	5 605	5 879	5 892	6 849	7 534	8 110	8 533	9 027	9 234
Share of SME outstanding loans	% of total outstanding business loans	28.89	28.02	29.06	23.58	19.58	18.74	15.83	20.95	22.83	33.62
New business lending, total	KZT billion	7 764	5 373	3 742	3 291	4 795	5 774	6 109	8 044	7 345	7 724
New business lending, SMEs	KZT billion	1 870	1 273	753.1	690.1	794.5	1 050	889.7	1 198	1 279	1 984
Share of new SME lending	% of total new lending	24.08	23.70	20.13	20.97	16.57	18.18	14.56	14.90	17.41	25.68
Short-term loans, SMEs	KZT million	296 513	297 836	236 091	206 032	219 196	277 383	199 050	392 432	390 093	825 784
Long-term loans, SMEs	KZT billion	1 212	1 273	1 472	1 183	1 122	1 135	1 084	1 395	1 670	2 279
Share of short-term SME lending	% of total SME lending	19.66	18.96	13.82	14.83	16.34	19.64	15.51	21.95	18.93	26.60
Government loan guarantees, SMEs	KZT million	..	..	..	339	2 060	3 854	3 336	7 284	11 021	11 952
Government guaranteed loans, SMEs	KZT million	..	..	..	677	4 238	10 991	7 090	15 423	26 964	26 903
Direct government loans, SMEs	KZT million	5 526	125 226	257 389	132 907	82 704	78 205	85 842	188 426	236 891	247 275
Non-performing loans, total	% of all business loans	..	..	..	..	..	29.80	31.15	23.55	7.95	6.72
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	22.33	22.40	11.74	12.69	8.79
Interest rate, SMEs	%	14.28	15.67	14.01	13.34	12.49	12.10	12.46	11.48	12.95	14.01
Interest rate, large firms	%	12.77	14.88	14.04	12.72	11.08	10.58	10.07	10.01	13.47	14.49
Interest rate spread	% points	1.51	0.79	-0.03	0.62	1.41	1.52	2.39	1.47	-0.52	-0.48
Non-bank finance											
Leasing and hire purchases	KZT million	..	..	..	60 352	80 085	84 503	106 848	129 019	126 637	167 028
Factoring and invoice discounting	KZT million	..	..	..	..	..	7 889	15 125	33 160	37 655	..
Other indicators											
Bankruptcies, total	Number	0	1	2	8	40	85	150	174	306	659
Bankruptcies, total (growth rate)	%, year-on-year growth rate	..	..	100.00	300.00	400.00	112.50	76.47	16.00	75.86	115.36

Source: See Table 21.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933668601

The full country profile is available at

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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 the2007-16 period by 65.4% and 82.7%, respectively. As loan growth in all business loans outpaced SME loan growth, the SME share of business loans declined from 86.8% in 2007 to 78.6% in 2016, still a high percentage by international standards.

The average interest rate charged on outstanding SME loans peaked in 2008 at 7.5%, then declined steadily to 3.9% in 2015, and further to 3.6% in 2016. Interest rates are still relatively high compared to most other OECD countries, which have often taken loose monetary stances, in contrast to Korea.

Venture and growth capital investments declined between 2007 and 2008, as in many other countries, but rebounded over 2009-11, exceeding their 2007 level. In 2016, venture capital investments grew slightly by 3.1% year-on-year, compared to 27.2% in 2015.

In 2016, payment delays again rose again somewhat to 13.3 days, which is longer than the 12.1 days-level observed in 2008 and 2010. Bankruptcies decreased to 555 from 720 in 2015, by 22.9% 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 more modestly over 2012-16 to a level of 1.4% in 2016.

In 2016, the outstanding government guaranteed loans were at KRW 62.6 trillion which included loans that were backed by two nationwide funds. Direct loans provided by the SBC totalled KRW 4.5 trillion in 2016. 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 financial system, in order to intensively support innovative small and medium enterprises. To that aim, a new fund of funds for the Creative Economy (which was the previous 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 more easily access equity financing through this alternative financing instrument. The most important change in the SME policy was the restructuring of relevant government institutions. Small and Medium Business Administration (SMBA) was reorganised and expanded into the Ministry of SMEs and Startups (MSS).

Table 3.22. Scoreboard for Korea

Indicators	Units	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	610 158
Outstanding business loans, total	KRW billion	424 796	511 201	531 072	541 070	585 697	618 117	654 366	705 956	755 958	776 382
Share of SME outstanding loans	% of total business loans	86.8	82.6	83.5	81.5	77.7	74.7	74.7	74.0	74.2	79
Outstanding Short-term loans, total; loans for operation	KRW trillion	319	375	373	372	388	395	405	419	426	414
Outstanding Long-term loans, total; loans for equipment	KRW trillion	106	136	158	169	197	223	249	287	330	362
Total short and long-term loans, total	KRW trillion	425	511	531	541	586	618	654	706	756	776
Short-term loans ; loans for operation	% of total business loans	75.0	73.4	70.3	68.7	66.3	63.9	61.9	59.4	56.4	53
Government loan guarantees, SMEs	KRW billion	39 730	42 961	56 381	56 195	55 457	56 940	59 517	60 336	60 947	62 670
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	10
Direct government loans, SMEs	KRW billion	2 480	2 635	4 812	3 098	2 957	3 149	3 715	3 270	3 902	4 551
Loans authorised, SMEs	KRW billion	2 721	3 201	5 821	3 416	3 353	3 345	4 178	3 579	4 190	4 787
Loans requested, SMEs	KRW billion	4 653	6 057	9 819	6 657	5 928	5 738	6 937	6 717	7 091	7 075
Ratio of loans authorised to requested, SMEs	%	58.5	52.8	59.3	51.3	56.6	58.3	60.2	53.3	59.1	68
Non-performing loans, SMEs	KRW billion	..	7 581	6 969	11 516	8 241	9 137	10 040	9 872	10 118	8 442
Non-performing loans, SMEs	% of SME business loans	..	1.79	1.57	2.61	1.81	1.98	2.05	1.89	1.80	1.38
Average interest rate	%	6.95	7.49	6.09	6.33	6.25	5.83	5.06	4.65	3.91	3.58
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	0.23
Equity											
Venture capital, total amount invested	KRW billion	991.7	724.7	867.1	1 090	1 261	1 233	1 385	1 639	2 086	2 150
Venture capital	Year-on-year growth rate, %	..	-26.9	19.7	25.8	15.6	-2.2	12.3	18.4	27.2	3
Other											
Payment delays, SMEs	Number of days past due date	11.0	12.1	9.9	12.1	11.7	9.1	9.7	10.0	9.2	13
Bankruptcies, total	Number	2 294	2 735	1 998	1 570	1 359	1 228	1 001	841	720	555
Bankruptcies	Year-on-year growth rate, %	..	19.2	-26.9	-21.4	-13.4	-9.6	-18.5	-16.0	-14.4	-23

Source: See Table 22.4 of the full country profile.

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Latvia

In Latvia, 99% of economically active merchants and commercial companies (with some exceptions) are SMEs, and 90% of these SMEs are micro-enterprises.

The banking sector is an important source of financing for SMEs, after equity and short-term liabilities other than banking sector loans (including trade payables). In 2016, more than 20% of SME assets were estimated to be financed by the banking sector, according to the Bank of Latvia SME Lending Survey.

Given the importance of SMEs to the Latvian economy, credit to SMEs dominates the banking sector's loans to non-financial corporations (NFCs). At the end of 2016, loans to SMEs comprised 77.5% of total loans to domestic NFCs. In 2016, the outstanding amount of loans to SMEs resumed growing after a prolonged period of decline following the financial crisis. However, it continues to remain well below pre-crisis levels. In 2016, banking sector loans to SMEs grew by 3.6% compared to a 1.6% growth in total loans to NFCs. The dynamics of new lending (flow) to SMEs is also positive.

Venture and growth capital has increased year-on-year for the third year in a row in 2016, and at EUR 79.4 million, is more than double its 2014 level, likely in part because of the active role the Latvian Government has played in the market. 186 venture capital investments were made in 2007-13.

The state promotes access to funding for firms that are unable to access necessary funding from commercial banks or private investors due to insufficient collateral, insufficient own capital, insufficient net cash flow, insufficient credit history and operational history, too high debt/net income ratio.

In addition, there are various state support programmes in the form of financial instruments such as loans, guarantees and equity measures introduced in 2007-13 and re-introduced in the programming period 2014-20. In the programming period 2007-2013 and till November 2016, 564 loan guarantees, 210 short term export credit guarantees, 28 mezzanine loans, 624 loans for start-ups, as well as loans for working capital, investments and microloans were issued.

Currently, state support programmes are introduced via JSC "Development Finance Institution Altum" (hereafter - ALTUM), a state-owned development finance institution offering state aid for various target groups with the help of financial tools. ALTUM develops and implements state aid programmes to compensate for market shortcomings that cannot be resolved by private financial institutions.

Table 3.23. Scoreboard for Latvia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	EUR million	7 727	8 672	8 376	7 764	7 035	6 154	5 404	4 939	4 771	4 942
Outstanding business loans, total	EUR million	8 865	10 359	9 681	8 888	8 212	7 474	7 058	6 379	6 274	6 373
Share of SME outstanding loans	% of total outstanding business loans	87.16	83.71	86.52	87.34	85.67	82.34	76.57	77.43	76.05	77.55
New business lending, total	EUR million	..	..	..	..	1 708	1 914	1 965	1 268	1 346	1 795
New business lending, SMEs	EUR million	..	..	..	..	1 506	1 625	1 613	1 020	947	1 399
Share of new SME lending	% of total new lending	..	..	..	..	88.20	84.90	82.08	80.47	70.39	77.95
Short-term loans, SMEs	EUR million	2 653	3 203	3 262	3 009	2 682	2 349	1 852	1 570	1 672	1 371
Long-term loans, SMEs	EUR million	5 048	5 409	4 912	4 701	4 353	3 805	3 552	3 369	3 099	3 571
Share of short-term SME lending	% of total SME lending	34.45	37.19	39.91	39.03	38.12	38.17	34.27	31.79	35.05	27.73
Non-performing loans, total	% of all business loans	0.7	3.2	20.2	20.8	16.4	9.7	6.9	5.9	4.4	2.7
Non-performing loans, SMEs	% of all SME loans	0.8	3.7	22.4	23.4	18.8	11.7	8.4	7.2	5.7	3.3
Interest rate, SMEs	%	8.3	8.9	7.9	7.1	5.8	4.5	4.5	4.7	4.5	4.4
Interest rate, large firms	%	6.6	7.1	5.2	4.3	4.0	3.6	3.8	3.3	3.1	2.5
Interest rate spread	% points	1.7	1.8	2.7	2.8	1.8	0.9	0.7	1.4	1.4	1.9
Non-bank finance											
Venture and growth capital	EUR million	..	..	..	..	..	..	..	37.95	51.98	79.37
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	..	..	..	..	..	..	..	36.97	52.69
Leasing and hire purchases	EUR million	1 576	1 594	1 145	841	810	867	875	864	932	939
Factoring and invoice discounting	EUR million	227	302	149	61	91	96	108	114	152	166
Other indicators											
Bankruptcies, SMEs	Number	..	1 620	2 581	2 547	824	883	821	959	802	711
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	..	59.32	-1.32	-67.65	7.16	-7.02	16.81	-16.37	-11.35

Source: See Table 23.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933668772

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Luxembourg

The most recent data show that SMEs accounted for 99.5% of all non-financial business economy firms in Luxembourg in 2014. SMEs employed approximately 68.5% of the labour force and generated 68.7% of total value added.

New loans to all enterprises increased in 2016 compared to 2015 but remained below the peak of 2008. In 2016, large loans were nearly one-third of their amount in 2008. New loans to SMEs (defined as loans of less than EUR 1 million) continued to decrease for the fifth year in a row. The share of new loans to SMEs stood at 10.7% in 2016, the lowest figure since 2009 and well below the peak of 16.1% in 2011.

In 2016, the interest rate for SMEs amounted to 1.8%, down from 5.7% in 2008. The interest rates for SMEs remained systematically higher than the interest rate for large corporations in 2007-16, with a gap of 56 basis points in 2016. In relative terms, SMEs are paying 46.4% more in interest than large corporations.

Alternative forms of financing such as venture capital and factoring are on the rise and may hold high potential for SMEs seeking finance. In 2016, nearly EUR 189 million of venture capital was invested in Luxembourgish firms.

In 2015, 873 firms went bankrupt in Luxembourg, rising to 961 in 2016. Bankruptcies per 1 000 firms increased to 29 in 2016, compared to 24 in 2015.

A simplified form of *société à responsabilité limitée* ("S.à r.l.-S") entered in force in January 2017. The simplified S.à r.l.-, also dubbed “1-1-1 companies” (one person, one euro, in one day), can be created more quickly and with fewer start-up funds than a regular S.à r.l.-. The S.à r.l.-S is restricted to physical persons, and it is intended to facilitate the start-up and development of new business activities. In the period January-July 2017, 370 firms have been registered as S.à r.l.-S compared to a total of 6083 registrations.

Table 3.24. Scoreboard for Luxembourg

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
New business lending, total	EUR million	113 817	181 792	166 287	111 898	111 568	105 854	100 444	92 349	83 076	87 969
New business lending, SMEs	EUR million	12 800	14 555	14 754	15 441	17 979	15 593	13 713	10 765	10 142	9 395
Share of new SME lending	% of total new lending	11.25	8.01	8.87	13.80	16.11	14.73	13.65	11.66	12.21	10.68
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	0.27
Interest rate, SMEs	%	5.51	5.72	2.81	2.71	2.68	2.22	2.05	2.08	1.88	1.75
Interest rate, large firms	%	4.96	4.97	2.59	2.30	2.62	1.86	1.64	1.47	1.42	1.20
Interest rate spread	% points	0.54	0.75	0.21	0.41	0.06	0.35	0.41	0.62	0.46	0.56
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	18.20	..	25.80	16.40	22.98	26.15
Non-bank finance											
Venture and growth capital	EUR thousand	103 343	295 600	49 021	109 021	230 706	48 863	37 133	124 568	144 230	188 794
Venture and growth capital	%, year-on-year growth rate	..	186.04	-83.42	122.40	111.62	-78.82	-24.01	235.46	15.78	30.90
Factoring and invoice discounting	EUR million	…	…	349	321	180	299	407	339	..	..
Other indicators											
Bankruptcies, Total	Number	659	574	693	918	978	1 050	1 049	850	873	961
Bankruptcies, Total	%, year-on-year growth rate		-12.90	20.73	32.47	6.54	7.36	-0.10	-18.97	2.71	10.08

Source: See Table 24.4 of the full country profile.

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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 recently released Economic Census 2016, SMEs accounted for 98.5% of total business establishments in Malaysia in 2015.

The key role played by the financial system was reflected in the 9.2% growth in outstanding SME loans, amounting to MYR 281.5 billion at the end of 2015, compared to MYR 257.8 billion in 2014. Outstanding SME loans continued to grow in 2016, albeit at a slightly slower pace than in 2015, increasing by 7.7% to MYR 303.2 billion. Similarly, the share of SME lending in total business lending increased to 43.7% in 2016, from 42.9% in the previous year, and from 41.9% in 2014.

The annual average interest rate on SME loans by banking institutions (BIs) increased from 7.1% in 2014, to 7.5% in 2015, and decreased slightly to 7.2% in 2016.

As of the end of December 2016, there were a total of 109 registered venture capital corporations in the country, with a total of MYR 6.5 billion in committed funds under management, which represented a slight decrease of 8.5% year-on-year. Investments made in 2016 increased significantly by 56.2% to MYR 570 million, from MYR 365 million in 2015.

In 2016, the Credit Guarantee Corporation Malaysia Berhad (CGC) has approved a total of 7 568 guarantees and financing valued at MYR 4.2 billion.

Impaired financing, a proxy for non-performing loans, of the overall financial sector stood at 2.9% of total business loans, increased slightly from 2.8% in 2015 and 2.7% in 2014. Despite the rapid expansion of bank credit to SMEs, SME impaired financing substantively decreased from a peak of 7.5% in 2010, to 3.0% in 2016, 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.

More recently, the policy focus of the authorities has been to further expand the non-bank avenues for risk capital, particularly to enhance access to finance for SMEs that are innovative, high-growth and active in new growth areas. The advent of Financial Technology (FinTech) is transforming the financial landscape and these are expected to offer more financing alternatives for SMEs, including equity crowdfunding, investment account platforms (IAP) and peer-to-peer (P2P) lending.

Table 3.25. Scoreboard for Malaysia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
					Debt						
Outstanding business loans, SMEs	MYR million	127 984	138 859	141 608	141 159	165 316	187 625	227 184	257 781	281 502	303 206
Outstanding business loans, total	MYR million	290 682	328 252	343 054	375 277	422 022	465 090	568 200	614 882	656 282	693 764
Share of SME outstanding loans	% of total outst. business loans	44.03	42.30	41.28	37.61	39.17	40.34	39.98	41.92	42.89	43.70
New business lending, total	MYR million	163 133	128 978	104 944	141 126	171 382	169 540	178 985	197 022	179 868	189 442
New business lending, SMEs	MYR million	63 240	58 946	50 896	62 181	75 241	84 667	90 326	82 609	75 899	78 279
Share of new SME lending	% of total new lending	38.77	45.70	48.50	44.06	43.90	49.94	50.47	41.93	42.20	41.32
Short-term loans, SMEs	MYR million	..	..	..	..	..	..	67 440	66 123	66 223	70 466
Long-term loans, SMEs	MYR million	..	..	..	..	..	..	159 744	191 657	215 279	232 740
Share of short-term SME lending	% of total SME lending	..	..	..	..	..	..	29.69	25.65	23.52	23.24
Guarantee and Financing Schemes (No. of accounts)	No. of Accounts	13 004	10 368	14 073	7 670	7 504	2 152	2 368	6 839	8 225	7 568
Guarantee and Financing Schemes (amount)	MYR million	4 567	3 014	3 112	2 495	2 861	1 066	1 546	3 175	3 356	4 224
Impaired financing, total (amount)	MYR million	..	17 668	14 259	17 256	15 350	12 513	17 548	16 572	18 555	20 365
Impaired financing, total	% of all bus. loans	..	5.38	4.16	4.60	3.64	2.69	3.09	2.70	2.83	2.94
Impaired financing, SMEs (amount)	MYR million	..	9 882	8 895	10 590	9 552	8 508	8 526	7 489	8 915	9 012
Impaired financing, SMEs	% of all SME loans	..	7.12	6.28	7.50	5.78	4.53	3.75	2.91	3.17	2.97
Interest rate, SMEs	%	..	6.39	5.50	5.69	5.74	5.72	6.00	7.12	7.53	7.22
Interest rate, large firms	%	..	6.08	5.08	5.00	4.92	4.79	3.73	5.43	5.02	4.66
Interest rate spread	% points		0.31	0.42	0.69	0.82	0.94	2.27	1.68	2.51	2.56
Collateral, SMEs	% of SMEs needing coll. to obtain loans	..	..	..	..	..	..	51.2	54.1	49.7	46
Percentage of SME loan applications	SME loan appl./ total # of SMEs	..	..	..	12.5	..	..	..	..	..	..
					Non-bank finance						
Total Venture and Growth capital	MYR million	1 784	1 929	2 586	3 389	3 586	2 757	3 433	3 246	2 221	2 923
Total Venture and Growth capital (gr. rate)	%, year-on-year growth rate	53.90	8.13	34.06	31.05	5.81	-23.12	24.52	-5.45	-31.58	31.61
Leasing & factoring	MYR million	..	..	..	..	721	918	1 099	1 170	1 086	834

Note: Malaysia uses the term "Impaired financing" instead of "non-performing loans", "Total Investments during the year" instead of "Venture and growth capital".
Source: See Table 25.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933668924

The full country profile is available at

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Mexico

There are 4 million SMES in Mexico; 97.4% are microenterprises, which together contribute 12.4% of Total Gross Production and employ 47.2% of the work force.

Loan volumes to SMEs have increased in recent years, showing an average annual growth rate of 18.17% in the period from 2009 to 2016.In 2009, of the volume amounted to MXN 178.1 million, 30% of which went to microenterprises, 40% to small and the remaining percentage to medium-sized companies. This situation has changed considerably in 2016; of a credit portfolio of MXN 677.2 million, 38 percent was channeled to microenterprises, the percentage of the small business remained unchanged and the percentage for the medium company was reduced to 22%.

At the end of 2016, 350 541 SME received bank financing, 1.3 times more companies then were financed in 2009.

The average interest rate depends on the amount of credit and the size of the company. For large companies, the average interest rate is between 6% and 7% for simple and renewable credit, respectively. For SMEs, the rate ranges between 9.23% and 11% for the same products.

In recent years, the Mexican Government has developed a series of initiatives to support entrepreneurs and strengthen the access of SMEs to finance in particular, including programs to promote youth and women entrepreneurship, as well as various measures to strengthen financial instrument alternatives, most in particular, the use of venture capital by SMEs.

By directing the guarantee funds, it has been possible to develop specific programmes; programmes were developed to support the provision of credit in previously ignored sectors, such as the construction industry, travel agencies, real estate development SMEs, rural tourism SMEs, small taxpayers and SME government suppliers, 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 3.26. Scoreboard for Mexico

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
					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	403 779
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	1 980 829
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	23.8	20.38
Government loan guarantees, SMEs	MXN million	825	1 136	1 935	2 300	3 002	3 000	3 679	4 272	3 160	2 686
Government guaranteed loans, SMEs	MXN million	21 854	63 751	77 656	67 390	74 285	96 941	115 126	101 562	107 757	128 800
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	2.32
Interest rate, SMEs	%	..	..	11.88	11.7	11.26	11.04	9.8	9.14	9.08	9.2
Interest rate, large firms	%	..	..	8.13	7.92	7.69	7.59	6.56	6.04	6	5.69
Interest rate spread	% points	..	..	3.75	3.78	3.57	3.45	3.24	3.1	3.08	3.51
					Non-bank finance						
Private Equity	USD million	4 055	1 632	1 569	3 245	2 761	3 548	1 643	5 282	10 360	3 625
Private Equity	%, Year-on-year growth rate	..	-59.75	-3.86	106.82	-14.92	28.5	-53.69	221.49	96.14	-65.01
Venture and growth capital	USD million	..	102	128	15	111	52	229	231	207	165
Venture and growth capital	%, Year-on-year growth rate	..	..	25.49	-88.28	640	-53.15	340.38	0.87	-10.39	-20.29
Leasing and hire purchases	MXN million	..	..	4 528	3 889	3 210	2 012	400	..	..	
Factoring and invoice discounting	MXN million	6 651	4 447	1 979	1 120	1 125	1 017	797	..	..	

Source: See Table 26.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933669000

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-38-en

The Netherlands

The recovery of the Dutch economy continued in 2016, with GDP showing a year-on-year growth rate of 2.2%, and unemployment decreasing by 0.9 percentage points down to 6%, the lowest percentage since 2013.

However, new lending to SMEs, after having peaked in 2011, has been dropping modestly year after year with the decline accelerating in 2016. Total outstanding business loans decreased by 5.7% year-on-year in 2016, while total business loans outstanding increased by roughly 7% over the 2010-16 period.

Since a peak in 2009, the percentage of loan applications is rather stable around 20%. The percentage of requested loans authorised in full rose from 74% in 2015 to 76% in 2016. The interest rate for small firms (2-49 employees) is higher than for large firms, a difference of 50 basis points, respectively 3.7% and 3.2%. Large firms' interest rate increased by 80 basis points.

There was a substantial increase in equity investments in 2015, indicating that firms, both small and large, were increasingly seeking alternative sources of finance. However, the amount of investments decreased by 47% from EUR 537.9 million in 2015 to EUR 287 million in 2016.

The average number of days to receive a B2B payment was 32 days in 2016, with the average contractual term being 27 days. The average number of days of delay to receive a B2B payment therefore was 5 days in 2016. A decrease from 2015 with one day, and a great decrease compared to preceding years. The number of bankruptcies continued to decrease in 2016, with a year-on-year decrease of 16.5%.

Several programmes exist to support the access to finance of SMEs. These include different guarantee schemes, like the Guarantee Scheme for SMEs (BMKB) the Growth Facility (GFAC) or the Guarantee for Entrepreneurial Finance (GO). Qredits, a microcredit institution, introduced SME loans of different size in 2013 and in 2015 Dutch institutional investors founded the Dutch Investment Institution (NLII). It aims to create a better match between the supply and demand of long-term financing in the Netherlands that helps removing bottlenecks in the financing of sectors like that of SMEs. It has a subordinated loan fund of EUR 300 million and a business loan fund of a size of EUR 960 million.

Table 3.27. Scoreboard for the Netherlands

Indicators	Units	2008	2009	2010	2011	2012	2013	2014	2015	2016
					Debt					
Outstanding business loans, total	EUR billion	304.8	313.5	325.7	341.1	350	346.5	330.3	370.2	348.8
New business lending, SMEs	EUR billion	20.7	15.7	16.5	19.4	18.7	18.8	18	18.24	15.24
Short-term loans, SMEs	EUR billion	..	..	..	..	..	30.06	26.79	23.14	19.76
Long-term loans, SMEs	EUR billion	..	..	..	..	..	113.3	108.2	107.3	104.3
Short-term loans, SMEs	% of total SME business loans	..	..	..	..	..	0.21	0.20	0.18	0.16
Government loans guarantees, SMEs	EUR million	400	370	945	1 040	590	415	473	523	710
Loans requested, SMEs	% of SMEs requesting a bank loan		29	22	18	22	21	21	24	21
Loans authorised, SMEs	% of SMEs which requested a bank loan and received it in full	72	49	60	66	60	54	64	72	76
Interest rate, SMEs	%	5.7	4.5	6	6.4	5.1	4.3	4.1	4.4	3.7
Interest rate, large firms	%	..	..	..	3.5	3.6	3.4	2.8	2.4	3.2
Interest rate spread	%	..	..	..	2.9	1.5	0.9	1.3	2	..
Collateral, SMEs	% of SMEs required to provide collateral for last bank loan	..	47.0	45.0	44	47	50	43	29	34
					Non-bank finance					
Venture and growth capital	EUR million	270	639.5	207	413.5	266	303.4	258	537.9	287
Venture capital	Year-on-year growth rate, %	-37.21	136.85	-67.63	99.76	-35.67	14.06	-14.96	108.49	-46.64
					Other indicators					
Payment delays	Average number of days	13.9	16.0	17.0	18.0	18.0	17.0	16.0	6.0	5.0
Bankruptcies	Number	3842	6942	6162	6117	7349	8376	6645	5271	4399
Bankruptcies	Year-on-year growth rate, %	..	82.1	-11.2	-0.7	20.1	14	-20.7	-20.7	-16.54
Bankruptcies, total	Per 10 000 firms	104.44	188.77	168.7	167.97	202.99	236.91	188.32	149.56	124.84

Source: See Table 27.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933669057

The full country profile is available at

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New Zealand

SMEs dominate the business landscape in New Zealand, constituting 99.0% of all firms in the country.

Bank lending to businesses in 2016 continued its upward swing post the global financial crisis, rising by another 5.9% above its all-time high level of the previous year to hit NZD 94.8 million. SME lending increased for the third year in a row, by 5.5% in 2016 to NZD 38.5 million, a small dip in growth rate from the previous year's 6.7%. The growth rate in SME lending has shown more volatility than that of total business lending in the recovery since the financial crisis, even declining in 2011 and 2013. By contrast, total business lending has maintained an upswing since 2008, only declining slightly by 0.75 percentage points from 2015 to 2016.

In 2016, interest rates for both SMEs and large firms hit a decade-low of 9.2% and 4.6%, respectively. The interest rate spread in 2016 stood at 4.6%, a 1.5 percentage point increase from its 2007 level, indicating that SME borrowing has become relatively more expensive since the crisis, as compared to borrowing for large firms.

Rejection rates for SME loans increased strongly over the post-crisis period, almost doubling between 2007 and 2008, and then increasing further over the following two years. In 2010, over 20% of SME loan applications were rejected. Rejection rates fluctuated in 2011-15 before falling by more than half to stand at 4.8% in 2016, below the 2007 level.

Venture capital and growth investment increased to NZD 92.3 million and NZD 69.0 million, respectively, in 2016. There was a 47.7% increase in growth capital from 2015-16 and it was at a decade-long high in 2016. The information technology and software sector remained the main beneficiaries of these investments.

In 2016, the proportion of non-performing loans for all businesses stayed the same as the previous year, at 0.6%. Non-performing loans for SMEs increased slightly from 0.7% in 2015 to 0.8% in 2016.

New Zealand invoice payment times have fallen to their lowest point in over a decade, with businesses taking 34.9 days on average to pay their invoices during Q3 2016.

The government of New Zealand has a working capital guarantee for exporting SMEs in place. 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.

In 2016, a new regulatory framework for equity crowdfunding activities was introduced, allowing for NZD 14.9 million in retail investments through licensed platforms.

Table 3.28. Scoreboard for New Zealand

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	NZD billion	..	..	31.6	32.4	32.1	33.8	32.4	34.2	36.5	38.5
Outstanding business loans, total	NZD billion	74.2	82.0	75.0	73.6	74.7	77.4	80.3	83.9	89.5	94.8
Share of SME outstanding loans	% of total outstanding business loans	..	..	42.13	44.02	42.97	43.67	40.35	40.76	40.78	40.61
Non-performing loans, total	% of all business loans	..	..	1.7	2.1	1.8	1.5	1.1	0.8	0.6	0.6
Non-performing loans, SMEs	% of all SME loans	..	..	2.7	2.9	2.8	2.7	2.4	1.6	0.7	0.8
Interest rate, SMEs	%	12.15	11.19	9.82	10.12	10.02	9.55	9.53	10.26	9.41	9.21
Interest rate, large firms	%	9.00	8.23	5.70	6.30	6.05	6.01	5.38	5.95	5.38	4.60
Interest rate spread	% points	3.15	2.96	4.12	3.82	3.97	3.54	4.15	4.31	4.03	4.61
Rejection rate	1-(SME loans authorised/ requested)	6.92	11.57	18.40	20.94	11.38	14.64	9.43	8.36	10.59	4.83
Non-bank finance											
Venture and growth capital	NZD million	111.4	98.7	77.2	147.5	71.4	56.7	108.0	111.7	123.7	161.3
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	-11.40	-21.78	91.06	-51.59	-20.59	90.48	3.43	10.74	30.40
Other indicators											
Payment delays, B2B	number of days	43.1	50.8	44.5	44.0	45.6	40.1	39.6	37.0	35.5	34.9
Bankruptcies, total	number	3 593	2 469	2 521	3 054	2 718	2 434	2 046	1 905	1 986	1 965
Bankruptcies, total (growth rate)	%, year-on-year growth rate	..	-31.28	2.11	21.14	-11.00	-10.45	-15.94	-6.89	4.25	-1.06

Source: See Table 28.5 of the full country profile.

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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 almost 16% in 2015. Preliminary figures show a decline of more than 6% in 2016, however. The SME share of overall business lending in 2016 has decreased to 2014 levels at around 36%.

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.

Venture and growth capital investments have been growing since 2012. However, the respective growth rates of 0.73% and the 6% in 2015 and in 2016 are nowhere near 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 3.0% year-on–year respectively, bankruptcies went down by 1.9% in 2015 and continued to decrease in 2016 as well, by 0.72%.

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 3.29. Scoreboard for Norway

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	NOK million	358 963	451 130	416 407	433 844	454 031	452 815	433 061	474 908	550 037	515 151
Outstanding business loans, total	NOK billion	837	1 033	1 031	1 058	1 125	1 131	1 195	1 289	1 409	1 407
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	39.04	36.62
Outstanding short-term loans, SMEs	NOK million	69 147	83 925	69 906	72 953	75 895	85 430	81 126	90 487	100 233	93 039
Outstanding long-term loans, SMEs	NOK million	289 816	367 205	346 501	360 081	378 136	367 385	351 935	384 421	449 804	423 111
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	75 094	79 622
Venture and growth capital	%, Year-on-year growth rate	..	-25.80	-50.75	107.90	29.56	-3.98	67.72	17.91	0.73	6.03
Other indicators											
Bankruptcies, SMEs	Number	952	1 427	2 059	1 804	1 725	1 525	1 774	1 829	1 794	1 781
Bankruptcies, SMEs	%, Year-on-year growth rate	..	49.89	44.29	-12.38	-4.38	-11.59	16.33	3.10	-1.91	-0.72

Note: 2016 figures for Outstanding business loans, Outstanding short-term loans, Outstanding long-term loans and for Venture and growth capital are preliminary.
Source: See Table 29.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933669228

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-41-en

Poland

The SME sector plays a major role in the Polish economy. In 2015, Polish SMEs employed almost 6.5 million employees - 69.1% of the enterprise-sector employment – and accounted for 57% of value added by the enterprise sector and 42% of all investment outlays.

The stock of SME loans increased for the third year in a row, and currently accounts for 56.1% of total business lending. The majority of SME loans are long-term loans and the share of short-term lending has followed a downward trend for the reference period.

In 2016, SME interest rates decreased for the fourth year in a row. Since its peak in 2008, it has decreased by 251 basis points from 5.4% in 2008 to 2.9% in 2016. Interest rate spread has remained under 0.5 percentage points for the entire reference period and has averaged 0.1 percentage points since 2011.

The share of SME non-performing loans decreased for the fourth year in a row, although it remains slightly higher than the share of non-performing loans for all businesses.

Venture capital and growth investments have increased by 24.3% in 2016, although venture capital investments fell by close to a quarter and this growth was mainly driven by a substantial increase in growth capital. Venture capital investments have not fully recovered from the financial crisis and are far below their pre-crisis high.

In 2016, SME interest rates decreased for the fourth year in a row. Since its peak in 2008, it has decreased by 251 basis points from 5.4% in 2008 to 2.9% in 2016. Interest rates for large enterprises followed a similar pattern and stood at 2.8% in 2016. Interest rate spread has remained under 0.5 percentage points for the entire reference period and has averaged 0.1 percentage points since 2011.

There exist multiple instruments supporting SME financing in Poland, both at the national and at the regional level. Under the De Minimis Guarantee Scheme, SMEs can obtain loan guarantee covering up to 60% of loan amount and amounting up to PLN 3.5 million. Since its launch in 2013, over 200 000 SME entrepreneurs have been granted with a guarantee under this scheme, with almost 48 000 guarantees awarded thus far.

Guarantees and other forms of financial support for SMEs are offered also under European Union (EU) cohesion funds as well as other EU programmes (e.g. Programme for the Competitiveness of Enterprises and small and medium-sized enterprises - COSME, Programme for Employment and Social Innovation - EaSI).

In 2016, the Ministry of Economic Development in cooperation with the Polish Development Fund launched the Start in Poland initiative with a budget of PLN 2.8 billion to accelerate equity funding for Polish start-ups.

Table 3.30. Scoreboard for Poland

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	PLN million	..	125 307	127 222	126 999	159 021	164 806	163 926	175 631	185 783	193 635
Outstanding business loans, total	PLN million	..	233 280	222 080	219 688	264 513	272 247	277 964	300 919	327 265	344 932
Share of SME outstanding loans	% of total outstanding business loans	..	53.72	57.29	57.81	60.12	60.54	58.97	58.36	56.77	56.14
Short-term loans, SMEs	PLN million	..	31 926	31 246	31 521	38445 189	39 883	37 369	40 460	41 602	42 809
Long-term loans, SMEs	PLN million	..	90 179	93 244	93 726	116220 355	122 232	123 427	130 255	138 331	145 052
Share of short-term SME lending	% of total SME lending	..	26.15	25.10	25.17	24.86	24.60	23.24	23.70	23.12	22.79
Government loan guarantees, SMEs	PLN million	..	..	..	..	..	..	7 004	9 654	8 895	9 360
Government guaranteed loans, SMEs	PLN million	..	..	..	..	..	..	12 244	17 428	15 857	16 435
Non-performing loans, total	% of all business loans	..	6.50	11.58	12.40	10.37	11.78	11.61	11.33	10.31	9.11
Non-performing loans, SMEs	% of all SME loans	..	7.46	13.35	14.59	12.33	13.06	12.99	12.75	12.29	10.97
Interest rate, SMEs	%	..	5.37	3.82	4.31	4.57	4.86	3.85	3.52	3.00	2.86
Interest rate, large firms	%	..	5.62	4.28	4.00	4.45	4.74	3.83	3.40	2.90	2.77
Interest rate spread	% points	..	- 0.25	- 0.46	0.31	0.12	0.12	0.02	0.12	0.10	0.09
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	..	..	..	..	..	38.92
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	..	..	..	..	78.55
Rejection rate	1-(SME loans authorised/ req.)	..	..	..	..	..	..	..	..	..	37.20
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	..	..	..	66.44
Non-bank finance											
Venture and growth capital	EUR thousand	141 023	96 717	70 667	112 670	197 491	125 315	219 057	94 298	108 258	134 515
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	- 31.42	- 26.93	59.44	75.28	- 36.55	74.80	- 56.95	14.80	24.25
Leasing and hire purchases	PLN million	27 112	24 092	28 900	21 432	27 794	26 905	30 419	34 287	37 826	..
Factoring and invoice discounting	PLN million	30 172	45 506	51 352	88 614	94 862	113 060	132 424	152 681	165 290	192 738

Source: See Table 30.5 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933669304

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-42-en

Portugal

In 2015, SMEs comprised 99.7% of enterprises in Portugal and employed 78.8% of the labour force.

In 2016, the global stock of business loans decreased by 1.2% year-on-year, slightly below the decrease in SME lending which stood at 1.3%. This continues the declining trend in both categories since 2010, although it is less pronounced than in 2015, which saw a drop in total outstanding business loans by 8.4% and in SME loans by 9.1%. The share of SME loans in total business loans remained slightly above the 81% level and has remained roughly constant for the past decade.

The decline in SME lending was more pronounced in short-term SME loans, having dropped by 66.0% over 2009-16. Short-term SME loans did, however, register an increase of 6% in 2016 compared to 2015, whereas long-term SME loans decreased by only 2.2% year-on-year.

The share of government guaranteed loans in total SME loans grew significantly, from 5.4% in 2009 to 9.0% in 2016, demonstrating sustained public efforts to support SME access to finance.

The average interest rate for SME loans decreased to 3.8% in 2016, marking the fourth year in a row where this value was in decline, after having peaked at 7.6% in 2008 and again in 2012. The interest rate spread between SMEs and large firms also followed a similar trend, decreasing from 2.2% in 2012 to 1.1% in 2016, indicating an improvement in SME financing conditions.

The global amount of venture capital invested in SMEs fell significantly in 2010-11, from EUR 65.4 million to EUR 12.8 million. However, since then, there have been signs of recovery, with total venture capital investments in 2015 standing at over four times their 2011 value. This growth was not sustained into 2016, which saw venture capital fall steeply again by 78.4% to reach EUR 15.1 million.

Payment delays halved from 40 days in 2012, to 20 days in 2016 with a steady year-on-year decrease.

In 2009-12, year-on-year growth in the number of bankruptcies remained high, but started declining from 2012-16 except for a small increase in 2015. It went from 6 688 in 2012 to 3 616 in 2016, a cumulative reduction of 45.9%.

SME access to finance has been a major priority for the government. In this context, several “SME Invest / Growth and Capitalizar” credit lines were launched to facilitate SME access to credit. These credit lines have a total stock of bank credit of EUR 16.9 billion and long-term maturities up to seven years. They also offer 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 2016, over 60 new measures that aim to assess the constraints that limit firms' access to financing and equity instruments were introduced through Program Capitalizar.

Table 3.31. Scoreboard for Portugal

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
					Debt						
Outstanding business loans, SMEs	EUR million	83 829	91 720	92 274	90 843	87 038	79 814	73 586	70 914	64 429	63 572
Outstanding business loans, total	EUR million	102 018	112 449	113 973	111 532	107 282	98 846	91 832	86 282	79 032	78 050
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	81.52	81.45
New business lending, total	EUR million	64 265	61 787	46 288	45 558	44 984	45 562	49 108	41 230	33 813	29 836
New business lending, SMEs	EUR million	28 852	26 431	23 128	8 984	14 229	12 539	11 866	11 871	11 901	11 302
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	35.20	37.88
Outstanding short-term loans, SMEs	EUR million	..	..	28 890	26 710	23 788	16 732	14 217	11 379	9 252	9 811
Outstanding long-term loans, SMEs?	EUR million	..	..	58 817	59 213	56 127	53 242	47 763	47 251	43 363	42 417
Share of short-term SME lending	% of total SME lending	..	..	32.94	31.09	29.77	23.91	22.94	19.41	17.59	18.79
Government guaranteed loans, SMEs	EUR million	..	..	4 961	6 825	6 147	5 698	5 802	5 461	5 595	5 712
Non-performing loans, total	% of all business loans	1.83	2.44	4.22	4.59	6.94	10.54	13.46	15.05	15.91	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	18.34	17.84
Interest rate, SMEs	%	7.05	7.64	5.71	6.16	7.41	7.59	6.82	5.97	4.60	3.83
Interest rate, large firms	%	5.29	5.92	3.84	3.91	5.40	5.43	4.97	4.37	3.25	2.69
Interest rate spread	% points	1.76	1.72	1.87	2.25	2.01	2.16	1.85	1.60	1.35	1.14
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	85.95	86.30	85.16	84.76	83.42	84.88	84.03	84.01
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	24.50	30.09	26.27	23.68	23.45	18.31	22.96	24.21
Rejection rate	1-(SME loans authorised/ requested)	..	..	15.54	5.97	14.66	11.35	12.20	7.26	8.73	5.44
					Non-bank finance						
Venture and growth capital	EUR million	137.10	92.10	42.20	65.40	12.80	17.40	28.60	47.10	69.80	15.10
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	-78.37
Leasing and hire purchases	EUR million	..	..	5 324	5 242	3 442	3 037	2 666	2 425	2 329	2 296
Factoring and invoice discounting	EUR million	..	..	621	733	402	338	376	476	542	441
					Other indicators						
Payment delays, B2B	Number of days	39.9	33.0	35.0	37.0	41.0	40.0	35.0	33.0	21.0	20.0
Bankruptcies, SMEs	Number	2 612	3 528	3 815	4 091	4 746	6 688	6 030	4 019	4 714	3 616
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	-23.29

Source: See Table 31.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933669399

The full country profile is available at

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Russian Federation

SMEs in the Russian Federation are defined differently than in EU countries, hindering international comparisons. There are more than 6.2 million micro, small, and medium-sized enterprises in Russia.

SMEs contribute to about 20% of GDP, employing around 30% of the workforce. According to the Russian Federation's State Strategy of SME Development, approved in 2016, the SME sector would generate 40% of Russia's GDP by 2030.

New SME loans doubled between 2008 and 2013, but in 2014 this upward trend reversed, and the amount of new SME loans decreased. In 2015, there was a dramatic drop in the amount of new SME loans, with an observed decline of 28.3%. In 2016, the downward trend continued, albeit at a slower pace of 2.8%. Only about half of Russian SMEs have ever applied for a loan.

Lending conditions loosened considerably in 2014-15, but this trend reversed in 2016, when interest rates sharply decreased as a result of a decline in the level of inflation, and the launch of state programmes of preferential lending for SMEs.

The interest rate spread between loans charged to SMEs and to all non-financial enterprises also increased in 2015 and reduced in 2016.

Non-performing loans (NPLs) for SMEs almost doubled between 2014 and 2015, making up 13.6% of all SME loans in 2015. In 2016, this rose to a peak of 14.2% for the entire reference period, but in 2017, the share of NPLs among SME loans is expected to decline.

In contrast to most Scoreboard countries, venture capital activities have been on the increase between 2008 and 2014, with investments doubling over this period. Venture capital investments declined in 2015-16, however, as some foreign investors left the Russian market.

Since 2005, the Ministry for Economic Development of Russia has been implementing the State SME Support Program. For the period from 2009 to 2017, the volume of support provided amounted to RUB 154.7 billion. Since 2016, it was stipulated that at least 10% of the programme should be sent to support SMEs in single-industry cities.

In 2015 the Federal Corporation on SME Development was established. The corporation, together with its subsidiary SME Bank, and regional guarantee organisations provided guarantees for RUR 192 billion in 2016.

In 2016, the Bank of Russia increased the lending programme for SME support. Under this programme, the Bank of Russia refinances the largest federal banks under the guarantee of the Corporation for SME lending at low rates.

In the second half of 2017, a new state support programme was launched, under which interest rates on commercial bank loans to SME entities are subsidised. To improve SMEs' access to large firms' purchases, the government of the Russian Federation set a quota of 18% for SMEs during the procurement of large companies.

Table 3.32. Scoreboard for the Russian Federation

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	RUB billion	..	2 523	2 648	3 228	3 843	4 494	5 161	5 117	4 885	4 469
Outstanding business loans, total	RUB billion	..	12 997	12 412	13 597	17 061	19 580	22 242	27 785	29 885	28 204
Share of SME outstanding loans	% of total outstanding business loans	..	19.41	21.33	23.74	22.53	22.95	23.20	18.42	16.35	15.84
New business lending, total	RUB billion	..	..	18 978	20 662	28 412	30 255	36 225	38 530	34 236	35 580
New business lending, SMEs	RUB billion	..	4 089	3 003	4 705	6 056	6 943	8 065	7 611	5 460	5 303
Share of new SME lending	% of total new lending	..	..	15.82	22.77	21.31	22.95	22.26	19.75	15.95	14.90
Government loan guarantees, SMEs	RUB billion	..	..	..	..	24.00	28.00	30.00	22.00	..	100.10
Government guaranteed loans, SMEs	RUB billion	..	..	..	..	51.00	62.00	65.00	48.00	..	192.00
Non-performing loans, total (amount)	RUB billion	..	..	723	738	734	895	958	1 276	1 677	1 948
Non-performing loans, total	% of all business loans	..	..	5.83	5.43	4.30	4.57	4.31	4.59	5.61	6.91
Non-performing loans, SMEs (amount)	RUB billion	..	74	200	284	315	377	365	394	666	636
Non-performing loans, SMEs	% of all SME loans	..	2.93	7.56	8.80	8.19	8.39	7.08	7.71	13.64	14.23
Interest rate, SMEs	%	..	..	..	..	..	..	..	16.09	16.44	13.03
Interest rate, large firms	%	..	..	..	..	..	..	..	12.94	12.95	11.07
Interest rate spread	% points								3.15	3.49	1.96
Outstanding business loans, SMEs	RUB billion	..	2 523	2 648	3 228	3 843	4 494	5 161	5 117	4 885	4 469
Non-bank finance											
Venture and growth capital	USD billion	10.25	14.33	15.19	16.79	20.09	21.13	26.25	26.11	22.50	19.92
Venture and growth capital (growth rate)	%, year-on-year growth rate		39.7%	6.0%	10.5%	19.7%	5.2%	24.2%	-0.5%	-13.8%	-11.5%
Other indicators											
Bankruptcies, total	Number	..	13 916	15 473	16 009	12 794	14 072	13 144	14 500	14 624	..
Bankruptcies, total (growth rate)	%, year-on-year growth rate			11.19	3.46	-20.08	9.99	-6.59	10.32	0.86	..

Source: See Table 32.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933669475

The full country profile is available at

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Serbia

The Serbian economy is dominated by SMEs as they constitute 99.8% of all enterprises in the country. In 2015, SMEs employed more than 65% of the labour force and accounted for about 58% of total gross value added. In addition, they contributed to approximately 44% of total exports, even though only 4.4% of SMEs were involved in export activities in 2015.

The Serbian economy experienced two waves wherein the volume of SME loans was on the rise, in 2007-11 and 2014-16. In the latter period, both outstanding stock of SME loans and SME loan share of all business loans increased. At the same time, there was an overall improvement in the SME business environment in Serbia. This was also recognised by the World Bank in their “Doing Business List”, where Serbia jumped seven positions to rank 47th out of 190 countries.

Total outstanding business loans declined slightly from 2015 to 2016, in part due to the NPL Resolution Strategy, which included provisions to resolve non-performing loans either by write-offs or by sales to the non-banking sector, thus removing them from banks’ financial statements.

During 2016, only 16.5% of SMEs requested bank financing, and long-term loans continue to constitute the predominant component of SME loans, with their share rising to 75.2% in 2016. Credit conditions continue to improve for SMEs in Serbia. Interest rates for loans extended in or linked to foreign currency, around 65.6% of SMEs loans in 2016, more than halved from 10.7% in 2007 to 5.0% in 2016. Although it continues to be higher than the interest rate charged to large enterprises, the interest rate spread in 2016 has narrowed to 189 basis points. Collateral was required from 40.9% of SMEs applying for bank financing in 2016, still high albeit a decline of 8.1 percentage points from 2015.

Alternative sources of financing such as venture capital, business angels, micro financing, leasing and factoring, etc. suffer from a lack of regulation in Serbia. Sporadic investments from foreign venture capital funds are observed and the West Balkans Enterprise Development & Innovation Facility programme (WB EDIF), dominantly financed by the European Commission, is important to the progress of this industry.

The successful implementation of the NPL Resolution Strategy can best be seen from the decline in percentage of non-performing SME loans by 7.9 percentage points from 2013 to 2016. This allowed for relaxation of credit conditions to SMEs and new lending in the observed year.

The government of Serbia has officially adopted the “Year of Entrepreneurship 2016” programme, aiming to boost the strategy implementation and to support growth and development of entrepreneurship in Serbia through 33 assistance programmes. The total annual allocated budget for financial support programmes for SME’s and entrepreneurship growth and development in 2016 is RSD 15 286 million (approx. EUR 124 million).

Table 3.33. Scoreboard for Serbia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
					Debt						
Outstanding business loans, SMEs	EUR million	2 858	3 994	3 966	4 202	4 320	4 352	4 061	4 779	5 332	5 529
Outstanding business loans, total	EUR million	13 598	19 044	19 268	19 777	20 028	20 460	19 154	18 724	18 681	18 352
Share of SME outstanding loans	% of total outstanding business loans	21.02	20.97	20.58	21.25	21.57	21.27	21.20	25.52	28.54	30.13
New business lending, total	EUR million	..	..	..	..	8 862	9 043	7 093	6 765	8 463	10 087
New business lending, SMEs	EUR million	2 027	3 409	3 015	3 190	3 323	2 771	2 302	2 717	3 308	4 010
Share of new SME lending	% of total new lending	..	..	..	..	37.49	30.64	32.45	40.16	39.09	39.75
Short-term loans, SMEs	EUR million	1 000	1 265	1 356	1 436	1 308	1 257	1 386	1 405	1 338	1 372
Long-term loans, SMEs	EUR million	1 858	2 729	2 610	2 766	3 012	3 096	2 675	3 374	3 995	4 156
Share of short-term SME lending	% of total SME lending	34.98	31.67	34.20	34.17	30.28	28.87	34.13	29.40	25.09	24.82
Government guaranteed loans, SMEs	EUR million	0.25	0.19	297.90	522.71	390.28	568.94	341.66	750.04	126.31	13.09
Non-performing loans, total	% of all business loans	..	14.56	19.84	20.70	22.33	19.19	24.52	24.64	21.71	17.00
Non-performing loans, SMEs	% of all SME loans	6.72	10.56	18.86	21.00	22.64	26.15	28.05	27.08	26.55	20.12
Interest rate, SMEs	%	10.69	10.90	10.57	10.06	9.72	8.15	8.03	7.25	6.12	5.01
Interest rate, large firms	%	6.32	8.04	7.23	7.36	7.88	6.60	6.34	5.18	3.33	3.12
Interest rate spread	% points	4.37	2.85	3.35	2.70	1.85	1.55	1.70	2.07	2.79	1.89
Collateral, SMEs	% of SMEs needing coll to obtain bank loans	31.62	38.78	43.14	44.51	45.59	53.00	55.06	53.13	48.98	40.89
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	..	..	..	14.94	16.46
Rejection rate	1-(SME loans authorised/ req.)	18.66	17.25	28.42	27.13	15.77	32.02	32.18	25.15	24.27	28.08
Utilisation rate	SME loans used/ authorised	71.75	81.66	88.20	67.76	83.83	86.11	87.92	86.47	87.76	87.98
					Other indicators						
Payment delays, B2B	Number of days	..	..	33	31	35	28	28	..	..	..
Bankruptcies, SMEs	%	12	..	13	15	15	13	12	..	..	..
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	..	..	14.17	5.52	-17.65	-4.76	..	..	..

Note: There is a break in the time series for Outstanding SMEs loans, total, in 2012, when an additional bank was added to the data, contributing to the increase in volume.
Source: See Table 33.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933669551

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-45-en

Slovak Republic

SMEs continue to dominate the Slovak economy, comprising 99.5 % of the enterprise population with a minimum of one employee in 2016. However, the total number of SMEs declined slightly by 2.3% compared to 2015.

Total SME lending has been on an upward trend since 2012. New SME loans increased by 1.5% in 2016, significant in light of the extensive decline in total new business lending, which was down by 26.4% in the same year. The distribution of this new SME lending has been slightly in favour of long-term loans.

Interest rates on SME loans fell from 3.8% in 2012 to 3.1% in 2016. This improvement in SMEs' access to credit financing indicates a gradual and steady trend of loosening of credit conditions.

The volume of venture and growth capital reached EUR 16.3 million in 2016, up 28.2% from 2015. This represents a slight decrease in the growth dynamics of venture and growth capital investment, from 2015's growth rate of 41.7%. Both, the magnitude of growth as well as the share it represents on total SME external financing, are remarkable.

Average business to business (B2B) payment delays decreased on a year-on-year basis to 19 days in 2016 from what represented a spike of 24 days in 2015. The share of non-performing SME loans on all SME loans in 2016 was higher (8.1%) compared to the share of non-performing loans in general (6.5%).

SME bankruptcies dominated the total bankruptcies statistics in 2016 (99.6%) with 273 SMEs having gone bankrupt. However, the number of SMEs bankruptcies continues to decline for the second year in a row, although it continues to be higher than it was in 2008.

Government policies in the Slovak Republic aimed at improving access of SMEs to financing. They included the provision of loans and guarantees for SMEs by specialised state banks and the Slovak Business Agency (SBA) as well as financing instruments targeted at SMEs within the implementation of JEREMIE initiative in 2014.

Table 3.34. Scoreboard for the Slovak Republic

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs (1)	EUR million	9 136	12 092	12 032	12 046	10 600	11 038	10 734	11 902	13 170	14 729
Outstanding business loans, SMEs (2)	EUR million	..	..	..	..	..	5 893	6 704	6 946	7 350	8 660
Outstanding business loans, total	EUR million	13 906	15 679	15 156	15 174	16 117	15 523	15 102	14 837	16 119	16 943
Share of SME outstanding loans (1)	% of total outstanding business loans	65.70	77.12	79.39	79.39	65.77	71.11	71.07	80.22	81.70	86.93
New business lending, total	EUR million	8 493	9 437	7 559	9 124	10 689	11 686	11 876	12 495	11 783	8 671
New business lending, SMEs (2)	EUR million	..	..	..	..	..	2 361	2 632	2 603	3 087	3 134
Share of new SME lending	% of total new lending	..	..	..	..	..	20.20	22.16	20.83	26.20	36.14
Short-term loans, SMEs	EUR million	4 609	4 797	4 981	4 987	4 188	4 481	4 532	5 385	5 766	6 277
Long-term loans, SMEs	EUR million	4 527	7 295	7 051	7 059	6 412	6 557	6 202	6 517	7 404	8 453
Share of short-term SME lending	% of total SME lending	50.45	39.67	41.40	41.40	39.51	40.60	42.22	45.24	43.78	42.61
Government loan guarantees, SMEs	EUR million	82	99	81	70	84	87	38	26	60	46
Government guaranteed loans, SMEs	EUR million	115	157	143	139	167	136	157	186	244	184
Direct government loans, SMEs	EUR million	117	160	139	146	168	209	152	159	172	177
Non-performing loans, total	% of all business loans	..	..	6.80	8.40	8.30	7.90	8.30	8.60	7.40	6.50
Non-performing loans, SMEs(2)	% of all SME loans	..	..	..	..	..	10.40	9.90	10.30	9.00	8.10
Interest rate, SMEs	%	5.50	4.60	3.00	3.20	3.20	3.80	3.60	3.80	3.40	3.10
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	100	100	100	100	100	100	100	100	100	100
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	17	..	16	..	23	18
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	20	..	15	..	13	5
Non-bank finance											
Venture and growth capital	EUR million	7.00	8.00	14.40	11.40	11.50	7.00	9.00	8.97	10,39	17.03
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	14.29	80.00	-20.83	0.88	-39.13	28.57	-0.33	41.69	28.25
Other indicators											
Payment delays, B2B	Number of days	20	8	13	17	20	21	19	17	24	19
Bankruptcies, SMEs	Number	169	251	276	344	363	339	377	409	350	273
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	48.52	9.96	24.64	5.52	-6.61	11.21	8.49	-14.43	-22.00

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 34.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933669627

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-46-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 2016, decreasing from EUR 9.8 billion in 2011 to EUR 4.4 billion in 2016. 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 18% in 2016.

It is estimated that real GDP decreased by more than 9% between 2008 and 2013 (European Commission, 2015). Although growth figures were positive since 2014 and are estimated to reach 3.8% in 2017, credit lending, especially to SMEs, continued to drop in 2016 and was at 31% of its 2011 volume.

Interest rates for SMEs declined in recent years from 6.33% in 2011 to 3.6% in 2016 for new loans below EUR 1 million, and from 5.9% in 2011 to 3.4% in 2016 for long-term loans. The interest rate spread between bank loans to large enterprises and to SMEs for short-term lending rose in recent years, from -0.07 percentage points in 2011 to 0.56 percentage points in 2016.

Government loan guarantees have been fluctuating lot in the period 2007-16. At EUR 3 million in 2007, they were around EUR 1 billion in 2013, before decreasing to EUR 552 million in 2014 and then to zero in 2015. In 2016, government loan guarantees climbed back to EUR 520 million.

Direct loans are mostly provided by the Slovenian Investment and Development Bank (SID) and also public funds such as the Slovene Enterprise Fund (SEF), the Slovenian Regional Development Fund and the Housing Fund. Government direct loans to SMEs declined by almost half between 2007 and 2010. The Ministry of the Economic Development and Technology provides guarantees for bank loans with subsidies of interest rate through the SEF.

Table 3.35. Scoreboard for Slovenia

Indicator	Units	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Total Business Loans	EUR million	16 796	19 937	19 863	20 828	20 090	18 643	14 135	11 213	10 040	9 306
SME Short-Term Loans	EUR million	2 088	2 532	2 149	2 760	3 090	3 191	1 738	786	605	778
SME Long-Term Loans	EUR million	5 209	5 585	5 714	6 911	6 703	6 343	3 957	3 528	3 512	3 577
SME Business Loans	EUR million	7 297	8 117	7 863	9 671	9 794	9 534	5 695	4 314	4 118	4 355
SME Short-Term Lending	Share of SME lending (%)	28.62	31.19	27.33	28.54	31.55	33.47	30.51	18.22	14.7	17.87
SME loans	% of business loans	43.45	40.71	39.59	46.43	48.75	51.14	40.29	38.47	41.01	46.79
Interest rate SME, new loans < EUR 1 million (%)	%	6.03	6.78	6.29	6.12	6.33	6.25	6.24	5.75	4.40	3.57
Interest rate SME, new loans >= EUR 1 million (%)	%	5.64	6.51	5.95	5.92	5.90	5.38	5.36	4.88	3.75	3.35
Interest rate LE, new loans < EUR 1 million (%)	%	5.72	6.47	6.07	6.1	6.39	6.12	5.97	4.91	3.57	3.02
Interest rate LE, new loans >= EUR 1 million (%)	%	5.04	6.13	5.58	5	4.63	4.63	4.49	3.75	2.68	0.65
Interest rate spread SME (between interest rate for loans of < 1 million and of >= 1million	Percentage points	0.39	0.27	0.35	0.2	0.42	0.88	0.87	0.87	0.65	0.23
Interest rate spread LE (between interest rate for loans of < 1 million and of >= 1million	Percentage points	0.68	0.34	0.49	1.1	1.76	1.49	1.47	1.17	0.89	2.37
Interest rate spread between SME and LE (< 1 million)	Percentage points	0.31	0.31	0.22	0.02	-0.07	0.14	0.27	0.83	0.83	0.56
Interest rate spread between SME and LE (>= 1 million)	Percentage points	0.6	0.37	0.36	0.92	1.27	0.74	0.87	1.13	1.08	2.70

Source: See Table 35.3 of full country profile.

StatLink http://dx.doi.org/10.1787/888933669627

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-47-en

South Africa

Although estimates vary, the number of small, micro, and medium enterprises (SMME) in South Africa rose by 3%, from 2.18 million in the first quarter of 2008 to 2.25 million in the second quarter of 2015, (Bureau for Economic Research (BER), 2016). Of the 2.25 million SMEs, 1.5 million were informal, concentrated in the trade (wholesale and retail) and accommodation sector.

Small businesses have only a 37% chance of surviving the first four years and only a 9% chance of surviving the first ten, illustrating that scaling up represents a crucial challenge to many South African SMEs which is in turn, at least in part, related to difficulties in attracting external sources of finance.

According to the South African Reserve Bank data on bank statistics, total SMME credit exposure to banks was ZAR 639 billion at the end of 2016, which accounts for 27% of total business loans. As indicated below, the low level of SMME financing appears to be emanating from the demand side as the vast majority of SMMEs indicate that they do not borrow from financial institutions, banks in particular.

The capital of the business owner represents, by far, the most widely used source of finance, followed by investments by family and business partners.

SMMEs non-performing loans in the banking sector have declined since 2010, falling from 5.2% to 2.5% in 2016. The economic recovery from the 2009 recession has likely contributed to the improvement. At 2.55% in 2016, the ratio of non-performing loans of SMMEs remains one percentage point higher than that of total corporates, which was 1.5%.

Government funding for SMMEs is provided through grants and financing by development finance institutions (DFIs). The outstanding direct government loans to SMEs at the end of 2016 amount to ZAR 8 722 million, which accounts for 1.4% of all SME loans.

Credit guarantees are also in use in South Africa. ZAR 234 million was provided in 2016 by the IDC up from ZAR 211 million in 2015, after having declined significantly in 2013 and in 2014.

The South African Government is also working on the establishment of a registry for movable assets and of a database with credit information. Both initiatives aim to make lending less risky and should therefore make bank financing more widely available.

Table 3.36. Scoreboard for South Africa

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	ZAR million	..	423 691	411 212	388 090	411 280	454 012	512 504	545 271	579 823	638 525
Outstanding business loans, total	ZAR million	..	1 441 480	1 276 048	1 373 082	1 481 447	1 647 708	1 791 195	1 965 051	2 323 080	2 376 542
Share of SME outstanding loans	% of total outstanding business loans	..	29.39	32.23	28.26	27.76	27.55	28.61	27.75	24.96	26.87
Government loan guarantees, SMEs	ZAR million	8	99	226	201	439	227	105	105	223	243
Direct government loans, SMEs	ZAR million	3 626	4 829	4 909	5 915	6 900	6 964	6 733	8 106	9 589	9 767
Non-performing loans, total	% of all business loans	..	1.40	2.96	2.91	2.11	1.97	1.84	1.54	1.64	1.48
Non-performing loans, SMEs	% of all SME loans	..	2.89	5.23	5.20	4.07	3.36	2.92	2.94	2.51	2.55
Non-bank finance											
Venture and growth capital	ZAR million	468	551	242	194	211	288	183	273	372	872
Venture and growth capital (growth rate)	%, Year-on-year growth rate		17.735	-56.08	-19.83	8.76	36.49	-36.46	49.18	36.26	134.41
Other indicators											
Bankruptcies, total	Number	3 151	3 300	4 133	3 992	3 559	2 716	2 374	2 064	1 962	1 934
Bankruptcies, total (growth rate)	%, year-on-year growth rate	..	4.73	25.24	-3.41	-10.85	-23.69	-12.59	-13.06	-4.94	-1.43

Source: See Table 36.2 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933669760

The full country profile is available at

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Spain

99.7% of all non-financial corporations (NFCs) in Spain in December 2015 were SMEs, employing 63.8% of the business labour force. Of these, micro-enterprises dominated with a share of 90.4% of all enterprises.

The Spanish economy continued to grow at a high rate in 2016. GDP grew by 3.2%, the same rate as in 2015, and the pre-crisis level of activity is expected to be regained in the second quarter of 2017. Growth in employment brought the unemployment rate down to 18.6%, from 20.9% at the end of 2015. Spain continued to maintain a high level of net lending to the rest of the world, which amounted to 2.0% of GDP.

SME lending contracted dramatically after the financial crisis. The recovery of activity and business performance of non-financial corporations in general, and of SMEs in particular, which began to take hold in 2014, continued into 2015 and 2016, as did the improvement in their financing conditions.

Short-term loans continue to grow as a percentage of total loans. In the case of SMEs, at end-2016, 90.0% of lending was short term, which is a higher share than for large corporations and implies that SMEs are more dependent on credit institutions in the refinancing process than large enterprises.

As regards SME credit conditions, the trend of declining interest rates and interest rate spreads, along with a stabilisation of credit conditions, initiated in 2012, continued. The interest rate spreads between loans to SMEs and large corporates also continued to narrow over the same period, progressively falling from the peak 230 basis points (bp) in 2012 to 88 bp in 2016.

By contrast, a slight downtrend was apparent in government assistance over the last three years. General government financing to non-financial corporations, preferentially SMEs, showed a very moderate decrease. This was, however, compatible with a greater availability of liquid funds and easier credit conditions from private-sector banks, so that SMEs found it easier to access private credit rather than public financing.

The economic recovery and the higher demand, along with improved credit conditions, were also evidenced in lower company mortality. This was also favoured by various insolvency legislation reforms that have stimulated agreements between creditors and the business continuity.

The latest available information on venture capital investments which relates to 2016 indicates equity financing and the related investments with respect to the seed, start-up and expansion stages in that year (EUR 1 148 million) increased by 3.2% vis-à-vis 2014.

Table 3.37. Scoreboard for Spain

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	EUR billion	..	..	..	..	..	..	..	293	258	247
Outstanding business loans, total	EUR billion	893	952	915	896	840	708	609	545	518	493
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	..	..	..	..	53.79	49.85	50.10
New business lending, total	EUR billion	991	929	868	665	527	485	393	357	393	323
New business lending, SMEs	EUR billion	394	357	263	210	174	146	134	147	165	170
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	52.63
Short-term loans, SMEs	EUR billion	379	346	246	196	166	139	126	135	154	153
Long-term loans, SMEs	EUR billion	15	11	17	14	8	7	9	11	12	17
Share of short-term SME lending	% of total SME lending	96.19	96.92	93.54	93.33	95.40	95.21	93.33	92.47	92.77	90.00
Government loan guarantees, SMEs	EUR million	5 550	7 700	11 000	10 100	12 000	11 000	13 000	9 100	7 600	6 500
Government guaranteed loans, SMEs	EUR million	5 210	7 053	5 906	7 236	7 502	4 974	2 064	938	273	109
Direct government loans, SMEs	EUR million	10 103	12 384	19 916	23 740	26 221	23 599	23 648	22 588	21 537	20 860
Non-performing loans, total	% of all business loans	0.74	3.67	6.25	8.09	11.64	16.06	12.08	11.38	9.40	..
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	..	..	..	..	..
Interest rate, SMEs	%	5.96	5.51	3.63	3.78	4.95	4.91	4.79	3.86	3.01	2.44
Interest rate, large firms	%	5.33	4.30	2.16	2.57	3.36	2.61	2.69	1.99	1.97	1.56
Interest rate spread	% points	0.63	1.21	1.47	1.21	1.59	2.30	2.10	1.87	1.04	0.88
Collateral, SMEs	% of SMEs needing coll. for bank loans	..	..	..	35.19	34.36	31.45	30.00	31.22	28.24	25.89
Percentage of SME loan applications	SME loan applications/total number of SMEs	..	..	38.07	36.25	34.67	31.89	31.49	34.36	33.81	32.80
Rejection rate	1-(SME loans authorised/req.)	..	..	22.74	15.87	12.83	18.47	12.85	9.77	7.87	6.95
Non-bank finance											
Venture and growth capital	EUR million	..	3 336	3 596	3 600	2 675	2 145	1 473	1 437	1 112	..
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	..	7.79	0.11	-25.69	-19.81	-31.33	-2.44	-22.62	
Other indicators											
Payment delays, B2B	Number of days	5	5	14	12	6	9	16	11	8	..
Bankruptcies, SMEs	Number	894	2 550	4 463	4 187	4 912	6 627	7 517	5 096	3 927	3 114
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	185.2	75.02	-6.18	17.32	34.91	13.43	-32.21	-22.94	-20.70

Source: See Table 37.3 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933669836

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Sweden

Of all the limited liability companies with employees in Sweden, 99% are SMEs. They account for 60% of employment, and 47% of value added.

The stock of SME debt to banks and other financial institutions was SEK 1 073 billion in 2015, up by 7.0% in comparison to 2014. SME debt as a share of total outstanding debt was 37.0% in 2015, up by 1.3 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. The rate was increased to 4.8% just a week before the fall of Lehman Brothers in September 2008. As the crisis 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 2.0% in mid-2011. Since then, it has only stagnated or lowered. In February 2015, the Central Bank introduced a negative policy rate of -0.1%. The rate has since decreased further and has been -0.5% since February 2016.

Private equity fund investments in Swedish companies in the venture and growth stages were EUR 268 million in 2016 according to preliminary data.

Almi's lending increased by 3% from 2015 to SEK 3 324 million in 2016. The Swedish National Export Credits Guarantee Board issued guarantees for SEK 2.5 billion to SMEs in 2016, the same amount as last year.

As regards new policy developments in SME financing, the Swedish parliament (*Riksdag*) in June 2016 adopted 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 venture capital (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 in 2017.

There is little hard data available on crowdfunding in Sweden as of right now. However, the government has commissioned a study to map and analyse the crowdfunding situation in Sweden.

Table 3.38. Scoreboard for Sweden

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	SEK billion	..	..	..	..	..	930	964	1 003	1 073	..
Outstanding business loans, total	SEK billion	..	..	..	..	..	2 683	2 722	2 812	2 901	..
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	..	..	34.66	35.39	35.67	36.99	..
Short-term loans, SMEs	SEK billion	..	..	..	..	..	211	217	249	262	..
Long-term loans, SMEs	SEK billion	..	..	..	..	..	719	747	754	811	..
Share of short-term SME lending	% of total SME lending	..	..	..	..	..	22.71	22.50	24.83	24.44	..
Direct government loans, SMEs	SEK million	1 422	1 716	3 231	2 112	2 023	2 161	2 200	2 354	3 241	3 324
Non-performing loans, total	% of all business loans	0.08	0.46	0.83	0.78	0.65	0.70	0.61	1.24	1.17	1.10
Interest rate, SMEs	%	4.86	5.66	2.43	2.59	4.17	4.07	3.29	2.71	1.75	1.57
Interest rate, large firms	%	3.99	4.84	1.71	1.64	3.01	3.03	2.64	2.15	1.35	1.22
Interest rate spread	% points	0.87	0.82	0.72	0.95	1.16	1.04	0.65	0.56	0.40	0.35
Non-bank finance											
Venture and growth capital	EUR thousand	566 802	594 787	424 894	652 421	433 535	335 681	367 505	386 390	287 189	267 558
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	4.94	-28.56	53.55	-33.55	-22.57	9.48	5.14	-25.67	-6.84
Other indicators											
Payment delays, B2B	Number of days	..	..	..	..	..	20	24	15	9	9
Bankruptcies, SMEs	Number	5 791	6 298	7 638	7 274	6 958	7 471	7 701	7 158	6 433	6 019
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	8.75	21.28	-4.77	-4.34	7.37	3.08	-7.05	-10.13	-6.44

Source: See Table 38.3 of the full country profile.

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The full country profile is available at

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Switzerland

Only 0.8% of all Swiss enterprises are large and SMEs continue to dominate the enterprise landscape, constituting 99.2% of all firms.

Switzerland experienced a real GDP growth of 1.3% in 2016, increasing from 0.8% in 2015.

Total outstanding SME loans rose by 2.1% in 2016 to reach CHF 412.0 billion. This is an increased growth rate from the 0.3% observed in 2015.

Over the 2007-16 period, SME loans expanded by 27.5%, while overall corporate lending rose by 34.1%.

Lending standards slightly loosened in 2016, while the demand for credit decreased slightly.

The average interest rate charged to SMEs decreased in 2016 after the increases in 2014 and 2015 while the interest rate spread with large companies remained stable.

Venture and growth capital investments decreased slightly by 2.4% in 2016, after experiencing rapid growth of 55.7% the previous year.

Crowdfunding activities are increasing at a fast pace, despite the lack of specific crowdfunding legislation. Recently, the government has taken steps to make the regulatory framework friendlier to the industry, as well as to financial technology companies more generally.

Payment delays in the business to business sector have significantly decreased over the last few years, from 12 days in 2008 to 7 days in 2016, 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 the following five years. The guarantee scheme was restructured in 2007, allowing it to cover more risks, which in turn results in an increase of volume since then. Currently the Federal Council is undergoing the amendment of the Federal Law on Financial Aid for guarantee organisations to allow guarantees up to CHF 1 million.

Table 3.39. Scoreboard for Switzerland

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs	CHF billion	323	345	344	364	378	384	405	402	404	412
Outstanding business loans, total	CHF billion	402	426	433	459	481	489	514	527	525	539
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	76.48
Government guaranteed loans, SMEs	CHF million	104	148	187	215	210	219	227	238	244	254
Interest rate, SMEs	%	..	..	2.21	2.11	2.08	2.01	1.99	2.05	2.07	2.04
Interest rate, large firms	%	..	..	1.35	1.23	1.16	1.11	1.16	1.16	1.30	1.25
Interest rate spread	% points			0.86	0.88	0.92	0.90	0.83	0.89	0.78	0.79
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	76.00	75.00	77.00	77.00	75.00	79.00	79.64	79.87
Utilisation rate	SME loans used/ authorised	71.00	70.00	71.00	70.00	69.00	71.00	72.00	72.00	71.76	71.66
Non-bank finance											
Venture and growth capital	EUR million	320	301	308	330	228	246	226	235	365	357
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	-5.9	2.5	7.0	-31.0	8.0	-8.0	3.9	55.6	-2.4
Payment delays, B2B	Number of days	..	12	13	13	11	10	9	9	7	7
Other indicators											
Bankruptcies, total	Number	4 314	4 221	5 215	6 255	6 661	6 841	6 495	5 867	6 098	6 504
Bankruptcies, total (growth rate)	%, year-on-year growth rate	..	- 2.16	23.55	19.94	6.49	2.70	- 5.06	- 9.67	3.94	6.66

Source: See Table 39.4 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933670064

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-51-en

Thailand

In 2015, there were approximately 2.77 million SMEs in Thailand, which constituted 99.72% of all enterprises. SMEs in Thailand accounted for 80.44% of overall private sector employment in the same year. Moreover, SMEs' contribution to the country's GDP was 41.1%.

The Small and Medium Enterprises Promotion Act B.E. 2543 categorised SMEs by the value of fixed asset (excluding land) and number of employees according to the benchmark defined by the Ministry of Industry.

SMEs are able to access financing through traditional bank loans. Loans to SMEs increased 68.77% over the 2007-16 period. In 2016, outstanding SME loans amounted to THB 3 989 billion, representing 49.45% of total outstanding business loans and a slight increase compared to 2015. Furthermore, SMEs are able to source funds from the capital market, venture capital, and crowdfunding.

Yet, some SMEs have collateral constraints and lack credit history, limiting their access to bank loans. Government policy responses have aim to tackle these issues. For example, the Thai Credit Guarantee Corporation (TCG) provides credit guarantees for viable SMEs to ensure that SMEs have access to bank loans and are not constrained by their lack of collateral. The Business Collateral Act B.E. 2558 (2015) simplified the process of security interest creation and expanded the types of collateral SMEs can register and use to secure loans. Moreover, various efforts have been to alleviate the problem of information asymmetry among SMEs. In conjunction to boosting SMEs financial access, the government has also launched capacity building programs to boost SMEs' competitiveness.

Table 3.40. Scoreboard for Thailand

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Outstanding business loans, SMEs	THB Billion	2 365	2 410	2 222	2 376	2 743	3 084	3 513	3 710	3 918	3 989
Outstanding business loans, total	THB Billion	4 629	5 117	4 863	5 298	6 080	6 723	7 473	7 774	8 017	8 066
Share of SME outstanding loans	% of total outstanding business loans	51.06	47.09	45.70	44.85	45.11	45.87	47.00	47.73	48.87	49.45
Government loan guarantee, SMEs	THB Billion				73	113	180	244	270	309	331
Non-performing loans, total	% of all business loans	8.23	5.77	5.32	3.96	2.97	2.36	2.13	2.07	2.55	2.88
Non-performing loans, SMEs	% of all SME loans			7.11	5.38	3.97	3.46	3.29	3.11	3.5	4.35

Source: Bank of Thailand.

StatLink http://dx.doi.org/10.1787/888933670140

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-52-en

Turkey

SME lending grew steadily over the whole 2007-2016 period, with the exception of a minor decline of 1.6% in 2009. The growth rate in SME loans in 2016 stands at 8.2%. As business lending to firms of all sizes grew larger than the SME lending, the share of SME loans in the total business loans fell slightly.

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, and after that, a decline was observed until 2015, with an exception of a hike in 2013. In 2016, venture and private equity investments rose by nearly 150% to a level close to peak year 2011.

Non-performing loans (NPL) ratio for both business loans and SME loans was at its highest point in 2009 and declined afterwards. The fall in NPL ratio of SME lending was even sharper. However, in 2016 NPL ratio rose faster in SME loans than the business loans.

The number of bankruptcies increased from 108 firms in 2015 to 222 in 2016. Company closures, including sole proprietorships, totalled 41 897 enterprises in 2016, down from 56 684 enterprises in 2015, highlighting that bankruptcies (upon court verdict) constitute a relatively uncommon phenomenon in Turkey.

In 2012 the Turkish Government enacted law to stimulate the development of the business angel industry. Secondary legislation came into force in 2013. The purpose of law and secondary legislation is the establishment of a legal framework and the provision of generous tax incentives for licensed angel investors.

The government also introduced regulation regarding fund of funds, which enables Treasury to transfer capital to fund of funds under certain conditions.

KOSGEB constitutes the main body for executing SME policies in Turkey. It provides 11 different support programmes with considerable outreach throughout Turkey. The new initiatives to stimulate alternative sources of financing have been introduced in Turkey in 2016. These including KOBIGEL-SME Development Support Programme, which aims to increase the additional value and the competitiveness level of SMEs in the economy. Establishing the project development culture and awareness among SMEs, enhancing enterprises’ project developing capacity, increase the share and effectiveness of SMEs, increase the competitiveness of SMEs. KOSGEB provides grant and soft loan in this programme for the project costs in terms of the conditions in call for proposal. TEKNOPAZAR Technological Product Promotion and Marketing Support Programme, aims to provide support for the promotion and marketing of technologic products or prototypes of SMEs which are obtained as the result of R&D, innovation or design projects or which have Technologic Product Experience Document, in order to increase the international market competitive power of these enterprises and to provide them a more dynamic structure.

In 2016, Turkey passed a bill on movable collateral in commercial transactions. The goal of the reform is increasing to get finance against valuable tangible and intangibles assets such as receivables, machinery, inventory, stock which comprise the 78% of SMEs' total assets.

In addition to the above programmes, in 2016 KOSGEB initiated a programme in order to reimburse the collateral costs of the SMEs which are applied to the KOSGEB support programmes.

Table 3.41. Scoreboard for Turkey

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
					Debt						
Outstanding business loans, SMEs	TRY million	76 521	84 605	83 271	125 468	162 803	199 743	271 421	333 278	388 749	420 539
Outstanding business loans, total	TRY million	190 623	250 318	262 724	353 236	459 003	528 846	715 465	884 648	1 100 093	1 314 364
Share of SME outstanding loans	% of total outstanding business loans	40.14	33.8	31.7	35.52	35.47	37.77	37.94	37.67	35.34	32
Government loan guarantees, SMEs	TRY Million	53	285	565	939	1 123	1 114	1 061	1 392	1 641	5 318
Government guaranteed loans, SMEs	TRY Million	75	403	791	1 302	1 622	1 553	1 467	1 888	2 334	7 188
Direct government loans, SMEs	USD Million	552	842	997	855	1 174	928	2 632	1 709	1 764	1 749
Non-performing loans, total	% of all business loans	3.8	3.7	4.91	3.43	2.61	2.82	2.69	2.64	2.68	2.9
Non-performing loans, SMEs	% of all SME loans	3.62	4.79	7.64	4.49	3.1	3.17	3.12	3.27	3.92	4.9
					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	343 192
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	-93.76	639.58	652.9	684.82	-70.5	204.78	-62.93	8.77	153.64
Leasing and hire purchases	TRY million	11 661	14 385	11 066	10 711	15 112	17 154	24 957	29 485	36 718	44 022
Factoring and invoice discounting	TRY million	6 223	5 610	8 351	12 370	14 213	16 328	20 096	24 715	24 994	31 027
					Other indicators						
Bankruptcies, total	Number	52	47	50	68	72	141	69	99	108	222
Bankruptcies, Total (growth rate)	%, year-on-year growth rate	..	-9.62	6.38	36	5.88	95.83	-51.06	43.48	9.09	105.56

Source: See Table 41.9 of the full country profile.

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United Kingdom

Net lending to SMEs remained positive throughout 2016. British Bankers Association (BBA) data shows total net lending to SMEs of GBP 1.5 billion in 2016. The Bank of England (BoE) SME lending statistics show continued positive net lending in the first half of 2017. Gross lending has been on an upward trend between 2013 and 2015, although it fell during 2016 and H1 2017. The stock of lending to SMEs contracted in 2016 by 2.3%, a continuation of a downward trend beginning in late 2009. The stock of lending to corporations increased in 2016 by 6.5%.

The combined rejection rate for new SME loans and overdrafts increased slightly from 18% in 2015, to 19% in 2016. The rejection rate has been at around this level since 2014. In the years prior to 2014 the combined rejection rate has been around 30%. Since 2012, the average interest rate for SMEs has been consistently falling, to 3.2% in 2016, 1.3 percentage points lower than in 2008. Corporate interest rates fell by 1.1 percentage points between 2008 and 2016.

There has been strong growth in alternative sources of finance. 2016 has been another year of growth for leasing and hire purchase finance, reaching GBP 16 900 million, an increase of GBP 1 100 million compared to 2015. Peer-to-peer (P2P) business lending, enabled through online platforms, continued to grow in the United Kingdom, with gross flows of approximately GBP 1.3 billion recorded in 2016, according to AltFi data. Annual growth rates seem to be slowing down, although they remained high in 2016. British Business Bank analysis of Beauhurst data shows that the number and value of equity deals declined in 2016, however this is following strong growth over the previous five years. In the first half of 2017, equity investment was GBP 2.7 billion, this is 59% higher compared to the same period in 2016. This strong performance was driven by several large equity deals in the second quarter of 2017, including two of the UK's unicorn status businesses both receiving funding rounds in excess of £300m.

The British Business Bank delivers most of the government's programmes aimed at supporting SME access to finance through a range of financial facilities. As at December 2016, around 56 000 SMEs have benefitted from British Business Bank programmes. The total stock of finance supported by the Bank's programmes within the United Kingdom amounts to more than GBP 3.5 billion. The British Business Bank participates in a further GBP 5.5 billion of finance which has supported 81 small mid-cap businesses.

The new Designated Bank and Finance Platforms Referrals scheme was launched on 1 November 2016. This scheme will see nine of the UK's biggest banks pass on the details of small businesses they have rejected for finance to three finance platforms. Access to credit data held by the big banks has also been opened up to increase the reliability of credit scores, enabling alternative finance providers to make better-informed decisions about finance provision to smaller businesses.

In November 2016, the British Business Bank was given an additional GBP 400 million to expand its venture capital programmes to address gaps in later stage venture capital provision more effectively. The British Business Bank launched its first regionally-focused fund in February 2017 – the GBP 450 million Northern Powerhouse Investment Fund – in partnership with the region's Local Enterprise Partnerships, and will introduce similar interventions for the Midlands in 2017/18.

In January 2017, the UK Government launched the Patient Capital Review. The review will consider all aspects of the financial system affecting the provision of long-term finance to growing innovative firms.

Table 3.42. Scoreboard for the United Kingdom

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	94 359
Outstanding business loans, total	GBP million	540 719	656 542	582 792	536 383	505 700	474 505	451 033	434 875	428 983	448 486
Share of SME outstanding loans	% of total outstanding business loans	19.76	18.10	20.02	21.36	21.13	21.51	22.13	22.52	22.51	21.04
New business lending, total	GBP million	..	..	..	..	..	145 843	162 948	189 525	205 280	233 967
New business lending, SMEs	GBP million	..	37 388	29 469	27 671	22 835	20 521	20 395	22 578	26 634	25 609
Share of new SME lending	% of total new lending	..	..	..	..	..	14.07	12.52	11.91	12.97	10.95
Government loan guarantees, SMEs	GBP million	..	..	61	52	32	43	51	45	34	31
Government guaranteed loans, SMEs	GBP million	..	..	626	529	326	288	337	298	226	207
Interest rate, SMEs	%	..	4.54	3.47	3.49	3.52	3.71	3.60	3.43	3.33	3.22
Interest rate, large firms	%	..	3.49	2.35	2.10	2.25	2.41	2.20	2.45	2.11	2.40
Interest rate spread	% points	..	1.05	1.12	1.39	1.27	1.30	1.40	0.98	1.22	0.82
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	23.00	29.50	26.90	39.20	34.20	35.40	22.20	31.00
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	6.00	6.00	4.00	4.00	4.00	3.00
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	27.00	30.00	31.00	33.00	19.00	18.00	19.00
Utilisation rate	SME loans used/ authorised	..	..	..	..	86.20	86.40	89.00	88.50	89.90	85.90
Non-bank finance											
Venture and growth capital	GBP million	1 809	2 518	1 691	1 735	1 729	1 358	1 503	2 000	1 789	1 555
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	39.19	-32.84	2.60	-0.35	-21.46	10.68	33.07	-10.55	-13.08
Leasing and hire purchases	GBP million	15 200	14 300	10 000	10 400	11 400	12 200	12 900	14 400	15 800	16 900
Factoring and invoicing	GBP million	..	..	8 064	8 704	9 373	9 455	9 929	11 057	10 476	10 930
Other indicators											
Bankruptcies, total	Number	16 506	21 965	25 038	21 592	22 175	21 253	18 936	17 662	15 983	17 927
Bankruptcies, total (growth rate)	%, year-on-year growth rate	..	33.07	13.99	-13.76	2.70	-4.16	-10.90	-6.73	-9.51	12.16

Source: See Table 42.8 of the full country profile.

StatLink http://dx.doi.org/10.1787/888933670406

The full country profile is available at

http://dx.doi.org/10.1787/fin_sme_ent-2018-54-en

United States

Steady, but subpar economic growth in the United States has continued since the Great Recession of 2008-09, with Real Gross Domestic Product recording a Recovery Period (2009Q3 – 2017Q2) average growth of 2.2%, below the historical average of 3.2 percent. This modest growth translated into noticeable progresses in the labour market, solid but declining corporate profit margins, modest recovery in net firm formation, and improved profitability but declining lending activities in the banking sector. The decline in lending volumes seems more pronounced in small business lending, which in turn may have constrained the rebound of number of Small Business Administration (SBA) loan guarantees but not the dollar value of these guarantees.

There are several competing hypotheses as to the causes of the decline in small business credit markets. One possible cause is that it may be a result of a general decline in the risk appetite for borrowing by surviving firms in the real economy, especially SMEs. An alternative hypothesis can be constructed from the observed increase in the concentration of "success", such as increased concentration of sales, among a few "superstar firms". This increase in concentration of "success", on the one hand, may have resulted in a reduced need for bank credit by superstar firms, which can generate a greater amount of organic capital and have greater access to bond and equity financing. Simultaneously, it may have reduced sales, profits and cash flows of the remaining firms, thus reducing their borrowing capacity. This phenomenon would impact the borrowing capacity of most SMEs. Lastly, the decline in small business credit markets may be a result of regulatory changes in the financial sector that were instituted after the financial crisis of 2008-09. Of course, there is always the possibility that all of these and many other undetected factors may have contributed to the subpar recovery in small business credit markets.

Research based on micro-level data has linked the observed concentration of sales to an observed decline in the share of sales going to labour (Autor 2017). Unfortunately, no research has been done on how this increased concentration has affected SMEs, especially their capacity to participate in the credit markets, nor any research has been done on how this increase in concentration has influenced the ability and efficiency of government SME capital access programmes.

Answering these SME-related questions require borrower-level and firm-level micro data across time. Much, if not all, of these data are collected by and stored at various Federal agencies. Several laws and rules on privacy that are integral to the nation's information infrastructure have the unintended consequence of constraining researchers' ability to utilise these micro-level datasets. The Federal government is revisiting options for increasing the use of these micro-level Federal datasets for research purposes, however. In addition, the SBA, in collaboration with other Federal agencies that provide assistance to small businesses, worked closely with Federal statistic agencies to develop a set of best practices for linking micro-level data from business assistance programs with data found in statistical agencies to evaluate the impacts on SMEs by federal business assistance programmes.

Table 3.43. Scoreboard for the United States

Indicators	Units	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, SMEs (stock), As of June 30	USD billion	687	711	695	652	608	588	585	590	599	613
Outstanding business loans, total (stock), As of June 30	USD billion	2 280	2 573	2 517	2 299	2 348	2 546	2 670	2 865	3 069	3 316
SME loan shares	Share	30.12	27.65	27.62	28.37	25.88	23.11	21.90	20.58	19.52	18.50
Government loan guarantees, SMEs (flow)	USD billion	21	16	15	22	19	23	23	25	28	29
Non-performing loans, SMEs	Percent SMEs	2.08	2.55	3.32	2.74	1.97	1.43	1.21	1.21	1.23	1.25
Non-performing loans, total	Percent of total loans	1.14	1.70	3.66	3.54	2.08	1.38	1.03	0.80	0.81	1.60
Business loans, loans between USD 10 000 - 1 000 000 (flow)	USD billion	51	53	43	50	53	56	59	63	63	58
Business loans, total (flow)	USD billion	317	362	292	242	308	312	336	391	408	413
Interest rate, SMEs, loans between USD 100 000 - 1 000 000	%	7.96	5.16	3.82	4.09	3.95	3.76	3.55	3.39	3.33	3.46
Interest rate, large firms, loans, Greater than USD 1 000 000	%	6.75	4.29	2.99	3.23	3.07	2.79	2.53	2.48	2.28	2.47
Interest rate spread	%	1.21	0.88	0.83	0.86	0.88	0.97	1.02	0.92	1.06	0.99
Non-bank finance											
Venture and growth capital investments	USD billion	36	37	27	32	44	41	45	70	79	72
Leasing and hire purchases	USD million	594 735	613 066	508 239	448 999	361 262	375 681	394 821	401 356	416 253	410 883
Other indicators											
Payment delays, B2B, Percent of Accounts Overdue		..	..	..	..	..	..	25.9	..	46.60	..
Business bankruptcies, total		28 322	43 546	60 837	56 282	47 806	40 075	33 212	26 983	24 735	24 114
Business bankruptcies, growth rate	%	43.80	53.75	39.71	-7.49	-15.06	-16.17	-17.13	-18.76	-8.33	-2.51

Source: See Table 43.7 of the full country profile.

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Annex A. EIB Group support to SMEs and midcaps

The EIB Group's support to SMEs and midcaps

The European Investment Bank Group (EIB Group) - consisting of the European Investment Bank (EIB) and the European Investment Fund (EIF) - plays a role in improving access to finance for SMEs and midcaps in Europe and global partner countries. The EIB is the European Union's 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 (58.5%) with the remaining equity held by the European Union (represented by the European Commission, 29.7%) and other European private and public bodies (11.8%).

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 act in a strategic collaboration and cooperate intensively to provide a complementary offer of financial products to SMEs and midcaps. EIB support to SMEs is provided mainly through non-granular funded and un-funded/risk-sharing intermediated financing and loan substitutes, as well as direct growth finance to midcaps. While still providing significant funding to micro enterprises, EIB's measures are focused on delivering support to established enterprises in the growth or maturity stages.The EIF offers risk finance for SMEs in all stages of their development via financial intermediaries, including equity, mezzanine, guarantees, microfinance, and securitisation. Support is thus provided to a wide constituency ranging from more fragile early-stage enterprises to maturing SMEs and from primary sectors (agriculture, forestry and fishing) to more capital-intensive activities such as manufacturing and services, including those with high innovative content. Additional information on EIB Group's SME activities can be found on the respective websites of the EIB (http://www.eib.org/projects/priorities/sme/index.htm) and EIF (http://www.eif.org/).

By relying on an extensive network of around 1 000 financial partners, the EIB Group profits from the expertise of local actors to calibrate the varying financial challenges and needed support of SMEs throughout the EU.

As presented in the latest 2016 Report on finance in support of SMEs and midcaps, the EIB Group financed SMEs to the tune of EUR 33.7 billion, which leveraged at least EUR 90 billion of total investment. (This was possible due to its scalable intermediated model, where financial intermediaries not only pass on EIB Group financing to SMEs, but also commit to complement those amounts with additional financial resources.)

The benefit of working with a wide range of different financial intermediaries is therefore threefold:

- EIB Group's financial value added due to its AAA rating is transferred to SMEs and midcaps through advantageous conditions (longer tenors and reduced pricing);

- Complementary funding is provided by intermediaries to multiply the resources available from the EIB Group; and
- Acting jointly with market players the EIB Group can act in line with market needs and can reach out to a higher number of European SMEs.

EIB Group's offer

EIB Group's approach to reach SMEs and midcaps features the following product offer:

- Microfinance and larger loans to get projects off the ground. EIB Group also provides loan substitutes (Covered Bonds, funded/unfunded Asset Backed Securities) relieving capital constraints of banks pressured by regulatory requirements. This reduces the burden financial intermediaries carry and provides them with additional capacity to roll out further financing support to SMEs and midcaps;
- Guarantees and risk-sharing loans, covering the investment risks of large and small projects. By credit-enhancing the funding provided by local banks, the EIB Group makes it easier for them to support small businesses; and
- Participation in debt and equity funds, enabling the EIB Group to support the SME's business development through long-term riskier investments. This crowds-in investors and fosters the involvement of the private sector, essential to the stability of a resilient economy.

The EIB Group also strives to diversify its support to SMEs and midcaps through alternative and less conventional financing techniques such as supply chain finance, trade finance or peer-2-peer investor platforms.

In order to reach a level of financing adapted to the specificities of each region, the EIB Group leverages also on the expertise of Public Promotional Institutions, including National Promotional Banks, through dedicated financing platforms operating across the various geographies covered. It also engages in co-financing with Sovereign Wealth Funds and blending of EU funds under specific mandates, such as the European Structural and Investment Funds (ESIF) (http://www.eib.org/products/blending/esif/) available to national and regional authorities, to help create suitable financial instruments that benefit from additional sources of investment.

In order to increase EIB Group's investment impact in the EU, the European Commission has launched in 2014 the European Fund for Strategic Investments (EFSI) (http://www.eif.org/what_we_do/efsi/index.htm). This instrument aims to address market failures, to increase EIB Group's financing flexibility, notably regarding the risk profile of borrowers, the investment sizes, the security available for projects and the underlying risk associated with the projects themselves, and to leverage the EIB Group's own funding by crowding-in private resources.

EFSI has two components:

- the Infrastructure and Innovation Window (EUR 15.5 billion, to mobilise EUR 232.5 billion of investments); and
- the SME Window (SMEW, EUR 5.5 billion, to mobilise EUR 82.5 billion of investments).

The financial instruments used for the purposes of the EFSI SME Window are mainly guarantees and equity investments. Based on the success of the implementation, an extension of EFSI is underway, increasing its firepower and duration. With an increased budget and extended lifespan until end of 2020, EFSI now aims to mobilise at least EUR 500 billion of additional investment.Latest EFSI figures can be found online (https://ec.europa.eu/commission/publications/investment-plan-results-so-far_en).

Increasing Policy Priorities

The EIB Group also supports transversal objectives and additional EU policies.

Owing to established relationships from its extensive network of financial intermediaries, and based on institutional agreements with regional public authorities and the European Commission for specific financial instruments, the EIB Group can request its partners to tailor its products to reach wider policy objectives, such as in the area of youth employment, agriculture, innovation, economic cohesion, internationalisation and climate action.

These overarching goals give guidance to EIB Group's impact in order to provide a more refined way of assisting SMEs and midcaps.

Annex B. 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 66 countries, the EU and the EIB. To respond to the global challenges faced by small businesses, the EBRD, through the Small Business Initiative (SBI), 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, private equity funds 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.

From January-September 2017, the EBRD extended EUR 460 million in direct and indirect finance to small firms in 71 transactions, accounting for 33 per cent of its projects. Overall in 2017, the Bank expects to provide more than EUR 1.42 billion in finance to the SME sector. Local currency lending plays an important role, and represents about one in ten of the debt transactions in the SME sector this year.

Addressing areas ranging from business strategy to marketing, quality management, export promotion or energy efficiency, in the first three quarters of 2017 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 1 473 projects connecting SMEs to local consultants for specific business advice, and 99 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 17 countries, making over EUR 500 million of finance and EUR 70 million of donor funding available to support over 30 000 women-led SMEs;
- the EBRD's Blue Ribbon Programme, providing a unique combination of financing and advisory products targeting high-growth enterprises over a 5-year period that are tailored to their needs;
- expanded local currency lending through the EBRD's SME Local Currency Programme, a USD 500 million scheme 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;
- supporting SME access to trade finance and trade-related know-how through Trade Ready, which assists partner financial institutions under the EBRD's Trade Facilitation Programme (TFP) to expand the reach of their trade finance products to SMEs, as well as offering a wide range of trade-related advisory services and training;
- working in tandem with local banks to share the risk of financing local companies through the EBRD's Risk Sharing Facility.

Looking ahead

The EBRD considers five key thematic priorities as it intensifies and deepens support to SMEs through the Small Business Initiative, 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. These priorities include:

- 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.

For more information on the Women in Business and the Local Currency programmes: http://ebrdwomeninbusiness.com, http://www.ebrd.com/localcurrency

Annex C. 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 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 relatively uniform 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. However, not all countries undertake such surveys. 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 differs 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 calculate 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 definitions and sources for each indicator.

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
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 loans. 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 or whether loans are being used to fund current operations or 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 the 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 conditions are 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 venture capital as well as expansion capital and is ideally broken down by the investment stage. It excludes buyouts, turnarounds 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 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 with 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. In the 2018 edition of this report, indicators in the trends chapter therefore have 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.[8] 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 2016, which includes three distinct economic stages: pre-crisis (2007), crisis (2008-09) and recovery (2010-16). Specific attention is given to the period 2015-16, in order to identify the most recent trends in SME finance and policies.

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 guarantee. Nevertheless, this figure has a value of its own when compared to the total amount of SME loans outstanding. Also, it allows 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 for SME interest rates. While there is agreement that “fees” should be included in the “cost” of the 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. The 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. 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. Also, 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.[9]

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 of 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, factoring, 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 either the new production (i.e. a flow indicator) of finance leases 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 the 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 the 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. The reporting of both indicators and the comparison of B2B with B2C delays can also be used to uncover whether and how SMEs make use of such payment delays to resolve short-term cash flow issues in lieu of working capital credit facilities.

Differences in definitions of an SME

One of the biggest challenges to comparability is represented 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 C.1).

Box C.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 employees. 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.[10] In the current edition of the Scoreboard, 20 countries reported SME loans based on firm size and 14 countries reported by loan size. 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 in theory could 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.

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.

Table C1. 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-	Loan size: amounts up to UF 18 000

		term interest rate, SMEs	
		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.
		Non-performing loans, SMEs	The definition of SMEs differs according to sector.
		SME loans requested, authorized and used	The definition of SMEs differs according to sector.
		interest rates, SMEs	The definition of SMEs differs according to sector.
		Collateral, SMEs	The definition of SMEs differs according to sector.
		Loan fees, SMEs	The definition of SMEs differs according to sector.
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	Business loans,	Loan size: up to EUR 1 million

	employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	SMEs	
		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	
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	Firm size: number of employees (less than 250 employees), turnover (less than EUR

		loans, SMEs	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	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.
Kazakhstan	Any enterprise with up to 3 000 000 MCI or turnover of no more than KZT 6 807 million		
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	The definition of SMEs differs according to

		and requested, SMEs	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.
Latvia	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)		
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
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
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
Poland	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)		
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)
		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.
South Africa	Any enterprise with one or more of the following characteristics: Fewer	Outstanding business loans,	Businesses with a turnover less than ZAR 400 million.

	than 200 employees. Annual turnover of less than R64 million. Capital assets of less than R10 million.	SMEs	
		Non-performing loans, SMEs	Businesses with a turnover less than ZAR 400 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
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

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.

[8] OECD (2009), *OECD Factbook 2009: Economic, Environmental and Social Statistics*, OECD Publishing, Paris. DOI: http://dx.doi.org/10.1787/factbook-2009-en

[9] 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.

[10] 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., Mylenko N., Saltane V. (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 D. Standardised table for SME finance data collection

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Notes/ revisions
Debt												
Business loans, SMEs												
Business loans, total												
Business loans, SMEs	% of total business loans											
Short-term loans, SMEs												
Long-term loans, SMEs												
Total short and long-term loans, SMEs												
Short-term loans, SMEs	% of total SME loans											
Government loan guarantees, SMEs												
Government guaranteed loans, SMEs												
Non-performing loans, total												
Non-performing loans, SMEs												
Non-performing loans, SMEs	% of total SME loans											
Interest rate, SMEs												
Interest rate, large firms												
Interest rate spread												
Collateral, SMEs												
Rejection rate	SME loans authorised/requested											
Utilisation rate	SME loans used/authorised											
Non-bank finance												
Venture and growth capital												
Venture and growth capital	%, Year-on-year growth rate											
Leasing and hire purchases												
Factoring and invoice discounting												
Other indicators												
Payment delays, B2B												
Bankruptcies, total												
Bankruptcies, total	%, Year-on-year growth rate											
Bankruptcies, SMEs												
Bankruptcies, SMEs	%, Year-on-year growth rate											

Annex E. 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

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Australian Bureau of Statistics (2017), Venture Capital and Later Stage Private Equity, Australia, http://abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/BFFEF2819DF68CA2CA256B6B007AB94E?opendocument

APRA (2015), Australian Prudential Regulation Authority, Monthly Banking Statistics, http://www.apra.gov.au/adi/Publications/Pages/monthly-banking-statistics.aspx

Austria

Austrian Institute for SME Research (2016) “Bilanzdatenbank”, http://www.kmuforschung.ac.at/index.php/de/bilanzdatenbank.

Austrian National Bank (2016) “Financial Stability Report 31”, https://www.oenb.at/en/Publications/Financial-Market/Financial-Stability-Report/2016/financial-stability-report-31.html

Austrian National Bank (2016) “Bank Lending Survey” series https://www.oenb.at/en/Monetary-Policy/Surveys/Bank-Lending-Survey.html

Statistics Austria (2016) “Leistungs- und Strukturstatstik”, https://www.statistik.at/web_de/statistiken/wirtschaft/produktion_und_bauwesen/leistungs_und_strukturdaten/index.html

Belgium

Belgian leasing association, Online statistics, http://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, Q1 2017) https://ww2.ibge.gov.br/english/estatistica/indicadores/pib/pib-vol-val_201701_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*, http://www.ic.gc.ca/eic/site/061.nsf/eng/h_01569.html

Industry Canada, *Credit Conditions Survey*, http://www.ic.gc.ca/eic/site/061.nsf/eng/h_02192.html

Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, http://www.ic.gc.ca/eic/site/061.nsf/eng/h_02774.html

PayNet Inc., *Canadian Business Delinquency Index*, https://www.paynetonline.ca/issues-and-solutions/all-paynet-products/paynet-canadian-business-delinquency-index-cbdi/

Chile

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Ministerio de Economía, Fomento y Turismo, Encuestas de Emprendimiento y Empresas (Longitudinal Survey of Firms), http://www.economia.gob.cl/estudios-y-encuestas/encuestas/encuestas-de-emprendimiento-y-empresas

China, People's Republic of

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Financial Affairs of Wenzhou Municipal People's Government (2016), "Monitoring of Wenzhou Private Finance Index",
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Colombia

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http://www.dane.gov.co/index.php/52-espanol/noticias/noticias/4078-producto-interno-bruto-pib-iv-trimestre-2016-y-total-2016

Financial Superintendence of Colombia - Evolution of the Colombian Financial System 2016,
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National Association of Financial Institutions – ANIF - The Big SME Survey - Results Report, 2nd Semester 2016,
http://anif.co/sites/default/files/uploads/GEP%20REGIONAL%20I-2016.pdf

National Association of Financial Institutions – ANIF (2017). *La Gran Encuesta Pyme: Informe de resultados 1er semestre de 2017*,
http://www.anif.co/sites/default/files/publicaciones/gepnacional_i-17.pdf

Czech Republic

Czech National Bank, "Financial Stability Report 2016/2017", available at:
https://www.cnb.cz/en/financial_stability/fs_reports/fsr_2016-2017/index.html

Czech National Bank, "Bank Lending Survey" series,
www.cnb.cz/en/bank_lending_survey/index.html

Denmark

Danmarks Nationalbank – "Lending Survey", published quarterly
http://www.nationalbanken.dk/en/statistics/find_statistics/Pages/Danmarks-Nationalbank's-lending-survey.aspx

Danish Federation of Small and Medium-Sized Enterprises – Quarterly analysis on business cycles
https://hvr.dk/politik/analyser/konjunkturanalyser.aspx

DI – Analysis on Danish Financial Conditions, October 2017, http://di.dk/sitecollectiondocuments/opinion/konjunktur/analyser/finansiering_efter%C3%A5r17.pdf

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Estonian Institute of Economic Research database, www.ki.ee

Statistics Estonia, August 2017, online database, www.stat.ee

Estonian Venture Capital Association, Estonian Private Equity & Venture Capital Industry Review, http://www.estvca.ee/data-and-publications

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Ireland

Central Bank of Ireland (CBI)

Credit Review Office (CRO)

Central Statistics office (CSO), Business in Ireland, Small and Medium-sized Enterprises (SMEs), http://www.cso.ie/en/releasesandpublications/ep/p-bii/bii2014/imfo/

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Israel

Israel Venture Capital Research Centre, http://www.ivc-online.com/Research-Center/IVC-Publications/IVC-Surveys/High-Tech-Capital-Raising

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http://www.justice.gov.il/Units/ApotroposKlali/Reports/2015/files/assets/basic-html/page-1.html

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