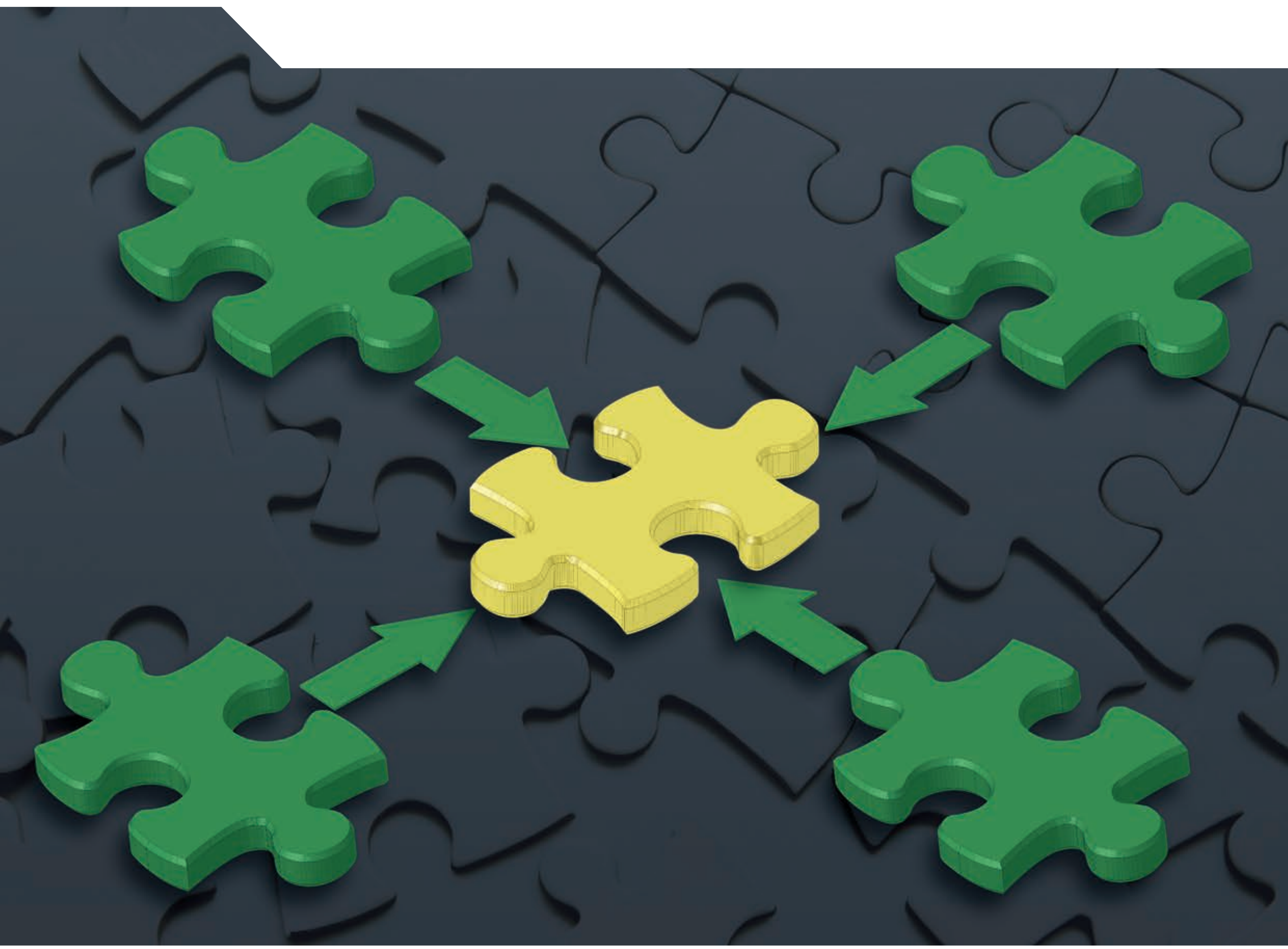
Financing SMEs and Entrepreneurs 2022

AN OECD SCOREBOARD



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BETTER POLICIES FOR BETTER LIVES

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Preface

The COVID-19 crisis delivered an unprecedented shock to the global economy, and SMEs and entrepreneurs have been at the heart of the impact. In 2020 and through 2021, depressed demand from repeated lockdowns, travel restrictions, and weakening consumer confidence, alongside disruptions to supply chains, significantly impacted business operations and balance sheets. These impacts ultimately resulted in liquidity constraints that were particularly acute among SMEs. During this time, measures implemented by governments, monetary policy authorities and public financial institutions were very important in providing SMEs with liquidity and other types of support, for example wage subsidies, to help them weather the crisis.

Nearly two years into the pandemic, the global recovery is underway. However, the war in Ukraine, whilst first and foremost a humanitarian crisis, is also having significant economic impacts. It is affecting financial and energy markets, supply chains and trade, and driving inflation, especially in energy prices and downstream sectors, all of which have important implications for SME operations and performance.

These impacts are exacerbating previous risks that already threatened a balanced recovery from COVID-19. They also reinforce the importance of financing investments that can boost the capacity of SMEs and entrepreneurs to build more resilient economies, and the need for government recovery packages to continue to provide targeted support to viable SMEs and entrepreneurs in need.

This 10th anniversary edition of *Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard* outlines the unprecedented increases in SME bank lending supported by governments, particularly in 2020, and shows that there has been a fall in alternative forms of debt. It examines the evolution of SME support during the course of the COVID-19 crisis, revealing that the volume of SME-focused policies in recovery packages is diminishing, compared to measures taken earlier in the COVID-19 crisis.

Our findings show that efforts to diversify SME financing instruments and sources must continue in order to strengthen SME resilience to current and future shocks and enable them to optimise the strength and the quality of the recovery and future growth. The forthcoming update of the G20/OECD High-Level Principles on SME Financing can help. Efforts to address the challenge of accelerating the green transition, which cannot succeed without the participation of SMEs and entrepreneurs, must also be stepped up. The new OECD Platform on Financing SMEs for Sustainability will make an important contribution in this regard.

In this complex environment, the OECD will continue to monitor closely the trends in SME and entrepreneurship finance. We will pursue efforts to enrich our analysis through increased country coverage and the collection of more granular data on different financing instruments and specific segments of the SME population. In this way, we will enhance our support to governments to ensure responsive policies that keep pace with the rapid developments in SME and entrepreneurship finance.

Mathias Cormann

OECD Secretary-General

Foreword

Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard provides a comprehensive framework for policy makers and other stakeholders to monitor access to finance by SMEs and entrepreneurs. It 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.

The 2022 report analyses the impact of the COVID-19 pandemic on the SME financing landscape in the Scoreboard countries, sheds light on the instrumental and unprecedented role that Government policy responses played in ensuring the continued flow of financing to liquidity-constrained SMEs, and analyses the trends and possible implications of the evolving policy landscape from the rescue to the recovery phase of the pandemic. It builds on the November 2020 special edition of the *Scoreboard*, which documented the initial impacts of the crisis on SME and entrepreneurship finance. Based on data collected for the country profiles and information from demand-side surveys, it includes indicators on debt, equity and asset-based finance, as well as on financing framework conditions complemented by summaries of public and private initiatives to support SME access to finance.

The 2022 report marks 10 years of this flagship report, which has become the international reference for information on SME and entrepreneurship finance trends and policies. It presents trends and policies for 48 countries: Australia, Austria, Belgium, Brazil, Canada, Chile, the People's Republic of China, Colombia, the Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Indonesia, Ireland, Israel, Italy, Japan, Kazakhstan, Korea, Latvia, Lithuania, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Peru, Poland, Portugal, Serbia, the Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, the United Kingdom and the United States[1].

Chapter 1 focuses on developments in SME financing through 2020 and ongoing policy responses, drawing on data received from experts from participating countries, as well as from external sources. Chapter 2 focuses on the evolution of SME and entrepreneurship support measures from the rescue to the recovery phases and draws implications and critical questions for policy makers on how the recovery packages can best support SMEs in their recovery, growth and transition toward green and digital objectives. Chapter 3 contains profiles of SME and entrepreneurship developments, as well as relevant policies, for all 48 participating countries. The print edition of this publication includes a snapshot view with key facts and figures, while more detailed profiles can be accessed online.

This publication was prepared by the Entrepreneurship, SMEs and Tourism Division of the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE/EST) under the guidance of the OECD Committee on SMEs and Entrepreneurs (CSMEE) and the CSMEE Informal Steering Group on SME and Entrepreneurship Financing. The initial findings were discussed at the meeting of the CSMEE Informal Steering Group on SME Finance on 9-10 September 2021, and a more advanced version of the report was presented at the first meeting of the CSMEE on 14-15 October 2021. The final report was approved by written procedure on 1 March 2022 [CFE/SME(2021)18/CHAP1/FINAL, CFE/SME(2021)18/CHAP2/FINAL, CFE/SME(2021)18/CHAP3/ADD/FINAL and CFE/SME(2021)18/ANN/FINAL].

Note

[1] Aggregate calculations include data for Belarus and Russia when available.

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This report was prepared by María Camila Jiménez (Policy Analyst, CFE/EST), Stephan Raes (Policy Analyst, CFE/EST), Marija Kuzmanovic (Policy Analyst, CFE/EST), and Cosimo Pacciani (Trainee, CFE/EST), with input from Marco Marchese (Policy Analyst, CFE/EST), under the supervision of Miriam Koreen (Senior Counsellor, CFE/EST) and Celine Kauffmann (Head of Division, CFE/EST). Heather Mortimer-Charoy provided technical support. Support from the CFE Communications and Public Affairs unit is gratefully acknowledged: Pilar Philip and François Iglesias for the production process, Shayne MacLachlan and Pauline Arbel for advice on promotion and Lukasz Lech for outreach efforts.

Country expert team

Australia	Pourus Bharucha	Department of Industry, Science, Energy and Resources
Austria	Florian Eichberger	Federal Ministry for Digital and Economic Affairs
Belgium	Christophe Herinckx	Federal Ministry of Economy, SMEs, Self-employed and Energy
Brazil	Alfredo Gonçalves Nascimento	Special Secretary for Micro and Small Enterprises (SEMPE)
	Pedro Henrique Rincon Amaral	Special Secretary for Micro and Small Enterprises (SEMPE)
Canada	Patrice Rivard	Innovation Science and Economic Development Canada
Chile	Manuel López Bugueño	Ministry for the Economy, Development, and Tourism
China	Wu Bao	China Institute for Small and Medium-sized Enterprises
	Renyong Chi	China Institute for Small and Medium-sized Enterprises
	Chenfei Jin	China Institute for Small and Medium-sized Enterprises
Colombia	Jose David Quintero Nieto	Ministry of Commerce, Industry and Tourism
Czech Republic	Lukeš Zdenek	Ministry of Industry and Trade
Denmark	Rasmus Borup Nielsen	Ministry of Industry, Business and Financial Affairs
Estonia	Karel Lember	Ministry of Economic Affairs and Communications
Finland	Rasmus Reinkainen	Ministry of Economic Affairs and Employment
France	Jean-Pierre Villetelle	Banque de France
	Simon Verna	General Directorate for Competitiveness, Industry and Services
Georgia	Elene Mindadze	Enterprise Georgia
	Ketevan Chapidze	Ministry Economy and Sustainable Development
Greece	Timotheos Rekkas	Hellenic Ministry for Economy and Development
Hungary	Annamária Szukics	Ministry of Innovation and Technology

	Laura Kanizsai	Ministry of Innovation and Technology
	Róbert Aradi-Beöthy	Ministry of Innovation and Technology
Indonesia	Citra Lestari	Ministry of Cooperative and SMEs
	Yonas Dian Hermanu	Ministry of Cooperative and SMEs
Ireland	Leona Cantillon	Department of Finance, Banking Policy Division
Israel	Nir Ben-Aharon	Small and Medium Business Agency, Ministry of Economy
Italy	Sabrina Pastorelli	Bank of Italy
Japan	Kazuya Shintani	Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry
Kazakhstan	Anuar Ospanov	Damu Entrepreneurship Fund
Korea	Meeroo Kim	Korea Development Institute
Latvia	Kristīne Priedīte	Ministry of Economics
	Aneta Strautmane	Ministry of Economics
	Signija Zandere	Ministry of Economics
Lithuania	Paulius Morkūnas	Bank of Lithuania
Luxembourg	Cesare Riilio	National Institute for Statistics and Economic Studies
Malaysia	Kala Darshini Danesekaran	SME Corporation Malaysia
	Czariff Chai Abdullah	SME Corporation Malaysia
Mexico	Ivana Fernández Stohanzlova	Ministry of Economy
Netherlands	Floran Amelsfort	Ministry of Economic Affairs
	Samuel Struijker Boudier	Ministry of Economic Affairs
New Zealand	Emma Belworthy Lewthwaite	Ministry of Business, Innovation and Employment
Peru	Lourdes del Pilar Álvarez	Ministry of Production
Poland	Martyna Wieczorek	Ministry of Entrepreneurship and Technology
Portugal	António Almeida	Office of the Secretary of State of Economy and Regional Development
Serbia	Marija Jokic	National Bank of Serbia
	Ana Ivkovic	National Bank of Serbia
Slovak Republic	Jakub Lukác	National Agency for SME Development
Slovenia	Tine Janžek	Bank of Slovenia
South Africa	Tebogo Maake	National Treasury, Financial Sector Policy Unit
	Nontobeko Lubisi	National Treasury, Financial Sector Policy Unit
Spain	Víctor García-Vaquero	Bank of Spain
Sweden	Simon Falck	Swedish Agency for Growth Policy Analysis
Switzerland	Samuel Turcati	State Secretariat for Economic Affairs
	Markus Willimann	State Secretariat for Economic Affairs
Thailand	Sanuttanunn Sungsittiwong	Bank of Thailand
Turkey	Utku Macit	Ministry of Science, Industry and Technology
Ukraine	Olena Kravchenko	SME Development Office
	Oleksandr Melnychenko	SME Development Office
United Kingdom	Zach Witton	British Business Bank
	Matt Adey	British Business Bank
United States	Colin Leach	Department of Commerce

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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, 2022

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. A flow indicator, measured over one year, which tends to capture more strongly 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 2020, 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 2019, 2020 and the first half of 2021. 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 how SME financing needs and instruments are reflected in the COVID-19 recovery packages, 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 SME 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 not able 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, as the differences in the exact composition of the single indicator are muted when evaluating rates of change. 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.

Methodological advances and recommendations for data improvements

There have been important methodological and structural improvements in recent editions of this report. More detailed information regarding the sources and definitions 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.

Efforts are also underway to include more disaggregated data on SME and entrepreneurship financing, given the significant heterogeneity of the SME population and the impact that these underlying characteristics have on access to finance and financing conditions. Based on the results of a survey among country experts four dimensions are being explored: sector of operation, firm size, gender of principal owner and geographical location. A better understanding of SME and entrepreneurship finance trends along these dimensions would significantly strengthen the usefulness of the Scoreboard, contribute to a better understanding of the heterogeneity of SME segments, enrich the evidence base and support policy efforts focused on SME and entrepreneurship financing.

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). Actions in these areas can enable 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 loan composition, indicating 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 SME access to finance:
  - In the context of the COVID-19 government policy response, provide information on new or expanded government schemes, including information on eligibility criteria and duration;
  - Specify the figures that can be attributed to schemes in response to the COVID-19 crisis (e.g. new government guarantee schemes, new lines of direct lending) in the reporting of Scoreboard indicators.

- 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 venture capital investments, including trends by stage and sector;
- Compile SME-specific information on the uptake and use of asset-based finance (versus other beneficiaries);
- Collect information on SME loan fees, in addition to interest applied on the loans;
- Detail the definition of collateral and improve reporting, using demand-side surveys to compensate for lack of supply-side data;
- Advance efforts to compile more disaggregated data on the Scoreboard core indicators, notably by sector of operation, firm size, gender of principal owner and geographical location.

3. Work to improve data collection on additional non-bank financing instruments, such as online alternative finance, as well as to provide more comprehensive data on alternative sources of equity financing, including business angel investments, with a view to incorporating this information in the set of core indicators in the future.

Acronyms and abbreviations

ADB	Asian Development Bank
AECM	European Association of Mutual Guarantee Societies
ARS	Argentine Peso
AUD	Australian dollar
AWS	Austrian Economic Service
B2B	Business-to-Business
BBLS	Bounce Back Loan Scheme
BIS	Bank for International Settlements
BLS	Bank Lending Survey
BMKB	SME credit guarantee scheme (Netherlands)
BRL	Brazilian rial
CAD	Canadian dollar
CCI	Chambers of Commerce and Industry
CEBA	Canada Emergence Business Account
CGS	Credit Guarantee Scheme
CHF	Swiss franc
CLO	Collateralised debt obligation
CLP	Chilean peso
CMA	Chambers of Trades and Crafts
CNY	Chinese renminbi
COP	Colombian peso
COVID-19	Coronavirus disease 2019
CSMEE	Committee on SME and Entrepreneurship
CZK	Czech koruna
DKK	Danish krone
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank

EETE	Companies engaged in ecological transition (France)
EIB	European Investment Bank
EIF	European Investment Fund
ESMA	European Securities and Markets Authority
EU	European Union
EUR	Euro
EVCA	European Venture Capital Association
FAE-MYPE	Business Support Fund for micro and small businesses (Peru)
FCI	Factors Chain International
FDI	Foreign Direct Investment
FSB	Federation of Small Businesses
FOA	Funding Opportunity Announcement
FOGAPE	Small Business Guarantee Fund (Chile)
FOSIS	Social Solidarity and Investment Fund (Chile)
G20	Group of 20
GBP	British pound
GDP	Gross domestic product
GEL	Georgian lari
GPFI	Global Partnership for Financial Inclusion
GRO	Global Recovery Observatory
HRK	Croatian Kuna
HUF	Hungarian forint
IDR	Indonesian rupiah
ICO	Official Institute of Credit (Spain)
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
IP	Intellectual Property
IPO	Initial public offering
ISK	Iceland Krona
IT	Information technology
JEREMIE	Joint European Resources for Micro, Small and Medium-sized enterprises
JPY	Japanese yen
KKC	Small Credits for Corona Guarantee Scheme (Netherlands)
KRW	Korean won
KZT	Kazakhstani tenge
MFI	Micro-finance institution

MSME	Micro, small and medium-sized enterprise
MXN	Mexican peso
MYR	Malaysian ringgit
NGEU	Next Generation European Union
NIS	Israeli new shekel
NOK	Norwegian krone
NPL	Non-performing loan
NZD	New Zealand dollar
OECD	Organisation for Economic Co-operation and Development
OUERP	Oxford University Economics Recovery Project
PAE-MYPE	Business Support Programme for micro and small businesses (Peru)
PE	Private equity
PEN	Peruvian nuevo sol
PLN	Polish zloty
PPP	Paycheck Protection Program (United States)
R&D	Research and development
RLS	Recovery Loan Scheme (United Kingdom)
RRP	Rescue and Recovery Packages
RSD	Serbian dinar
RSI	Risk Sharing Instrument
SACE	Italian Export Credit Agency
SAFE	Survey on the Access to Finance of Enterprises
SBIR	Small Business Innovation Research
SIVA	Industrial Development Corporation of Norway
STIP	Science, technology and innovation policies
STTR	Small Business Technology Transfer
SIHAK	Slovak Investment Holding anti-corona capital instrument
SIHAZ	Slovak Investment Holding anti-corona guarantee
SBA	Small Business Administration
SCARP	Small Companies Administrative Rescue Process (Ireland)
SEK	Swedish krona
SDG	Singapore Dollar
SJPP	Guarantee Schemes by the Government (Malaysia)
SME	Small and medium-sized enterprise
SSBCI	State Small Business Credit Initiative (United States)
TANKAN	Business Short-Term Economic Sentiment Survey (Japan)
THB	Thai baht

TRY	Turkish lira
UAH	Ukrainian hryvnia
UBB	United Bulgarian Bank
UF	Unidad de Fomento
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USD	United States dollar
VC	Venture capital
WB	World Bank
WTO	World Trade Organization
ZAR	South African rand

ISO Country Abbreviations			
AUS	Australia	**JPN**	Japan
AUT	Austria	**KAZ**	Kazakhstan
BEL	Belgium	**KOR**	Korea
BRA	Brazil	**LTU**	Lithuania
CAN	Canada	**LUX**	Luxembourg
CHE	Switzerland	**LVA**	Latvia
CHN	People's Republic of China	**MYS**	Malaysia
CHL	Chile	**MEX**	Mexico
COL	Colombia	**NLD**	Netherlands
CZE	Czech Republic	**NZL**	New Zealand
DNK	Denmark	**NOR**	Norway
ESP	Spain	**PER**	Peru
EST	Estonia	**POL**	Poland
FIN	Finland	**PRT**	Portugal
FRA	France	**SRB**	Serbia
GBR	United Kingdom	**SVK**	Slovak Republic
GEO	Georgia	**SVN**	Slovenia
GRC	Greece	**SWE**	Sweden
HUN	Hungary	**THA**	Thailand
IDN	Indonesia	**TUR**	Turkey
IRL	Ireland	**UKR**	Ukraine
ISR	Israel	**USA**	United States
ITA	Italy	**ZAF**	South Africa

Executive summary

Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard provides information on SME financing trends and policies for 48 countries around the world for the period 2007 through the first half of 2021. The Scoreboard includes indicators on debt, equity, asset-based finance and framework conditions for SME and entrepreneurship finance, complemented by demand-side information and recent developments in public and private initiatives to support SME finance. Taken together, these indicators form a comprehensive framework for policy makers and other stakeholders to evaluate the financing needs of SMEs. The Scoreboard 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 over time.

The 2022 edition of the Scoreboard provides evidence of unprecedented developments in SME and entrepreneurship finance. The COVID-19 pandemic delivered a significant economic shock in 2020, with a global GDP contraction of 3.4% and a decline in global trade of 8.5% in real terms (OECD, 2021[1]). SMEs and entrepreneurs were at the centre of the crisis impact. Prolonged business shutdowns, depressed demand, and value chain disruptions created considerable operational and financial pressures on SMEs, threatening the survival of many viable enterprises and entrepreneurs (OECD, 2021[2]) . While the global economy rebounded in 2021, growing by 5.6%, the recovery remains uneven and risks of renewed outbreaks and related shutdowns persist (OECD, 2021[1]). Furthermore, SMEs are facing additional challenges related to the war in Ukraine. Inflation, in particular in the price of energy and raw materials, volatility in financial markets and disruptions in supply chains and trade, are having negative impacts on SME operations and performance, jeopardising their recovery. The medium- and long-term impacts on SME finance remain to be seen.

As the COVID-19 crisis unfolded, the significant policy response ensured that financing continue to flow to the economy, including to liquidity-strapped SMEs and entrepreneurs. Credit conditions relaxed in response to large-scale fiscal and monetary stimulus: in 2020 interest rates registered record lows in a large number of countries, interest rate spreads narrowed considerably in most Scoreboard countries, and collateral requirements declined across the board. In this context, new lending increased in about half of the Scoreboard countries, further supported by credit guarantee schemes and a notable rise in direct lending by public institutions. But even in economies where the growth of new loans was subdued or negative, complementary measures such as payment deferrals and debt moratoria provided relief for SME liquidity pressures. The combination of these measures also accounted for the sharp increase in the stock of outstanding SME loans, which grew at a rate never before registered in the history of the Scoreboard (4.9% in 2020 compared to an average annual increase of 1.2% in the previous five years).

In most economies, the majority of support measures was broad-based and accessible to all SMEs. This enabled most enterprises to continue to operate; as a result, bankruptcies declined in the majority of Scoreboard countries in 2020, with the median bankruptcy rate down by 11.7%. Nonetheless, in some countries, particularly those in the European Union, efforts were made to target lending and grant support measures to SMEs that were not in financial distress prior to the crisis, which appears to have minimised the distortive effects in these countries.

Alternative sources of finance, whose uptake by SMEs had been growing significantly prior to the crisis, declined significantly in 2020. For example, the drop in both leasing and hire purchases and factoring was unprecedented. The decline in leasing represented a reversal of the pre-crisis positive trend, while the drop in factoring intensified the pre-crisis slowdown of this activity.

Evidence on equity finance shows a fairly resilient venture capital sector despite the COVID-19 pandemic. Half of the countries that provided data for this indicator registered positive growth in 2020, in particular those with an already large market share, and this trend continued in 2021.

Online alternative finance activities have also continued to rise rapidly in most economies, spurred in part by new opportunities opened up by the crisis.

Chapter 2 of the report assesses SME financing support in national recovery packages that aim to accelerate growth and foster structural transformation in the aftermath of the pandemic. Comparisons are made with rescue measures implemented to stave off the economic and social impacts of the COVID-19 pandemic. The analysis shows only a modest focus on SMEs in recovery packages, with SME-related polices representing just 4.1% of total policy measures, and SME-specific funding just 2.2% of total funding (compared to 17% and 25.5% respectively in rescue packages).

The significant decline in liquidity support in the recovery phase is particularly notable. Measures aimed at boosting SME liquidity through debt, grants and deferral instruments carry less weight in recovery packages (4.5% of the total volume of finance) than in crisis measures (43.2%), and are increasingly targeted to viable firms and underserved companies owned by vulnerable groups. Recovery packages also have a stronger focus on start-ups, with policies in this area accounting for nearly a quarter of all SME-related policies (compared to 2% in rescue packages).

In terms of policy focus, recovery packages place emphasis on innovation, digitalisation and greening, with innovation accounting for the highest number of SME-related policies and digitalisation for the highest volumes of financial support. On the other hand, explicit SME-related policies related to greening and sustainability represent only 2.44% of financial support in this area according to the analysis of policy trackers, although figures for Europe are higher (approximately 5%). This evidence highlights the need for additional measures to ensure that SMEs are equipped to finance actions to reduce their carbon footprint and contribute to sustainability objectives. The new OECD Platform on Financing SMEs for Sustainability will advance these objectives by providing a forum for knowledge-sharing and policy dialogue on sustainable finance for SMEs.

Given their continued focus on traditional finance, recovery packages are not likely to be a key mechanism to kick-start improvements in the uptake of alternative sources of finance for SMEs. Going forward, governments may wish to consider other mechanisms to foster diversification of SME finance instruments, in line with the G20/OECD High-Level Principles on SME Financing. Fintech may hold particular promise to help SMEs thrive in the post-pandemic recovery, which is likely to be characterised by continued high levels of SME debt and challenges in risk assessment for certain firms and sectors.

There may also be a need to take additional steps to address the challenges of SME insolvency, which are only modestly covered in recovery packages through measures such as debt restructuring solutions and actions to strengthen the capacities of insolvency systems.

1 Recent trends in SME and entrepreneurship financing

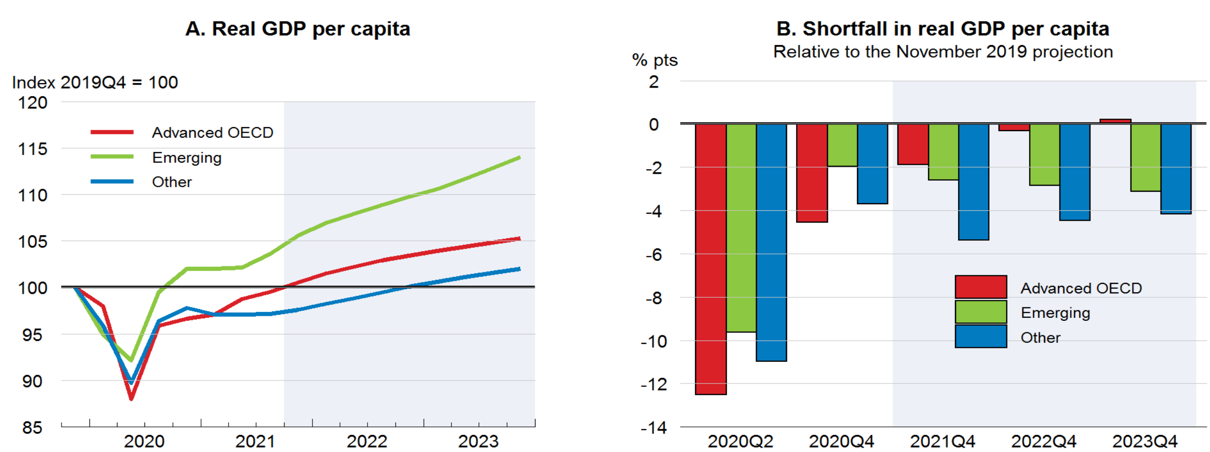
This chapter reports on trends and conditions in SME access to finance. It analyses the impact of the COVID-19 pandemic on SME and entrepreneurship financing in 2020 and 2021 based on national data and demand-side surveys. It first provides a brief overview of macroeconomic conditions and the business environment since 2020. It then analyses the provision of SME financing through different instruments, as well as trends in credit conditions, bankruptcies, payment delays and non-performing loans. It concludes with an overview of recent trends in SME finance support policies.

Business environment and macroeconomic context

The COVID-19 pandemic has had a significant economic impact. Global GDP declined by 3.5% in 2020 as a result of confinement-related shutdowns, depressed demand and disruptions in value chains. (OECD, 2021[1]). In contrast to the great financial crisis, the economic contraction provoked by the COVID-19 pandemic hit developed and developing countries alike, with almost all economies reporting negative growth in 2020 (OECD, 2021[2]). Despite global GDP rebounding to 5.6% in 2021, the recovery differs significantly across countries and is projected to continue to diverge. Most advanced economies and emerging economies have already reached pre-crisis real GDP per capita levels, while other developing countries are expected to reach these levels by 2022 (Figure 1.1, left panel). However, the shortfalls relative to the November 2019 projections for real GDP per capita remain relatively high in emerging and developing economies, reflecting largely the relatively lower speed of vaccine rollouts as well as the relatively lower levels of fiscal support that can be deployed to support the recovery efforts (Figure 1.1, right panel).

However, these projections have been impacted by the war in Ukraine. While the most important consequences have been the lives lost and the humanitarian crisis associated with the huge numbers of besieged and displaced people, there are also significant economic implications. The economic impact of the conflict is highly uncertain, but as of March 2022, it is estimated that it could reduce global growth projections by 1% in the first full year after the start of the conflict, while global inflation could rise by close to 2½ percentage points (OECD, 2022[3]).

Figure 1.1. December 2021 real GDP per capita growth projections



Note: Advanced OECD is OECD minus Chile, Colombia, Costa Rica, Mexico and Turkey. Emerging comprises the latter five OECD countries plus the BRIICS plus Argentina, Bulgaria and Romania. Other is all countries excluding the above, the Dynamic Asian economies (Chinese Taipei, Hong Kong, China, Malaysia, Philippines, Singapore, Thailand and Vietnam), and a number of oil-exporting countries. The Other grouping mostly consists of lower-income developing economies
Source: OECD Economic Outlook, December 2021 (OECD, 2021[4]).

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The pandemic has had a particularly strong impact on SMEs. At the height of the crisis, over 50% of SMEs reported a strong drop in revenue and were at risk of being put out of business in less than three months, according to more than 40 business surveys conducted in 2020 around the world. Micro and small enterprises were particularly hard hit, with nearly two thirds of these firms reporting significant impacts from the crisis, compared to about 40% of large enterprises (International Trade Centre, 2020[5]). SMEs in developing countries were even more affected due to the limited scale of government support[1] or to the allocation of resources to large companies (World Bank, 2021[6]).Informal SMEs have also been greatly affected (ILO, 2020[7]).

Trade and business investment

The pandemic significantly disrupted world trade, which was already under considerable strain over the previous decade. In 2020, global trade registered an 8.5% decline in real terms (OECD, 2021[1]). In 2021, it rebounded, increasing 9.3% with respect to 2020 (OECD, 2021[4]). However, trade in services was particularly impacted by the crisis, declining by 21% in 2021 on account of a sharp decline in travel (-81% y-o-y in Q2 2020 and -68% y-o-y in Q3 and Q4 of 2020) and transport services (-20% y-o-y in Q2 and -14% y-o-y in Q3 of 2020) (WTO, 2021[8]). Trade in goods also contracted, though by a more moderate 5.8%, having rebounded following a 25% y-o-y decline in second quarter of 2020 (WTO, 2021[9]).

SMEs were impacted strongly by trade disruptions along the value chain. The biggest disruptions occurred in Q2 of 2020, with strict lockdown measures in many economies, but frictions have persisted through 2020 and into 2021. In China, exports fell about 21% in February 2020 compared to the same period in 2019, before beginning to recover (International Trade Centre, 2020[5]). In the last quarter of 2020, 69% of SMEs in Europe reported having difficulties in importing materials, goods and services, and 46% reported specifically facing disruptions to supply chains, which led to shortages of goods. SMEs also incurred additional financial costs due to these disruptions, with 26% reporting paying higher prices, and 39% facing late payments compared to the same period in 2019 (European Commission, 2021[10]). In 2022, SMEs in some sectors are encountering challenges as a result of increased volatility and price increases in commodity markets. Russia and Ukraine together account for about 30% of global exports of wheat, 20% of corn, mineral fertilisers and natural gas, and 11% of oil. (OECD, 2022[3]). SMEs that rely on these inputs, particularly European SMEs, are likely to be affected.

Supply chain disruptions persisted in 2021 and early 2022. The sharp rise in the demand for goods, in combination with the re-introduction of pandemic restrictions including China's zero-COVID policy, has congested the world busiest ports and exhausted shipping capacity. With important ports closing, and the restriction on movement causing significant shortage of workers and drivers, in October 2021, the global delivery time index registered the worst month on record. This has impacted inventories, causing shortages and affecting manufacturers worldwide (Reuters, 2022[11]). As a result global shipping costs have soared, increasing by 343% y-o-y as October 2021 according to the Freghtos Baltic Index (CFR, 2021[12]).

The strong financial impact on enterprises, as well as the uncertainty that gripped the world in the midst of the pandemic, also had a strong impact on investment. Measured as gross fixed value formation, investment declined sharply in Q2 of 2020 (-11.5% y-o-y in OECD countries), but it has rebounded since in most advanced economies and emerging markets. (OECD, 2021[13]) (OECD, 2021[4]). According to surveys, SME fixed investment has followed the same trend (ECB, 2021[14]). Meanwhile, foreign direct investment (FDI) was particularly strongly hit, declining by 42% in 2020 (UNCTAD, 2021[15]). In the first half of 2021 however, global FDI rebounded strongly, with inflows in the first two quarters of 2021 recovering more than 70% of 2020 losses (UNCTAD, 2021[16]).

Financial conditions

Financial conditions did not deteriorate significantly in 2020 and 2021, in large part due to swift and strong action of governments and monetary authorities around the world. Almost all central banks implemented monetary easing to swiftly inject liquidity into the economy. In high income countries with already record low interest rates, central banks took unconventional measures such as large emergency purchases of securities, and easing of collateral standards and capital requirements for financial institutions to prevent a credit crunch (Federal Reserve Bank of New York, 2020[17]) (ECB, 2020[18]). In many economies, these measures were accompanied by temporary regulatory easing for commercial banks as well as moratoria on principal and/or interest payments for enterprises. Complementary fiscal measures, including credit guarantee schemes, subsidised lending, tax deferrals, etc., were also introduced to keep credit flowing and stave off a potential solvency crisis (see more under Government Policy Responses section).

In 2022, conditions are tightening in financial markets around the world, reflecting greater risk aversion and uncertainty. A tighter monetary policy stance to counter inflation is leading to higher interest rates, which are likely to impact the conditions for SME borrowing (OECD, 2022[3]).

Lending to SMEs

The COVID-19 crisis and related policy interventions had a significant impact on the dynamics of lending to SMEs in 2020. At the beginning of the crisis, SME liquidity needs soared due to significant revenue shortfalls. While some of these shortfalls were offset by lower expenses due to temporary closures, as well as relief measures such as tax deferrals, wage subsidies and moratoria on debt repayments, remaining gaps had to be filled with new financing. Moreover, many SMEs sought to build up precautionary liquidity buffers in light of the uncertain evolution of the pandemic. (Falagiarda, Prapiestis and Rancoita, 2020[19]).

New SME loans

Many economies recorded an increase in new SME lending in 2020, supported by accommodative monetary policy and government support measures, including credit guarantees, direct lending through public banks, and other instruments (see Section 0 Government policy responses in 2019-20).

In a few economies, new lending surged in 2020: Greece (+179.5%), United Kingdom (+72.44%), Kazakhstan (+41%), Chile (+38%), Slovenia (38%), the Slovak Republic (+27.6%) and the Czech Republic (+24.7%) (Figure 1.2). In these economies, strong demand from liquidity-constrained SMEs - many operating in highly impacted sectors such as tourism, wholesale and retail trade, transport, etc. - was met with the expansion of existing SME-related government support programmes[2] and the introduction of new crisis-related measures (see Government policy responses). The increase in lending also reflected an increase in precautionary borrowing spurred by favourable credit conditions and relatively faster and easier access to bank loans. Last but not least, in some economies, the significant restructuring and renegotiation of loans introduced under the COVID-related debt moratoria contributed to the increase in new loans (see Box 1.1 and Section on Government policy responses in 2019-20).

On the other hand, in many other Scoreboard economies, new lending was either subdued or declined despite significant liquidity support provided by monetary and fiscal authorities (Figure 1.2). This did not necessarily mean that liquidity needs of SMEs went unmet. As noted earlier, lower demand for new loans can also explain the observed decline in new lending. Lower investment needs, recourse to public financing schemes (direct lending, grants, equity, etc.) and reliance on alternative liquidity support measures (deferrals, wage subsidies, debt moratoria, etc.) limited SMEs' need for bank credit (see Box 1.1). This was especially the case in more advanced economies where ample fiscal and monetary support was provided to avoid a credit crunch[3] (Falagiarda, Prapiestis and Rancoita, 2020[19]) (see Box 1.1).

That said, SME surveys also pointed to supply-side constraints in the banking sector as well. For example, in Australia, which registered the highest decline in new lending across the Scoreboard countries, a study covering 1 750 Australian SMEs found that the SME financing gap widened considerably between 2019 and 2021, increasing by AUS 4.6 billion to AUS 94.3 billion. The survey found that 1 in 4 SMEs, most of which bank with the four largest banks in Australia, were not able to secure a loan in 2020 (Judo Bank, 2021[20]) In Denmark, too, credit declined despite increased demand for new loans among SMEs (see Denmark country profile). In Serbia, new lending to SMEs fell considerably despite the introduction of a new credit guarantee scheme. The sharp rise in rejection rates further suggests that the increased demand for new lending among Serbian enterprises might not have been fully met by the banking system (see section on Rejection rates).

Box 1.1. Spotlight on new SME lending in selected economies

In Chile, the high growth in new lending reflects the significant boost of funding (USD 3 billion) and lower access requirements to the Small Business Guarantee Fund (FOGAPE)'s through the newly established COVID-19 scheme. The sharp increase also reflects a relatively low base: SMEs account for just 21% total outstanding business loans (see Chile country profile).

In Greece, the sharp rise in lending also reflected the relatively low base of lending prior to the crisis. New SME lending (as all other enterprise lending) had been on a downward trend since the start of the global financial crisis, constrained by a weak post-recession recovery and a high and rising share of SME non-performing loans (NPLs) (36% of total loans in 2019). Thus, at EUR 3.5 billion, new SME loans in 2020 still accounted for just above a quarter of the value of new SME loans in 2008 (EUR 12.5 billion). The surge in new demand for loans in Greece likely also reflected the relatively high share of SMEs in sectors strongly affected by the crisis, such as tourism (see Greece country profile).

In Slovenia, 2020 saw an increase in precautionary borrowing as evidenced by the value of approved credit lines which have largely remained undrawn. New lending was further boosted by renegotiated and restructured loans under the legislative moratoria related to Covid-19, which are classified as new loans under the methodology of the Bank of Slovenia. This explains in part the divergence between the strong increase in new lending (23% y-o-y, inflation adjusted) and the decline in the outstanding stock of SME loans (see section below on Outstanding stock of SME loans; Slovenia country profile).

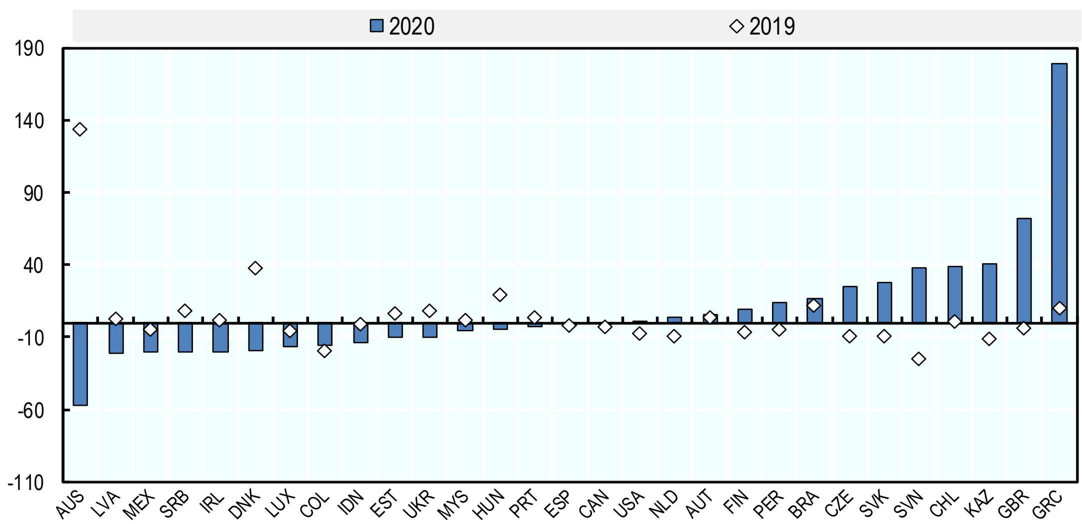
In the United Kingdom, the high spike in new lending to SME reflects significant precautionary borrowing by SMEs against 100% government guarantees in the Bounce Back Loan scheme (BBLS) to build up liquidity buffers: 23% of applicants in the scheme had used none of the facilities (Klahr et al., 2021[21]). Similarly, the provision of BBLS loans with broad eligibility criteria, a swift application process (loans approved within 24 to 72 hours), a long grace period and a 100% government guarantee may have contributed to a larger number of SMEs receiving loans compared to other Scoreboard economies (National Audit Office, 2020[22]).

In the United States, unprecedented financial support was provided to SMEs through the Paycheck Protection Programme (PPP) (USD 525 billion through 5,460 lenders) and other programmes. However the lending provided through the programme was subject to forgiveness upon proof of retained employment which resulted in most financial support (over USD 600 billion) being eventually extended in grant form (see United States country profile). This accounts for the relatively limited growth in new lending in 2020.

Source: Scoreboard country profiles.

Figure 1.2. New SME loans

Year-on-year growth rate, as a percentage



Note: All data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries were extracted from the World Development Indicators from the World Bank.
Source: Data compiled from the individual country profiles.

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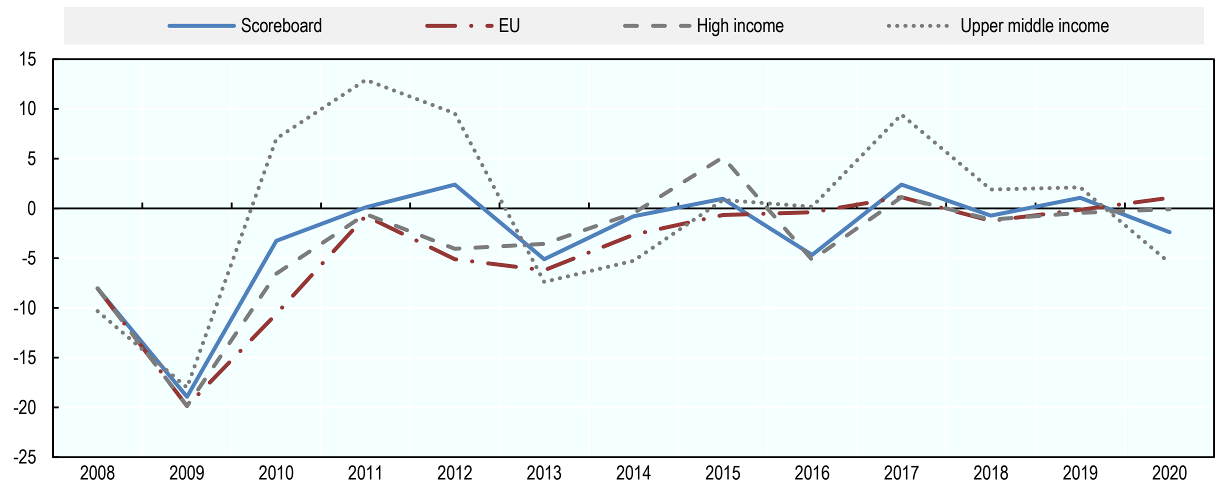
Most upper middle income economies recorded a decline in new SME lending – with the median lending rate declining by 5.47% (Figure 1.3).This likely reflected the more limited government support relative to advanced economies and/or more limited transmission of the support measures. For example, advanced economies spent 8.4 % of GDP on average on stimulus measures, compared to 6.4% of GDP in middle income economies (UNCTAD, 2020[23]). Some middle-income countries also had limited scope for loosening monetary policy given inflationary pressures, potential capital outflows and upward pressures on exchange rates (OECD, 2020[24]), which had implications for interest rates and credit growth. Furthermore, in middle-income economies, the risks associated with lending to SMEs and enterprises in general are comparatively higher and banks can be less incentivised to lend, especially in a crisis situation. Therefore, even if instruments were deployed by governments to enhance new lending for SMEs, this lending did not always materialise at the expected rate unless credit guarantee schemes fully transferred the risks of new lending from banks to the government, which was not the case in all Scoreboard upper-middle income countries. Finally, the lower increase in new lending may also be attributable to lower demand for loans due to shorter and less strict lockdowns in some of these economies, as well as the availability of alternative sources of liquidity support (i.e. deferrals, subsidies and grants etc.) (Figure 1.2) (ECB, 2020[25]).

Figure 1.3. Growth in new SME lending, 2008-20

Median year-on-year growth rate, as a percentage



Note: All data are adjusted for inflation using the OECD GDP deflator. GDP deflators for non-OECD countries were extracted from the World Development Indicators from the World Bank.
Source: Data compiled from individual country profiles.

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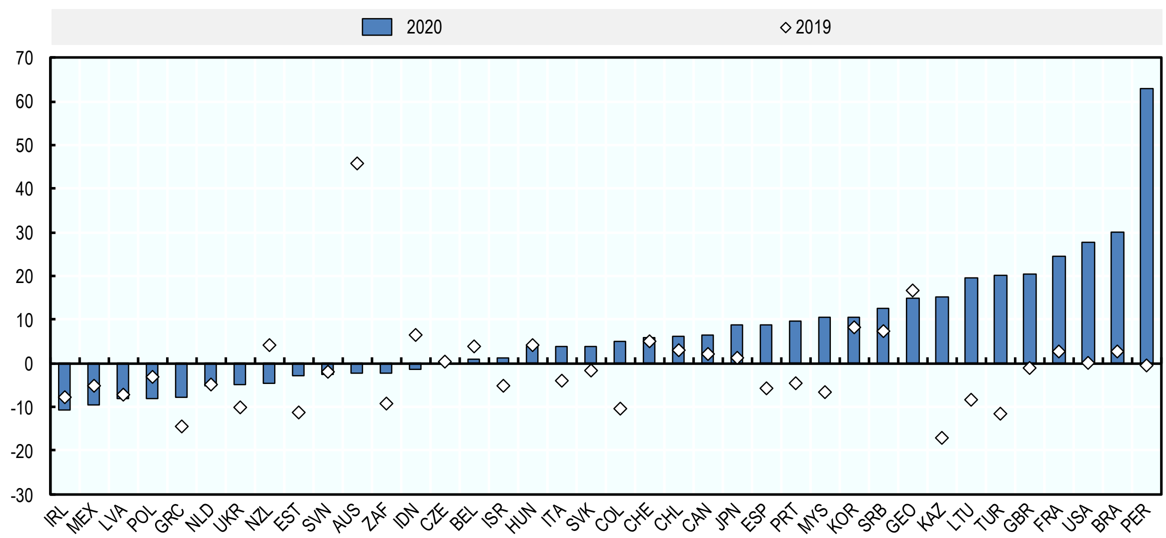
Outstanding stock of SME loans

In most Scoreboard countries (27 out of 41 countries that provided data for this indicator), the stock of outstanding SME loans increased in 2020 (Figure 1.4). In many economies, such as France, Kazakhstan, Turkey and the United Kingdom, this reflects the significant growth in new SME lending, as discussed the previous section. However, changes in outstanding SME loans also reflect other dynamics that were impacted by the pandemic and related measures, including the pace of loan repayments and changes in the maturity of loans. The large use of debt moratoria, for example, affected the pace of loan repayments across most Scoreboard economies (29 out of 46 countries), and the extensions of loan maturities as part of debt restructuring schemes resulted in many SME loans remaining on bank balance sheets longer than they would have otherwise (OECD, 2021[2]).

Figure 1.4. Growth in outstanding SME business loans

Year-on-year growth rate, as a percentage



Note: All data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries were extracted from the World Development Indicators from the World Bank.
Source: Data compiled from the individual country profiles.

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In 2020, many countries (14 out of 41 countries that provided data for this indicator) recorded a decline in the stock of loans. Contributing factors include sluggish growth or declines in new lending due to limited investment opportunities and/or recourse to public crisis-related financing schemes, coupled with (accelerated) debt repayment. In some countries, the decline also reflected continued deleveraging of the private sector following the global financial crisis, and the sale and/or restructuring of NPLs and other loans (the latter as part of the debt moratoria schemes) (see Box 1.2).

Box 1.2. Spotlight on outstanding stock of SME loans in selected economies

In France, the stock of SME loans rose sharply on account of a strong increase in new lending through government-supported programmes and debt moratoria. French SMEs had increased their equity and had deleveraged significantly prior to the crisis, which enabled them to take on more debt in 2020. Data from the Bank of France show that the share of equity in total financial resources had risen from 37.8% in 2007 to 44% in 2019. This gave SMEs greater borrowing capacity to increase their liquidity in the midst of the crisis. The Bank of France shows that indeed in 2020, SMEs requested state-guaranteed loans worth EUR 95 billion, representing 75% of loans approved as of December 2020 (Banque de France, 2021[26]).

In Greece, the stock of SME loans declined despite a strong increase in new lending (170%, inflation adjusted). This was mainly the result of significant removal of NPLs from Greek banks' balance sheets (from 36.1% of total loans in 2019 to 28.5% of total loans in 2020) through the introduction in late 2019 of the "Hercules" asset-protection scheme. The scheme, which was extended in mid-2021, enabled the sale of NPLs to a private securitisation vehicle that could subsequently sell more senior securities backed by these assets and guaranteed by the state (see Greece country profile).

In Ireland, the decline in new SME lending and the stock of outstanding loans in 2020 represented a continuation of a long-term deleveraging trend following the global financial crisis. According to the SME Credit Demand Survey, SMEs' demand for loans declined in 2020, dampened by prolonged closures and the availability of alternative Government support that helped businesses reduce their expenditures (direct grants and payments to closed or impacted businesses, tax warehousing, support for wage payments). Data from the Central Bank of Ireland showed a significant increase in the deposits of private enterprises, including SMEs, which further confirms that the most likely reason SMEs did not access credit was the sufficient availability of internal funds.

In Italy, the State guarantee system was boosted by giving SACE, the Italian export credit agency whose tasks were redefined, the role of providing public guarantees to large firms. The initiative was also extended to SMEs that had exhausted their ability to access the Central Guarantee Fund. This, in combination with other provisions, such as the roll-out of a debt moratorium to help firms cope with temporary liquidity shortages, dampened the demand for bank credit. Italy thus saw only a modest increase in the outstanding stock of SME loans.

In Korea, the stock of SME lending rose by 10.6% compared to 2019. The increase is explained by government support measures, including the extension of loan maturities as well as debt moratoria of principal and interest of loans (worth KRW 209.7 trillion – from April 2020 to July 2021) provided to SMEs affected by the COVID-19 crisis. The deferral of principal payment was further extended with KRW 12.1 trillion, and the deferment of interest payments with KRW 209.7 billion.

In Peru new SME lending increased by 13.8% in real terms, and the outstanding stock of SME loans grew by a remarkable 60% in real terms. This marked a notable change in a multi-year trend of relatively subdued or negative growth in the stock of loans. The government support programmes Reactiva Peru and Fondo de Apoyo Empresarial- FAE-MYPE) gave a significant boost to new SME lending. The stock of loans was further boosted by the introduction of alternative liquidity support measures, such as a credit rescheduling programme, which was implemented to limit the risks of default, but also enabled loans to remain on banks' balance sheets longer.

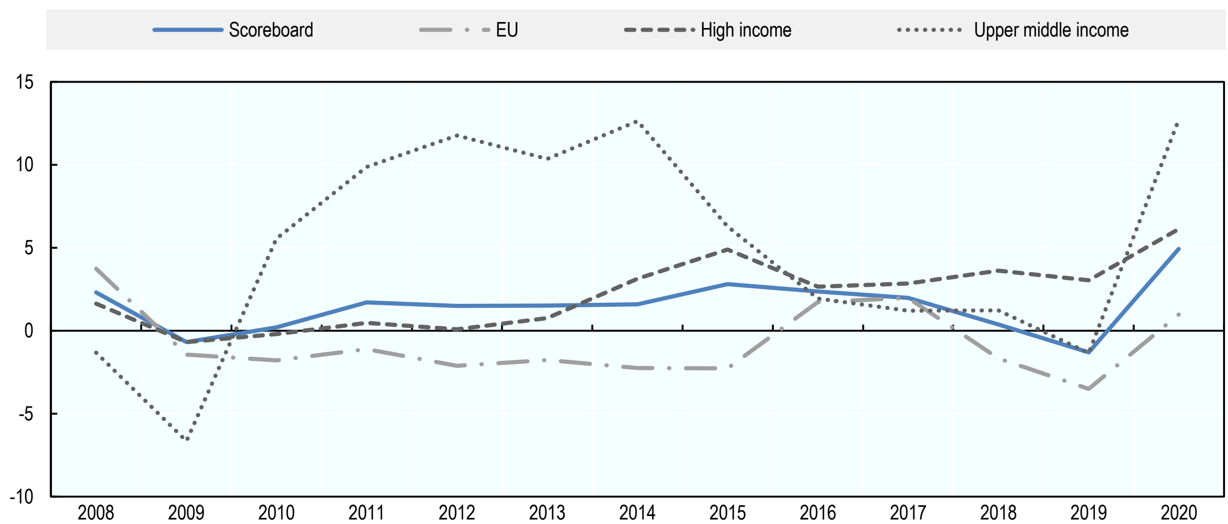
In Poland, bank surveys indicated that there is limited demand for new lending due to the use of government support programmes. This was accompanied by high debt repayment rates (94.5% of companies declared timely settlement of credit liabilities), which resulted in a net decline in the stock of loans.

Source: Country profiles.

All of these factors contributed to a notable increase in the stock of outstanding SME loans: the median year-on-year growth for all Scoreboard countries rose to 4.94%, the highest in the Scoreboard's history. The largest increase was registered in upper middle-income countries (12.7% increase in the group median), which marked a sharp reversal of the pre-crisis trend of declining outstanding stock of loans. The European Union experienced the smallest increase among all groups, at 0.97%, though the positive growth represented a reversal of a three-year trend of declining stock of outstanding SME loans (Figure 1.5).

Figure 1.5. Growth in outstanding SME loans, 2008-20

Median year-on-year growth rate, as a percentage



Note: All data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries were extracted from the World Development Indicators from the World Bank. The other high-income country category in this sample are Australia, Canada, Chile, Israel, Japan, New Zealand, Switzerland and the United States.
Source: Data compiled from information received from individual country Scoreboards.

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SME loan shares

The composition of enterprise lending between SMEs and large enterprises did not change significantly in 2020 in most Scoreboard countries (Figure 1.6). This means that, contrary to what might have been expected, the COVID-19 crisis did not shift lending away from riskier clients like SMEs and toward larger enterprises. This also suggests that the strong policy response and focus on SME support in COVID-19 rescue packages likely shifted the balance in favour of SMEs, especially in the provision of liquidity support, if not financing for investment (see Chapter 2). A BIS study found that measures that strengthen bank's lending capacity by encouraging flexibility in loss accounting and by preserving their capital, contributed to lending growth, with SMEs being the main beneficiaries. Likewise, increases in the coverage of guarantee programmes was associated with banks reporting accommodative lending standards and high lending to SMEs (BIS, 2021[27]).

In countries that saw the share of SME lending increase in 2020 (Figure 1.6), the driving factors differed. In Lithuania, for example, the share of SME loans increased by 17.1 percentage points in 2020, but this was mainly on account of large enterprises' lower demand for loans tempered by postponed investments, reserved sales and alternative state support (e.g. tax deferrals) (see Lithuania country profile). In other countries, like Brazil and Peru, new lending to SMEs, which was largely government provided or backed, accounted for most of the increase in the relative share of SME loans in 2020 (see Brazil and Peru country profiles). In Peru, for example, 98.6% of the beneficiaries of the Reactiva Peru programme were SMEs (see Peru country profile).

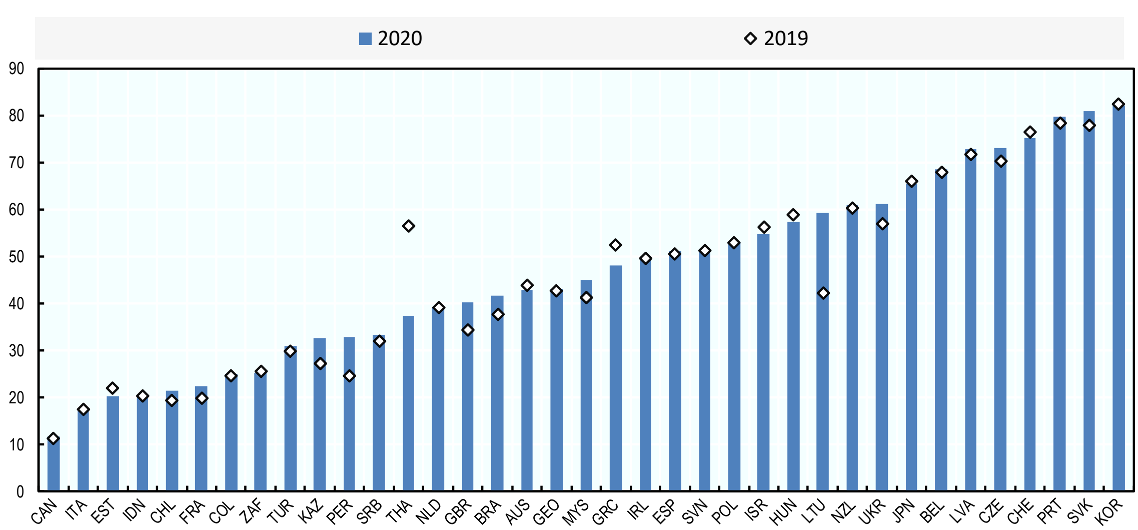
In 2020, the share of outstanding SME business loans ranged from around 20% or less in Canada, Italy, Estonia, Indonesia, Chile and France, to more than 70% in Latvia, the Czech Republic, Switzerland, Portugal, the Slovak Republic and Korea (Figure 1.6). Interestingly, it is in the first group of countries (where the proportion of SME lending is lower compared to large firms) that there is less variation of the group median between 2019 and 2020, when compared to the second group of countries. This can be explained by the structure of the corporate sector in such economies where the presence of large firms is stronger (OECD, 2020[28]), and thus cyclical disruptions do not have a large impact on lending rates.

SME loan shares generally remain lower in developing and middle-income countries (Figure 1.6). This reflects, among other factors, higher levels of informality. In Colombia and South Africa, for example, an estimated 60% and 58% of businesses respectively operate informally (see country profiles). This high prevalence of informality also contributes to the lack of access to finance, as the benefits of formalisation are not well known and understood by business owners. Informality also contributes to financial exclusion from formal financial services: in South Africa, for example, about 28% of enterprises are informally served, while 15% are financially excluded (see South Africa country profile). The COVID-19 pandemic is likely to have exacerbated the challenges of informality, as a large share of formal businesses closed during the pandemic but many of these likely continued to operate informally (see more in Section 1.6.2 on Bankruptcies).

The relatively lower share of SME loans in developing and emerging countries can also be explained by the large proportion of SME owners that request credit on their personal accounts, to be used for business purposes. In South Africa, only 34% of businesses use formal financial accounts in the business' name. This not only increases the risk of excessive personal indebtedness and affects the owners' credit profile and history, but it also means that these businesses do not benefit from access to adequate financial products. This also impedes banks' adequate monitoring of corporate credit (see South Africa country profile).

Figure 1.6. SME loan shares

As a percentage of total outstanding business loans



Note: All data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries were extracted from the World Development Indicators from the World Bank.
Source: Data compiled from the individual country profiles

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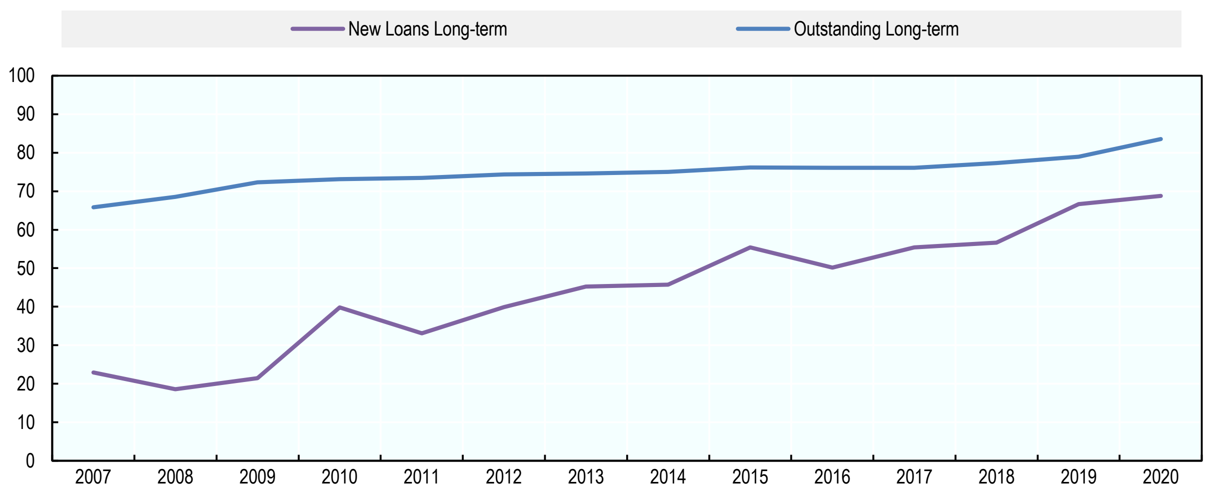
Short-term versus long-term lending

Short-term loans are defined as loans with maturities of less than a year, and are often used to provide working capital. Long-term loans, meanwhile, are more often used to finance investments, but can also indicate a strategy used by SMEs to lock in lower interest rates (Banque de France, 2018[29]). As documented by previous editions of the SME financing *Scoreboard*, there has been a progressive shift in the SME loan portfolio from short-term loans to loans with longer maturity periods, and 2020 data show a continuation of this trend (OECD, 2020[28]). Nearly seven out of ten new loans for SMEs in 2020 were long-term loans (Figure 1.7). This trend is likely to continue as COVID-19 debt restructuring schemes tend to extend loan maturities to loans provided in 2020 as a way to give SMEs the time to recover (OECD, 2021[2]).

Figure 1.7. Share of long-term SME loans

Median values, as a percentage of all SME loans



Note: All data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries were extracted from the World Development Indicators from the World Bank.
Source: Data compiled from the individual country profiles.

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Credit conditions for SMEs

This section describes credit conditions for SMEs and entrepreneurs based on the data on the cost of bank finance, collateral requirements and rejection rates. It also draws on findings from supply-side and demand-side surveys.

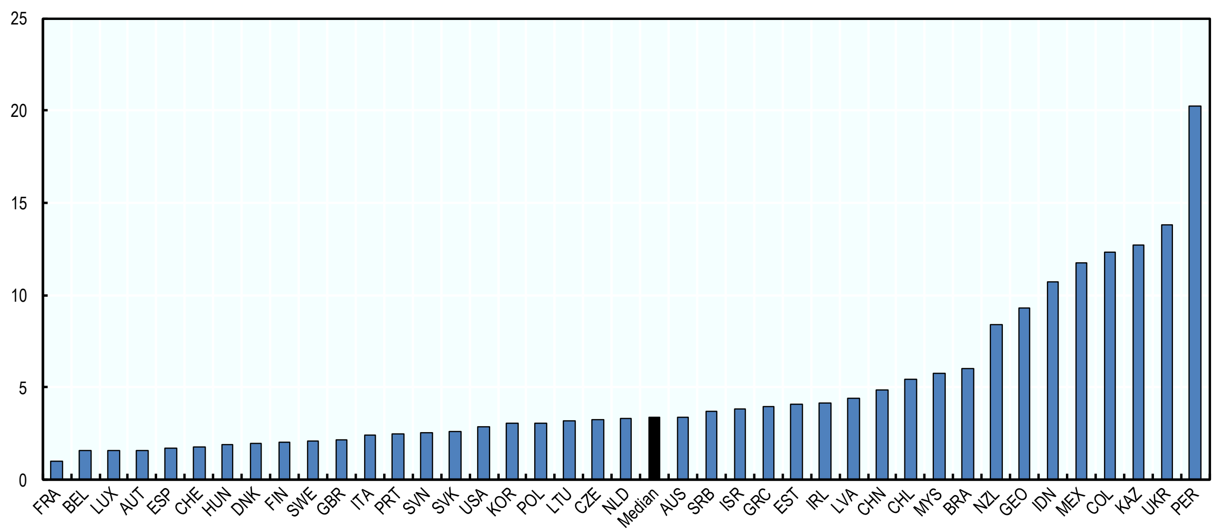
Interest rates

Interest rates continue to vary across Scoreboard countries, with upper middle-income economies demanding relatively higher borrowing costs for SMEs compared to advanced economies. In seven economies, SME interest rates exceeded 10%. The high interest rates reflect in some cases, the banks' significantly higher operating costs and credit risk associated with SME operations. SMEs tend to have a low degree of organisation, operate in the local market and lack financial information regarding their activities. In Peru, for example, around 57.9% of SMEs do not keep a record of their cash flows and 80% do not prepare a financing plan for their activities (see Peru country profile). In other countries, like

Kazakhstan, interest rates are high for both SMEs and large enterprises, reflecting broader macroeconomic conditions (see Kazakhstan country profile).

Figure 1.8. SME interest rates, 2020

Nominal rates, as a percentage



Note: The median calculation includes data for Russia and Belarus.
Source: Data compiled from the individual country profiles.

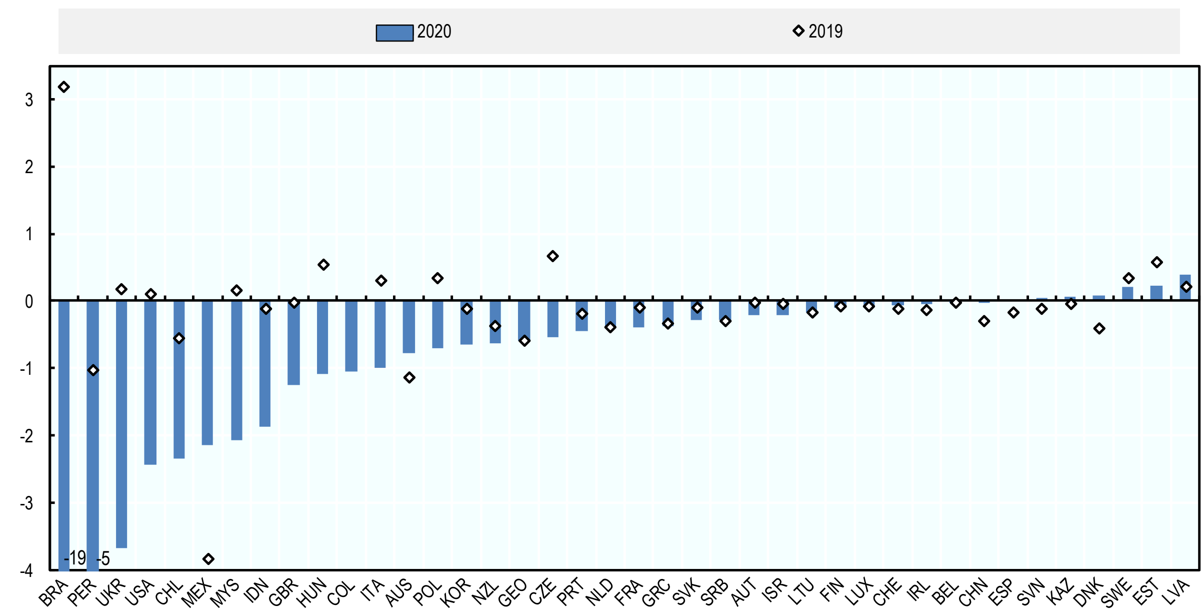
StatLink https://doi.org/10.1787/888934305103

When looking at the changes in SME interest rates in 2020 compared to the previous year, it is apparent that central banks made use of this monetary policy tool to swiftly reduce the cost of credit as a response to the COVID-19 restrictions. Interest rates declined in almost all reporting economies (34 out of 42), and in the others, they increased only marginally (less than 1% in all remaining countries) (Figure 1.9). Inflationary pressures and concerns about potential capital outflows brought on by the crisis likely limited interest rate decreases in some countries (OECD, 2020[24]).

The decline in interest rates is also explained by significant recourse to public lending or guarantee schemes. For example, the Brazilian National Program to Support Micro and Small Enterprises – Pronampe – programme provided financing for SMEs at significantly lower rates compared to the otherwise double-digit market lending rates (see Brazil country profile). In Chile, likewise, the FOGAPE lending scheme established a cap on interest rates for covered credit operations (they could not exceed the monetary policy rate by more than 3% in nominal terms) (see Chile country profile). These schemes resulted in some of the largest declines in interest rates ever recorded in the Scoreboard history (Figure 1.9).

Figure 1.9. SME interest rates, growth rate

Nominal rates, percentage points



Source: Data compiled from the individual country profiles.

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The median SME interest rate for the Scoreboard countries declined by 0.4 percentage points in 2020, the largest drop recorded in the Scoreboard for this indicator since 2009. Upper middle-income economies registered the largest decline, with 1.47 percentage points, albeit from a higher base. High-income countries, many of which already had record low interest rates prior to this crisis, registered a smaller decline in the median rate of 0.2 percentage points (Figure 1.9).

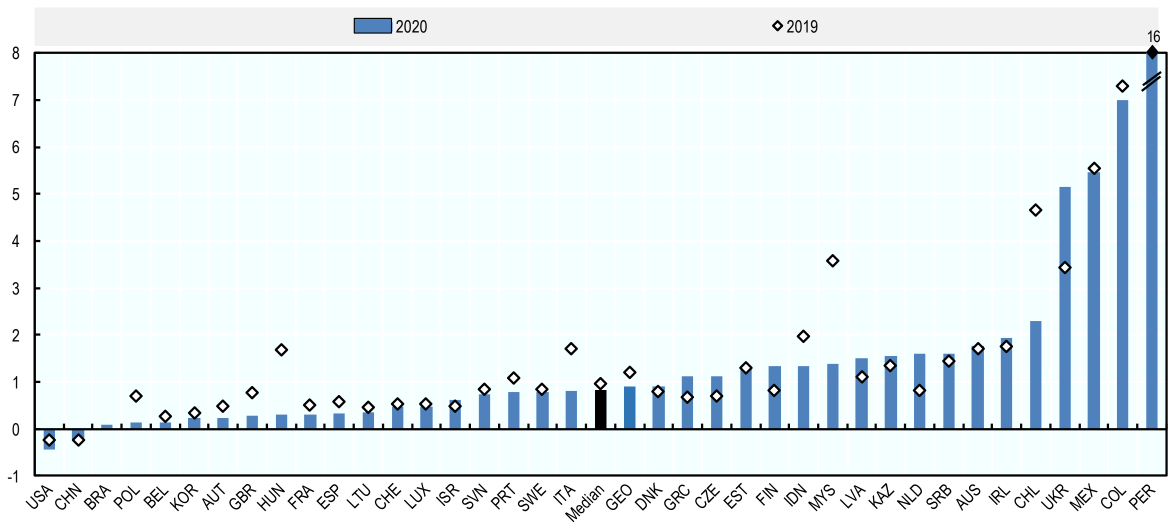
The interest rate spread between loans to SMEs and large companies offers additional insights regarding SME credit conditions. Given the inherently riskier profiles that SMEs have as borrowers, they are usually charged higher interest rates compared to large enterprises. As such, a narrowing interest rate spread generally indicates more favourable lending conditions for SMEs, while a widening spread indicates tighter lending conditions (OECD, 2012[30]).

The 2020 data on interest rate spreads show that SME credit conditions were overall more favourable compared to the run-up to the crisis: spreads were narrower in 27 countries out of 40 providing data for this indicator (Figure 1.10).

In 2020, Latin American countries registered the largest declines in interest rate spreads (Figure 1.10). This reflects a sharp drop in lending rates to SMEs that otherwise face very high market rates.

Figure 1.10. Interest rate spreads between loans to SMEs and to large firms

Nominal rates, percentage points



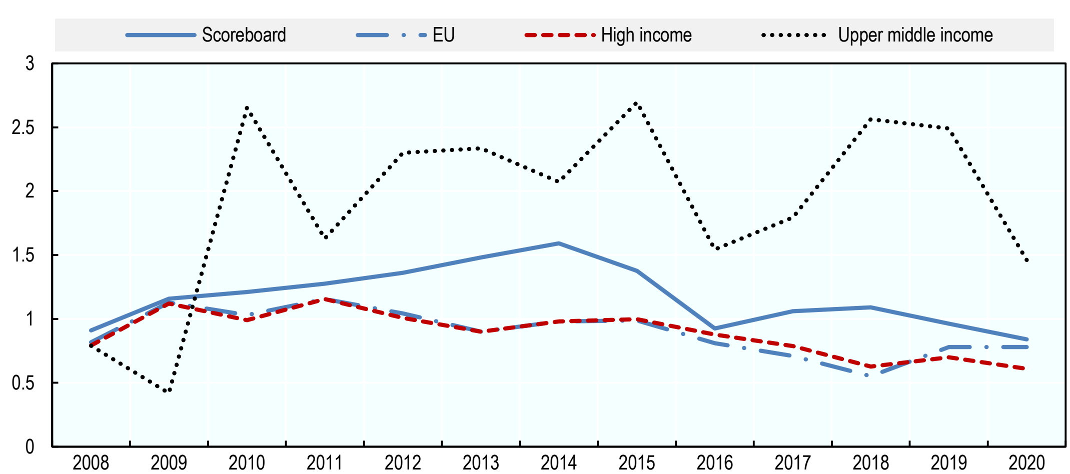
Note: The median calculation includes data for Russia and Belarus.
Source: Data compiled from the individual country profiles.

StatLink https://doi.org/10.1787/888934305141

The trend of the median value of interest rate spreads by income group offers further insights into SME credit conditions in 2020. Narrower spreads were registered in almost all groups of countries. Upper middle-income countries registered the strongest decline with 1.03 percentage points and the lowest median value since 2009 (0.42). This continues the pre-crisis trend of narrowing spreads in these economies. High-income countries also registered a decline of 0.09 percentage points and a median value 0.61 percentage points. In contrast, European Union countries' median value stood unchanged compared to 2019, at 0.78 percentage points (Figure 1.11).

Figure 1.11. Interest rate spreads between loans to SMEs and to large firms, by groups of countries

Median value, percentage points



Source: Data compiled from the individual country profiles.

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Collateral requirements

Data on collateral requirements come from demand-side surveys, whose methodology, sample and questions asked differ from one country to the other. Cross-country comparisons should, therefore, be made with caution, and reporting improvements are needed to better assess the evolution in SME financing conditions in this respect.

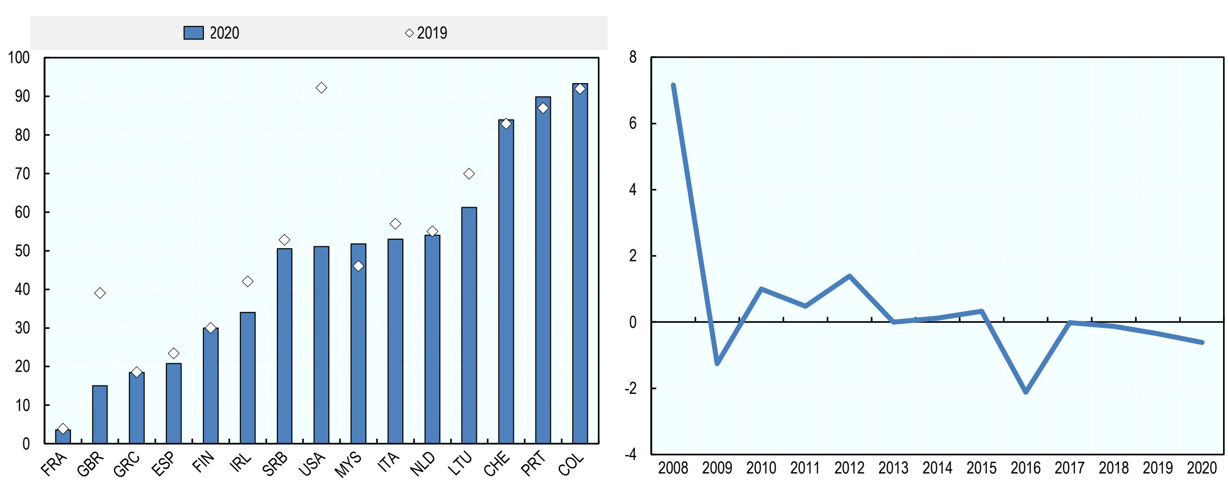
Evidence from 15 Scoreboard countries that provide data on this indicator shows that collateral requirements, expressed as a percentage of SMEs requiring collateral to access bank credit, declined significantly in 2020. Ten out of the 15 countries registered a fall in collateral requirements (Figure 1.12, left panel) The decrease was strongest in the United States (-41.10 percentage points), followed by the United Kingdom (-24 percentage points). Other high-income countries also registered a decline in collateral requirements, but to a lesser extent (Figure 1.12, left panel).

The decline likely reflects the increased use of credit guarantee schemes in response to the COVID-19 pandemic. For instance, as of February 2021, 46 out of 55 countries applied credit guarantees to respond to the COVID-19 crisis (OECD, 2021[2]).

The evolution of the median value for this indicators shows that the 2020 decline in collateral requirements was a continuation of the pre-crisis trend. However, the median share of loans requiring collateral in 2020 declined considerably more compared to the trend in the run-up to the crisis, reflecting the importance of the government support schemes. (Figure 1.12, right panel)

Figure 1.12. Collateral requirements

By country (left), median growth rate (right)



Source: Data compiled from the individual country profiles.

StatLink https://doi.org/10.1787/888934305179

SME loan applications

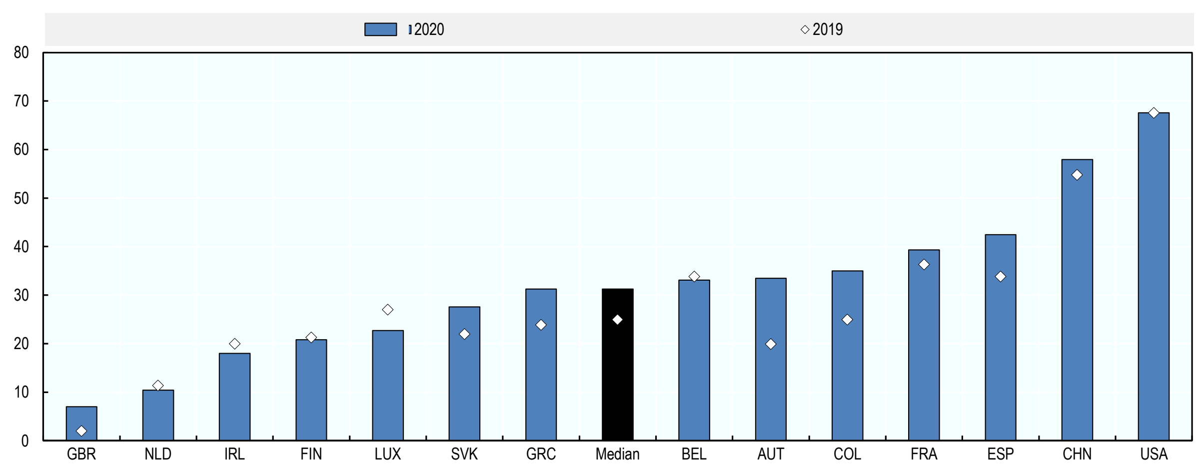
Similar to data on collateral, data on application rates are usually gathered from demand-side surveys, with limited comparability across countries.

Despite the pandemic, new loans applications did not increase significantly in many countries: the 2020 median value of SME loan applications was 31%, only 6 percentage points higher than the 2019 median (Figure 1.13). As discussed in Section 1.1 on new SME loans, despite the liquidity constraints imposed by the crisis, demand for new loans in many countries was dampened by postponed investments as well as the introduction of additional support measures like tax deferrals, debt moratoria, employment retention schemes, etc. Use of public financing schemes was another factor that negatively impacted the demand for bank credit. (ECB, 2020[31]).

On the other hand, in countries that did register an increase in SME loan applications, the growth rates were unprecedented. This is the case of Austria (+13.48 percentage points), Colombia (+10 percentage points), Spain (+8.57 percentage points), Greece (+7.34 percentage points) and the United Kingdom (+5 percentage points) (Figure 1.13). In Austria, for example, the big rise in SME loan applications reflected a sharp increase in the need for new financing compared to the previous years which were marked by a reported negative financing gap (i.e. the available finance was higher than the financing needs of SMEs) (ECB, 2019[32]).

Figure 1.13. SME loan applications

Share of total number of SMEs



Source: Data compiled from the individual country profiles.

StatLink https://doi.org/10.1787/888934305198

Rejection rates

Data on rejection rates are usually collected from demand-side surveys for which comparability across countries is often limited. Nevertheless, this indicator helps shed light on the supply of credit to SMEs and provides evidence on the overall financing conditions they face. Higher rates of rejection are indicative of constraints in the credit supply. A high number of loan application rejections thus illustrates that loan demand is not being met, either because the terms and conditions of the loan offers are deemed unacceptable, the average creditworthiness of loan applications has deteriorated, or banks are rationing credit (OECD, 2012[30]).

Credit standards (bank loan approval criteria) tightened in most countries in the context of the COVID-19 crisis, even if the tightening was relatively smaller compared to the global financial crisis, in part due to the significant fiscal and monetary support measures implemented in response to the crisis (ECB, 2020[31]). This resulted in an increase in rejection rates across over half the countries that provided data for this indicator (10 out of 17), while in the others rejection rates remained unchanged compared to 2019. The median value of the 17 countries showed an increase of 6.67 percentage points, reversing the trend seen in 2019 when the median rejection rates decreased 0.7 percentage points. This indicator remains high and with low variation between 2019 and 2020 in Lithuania and the United States, with 43.5% and 32.4% of

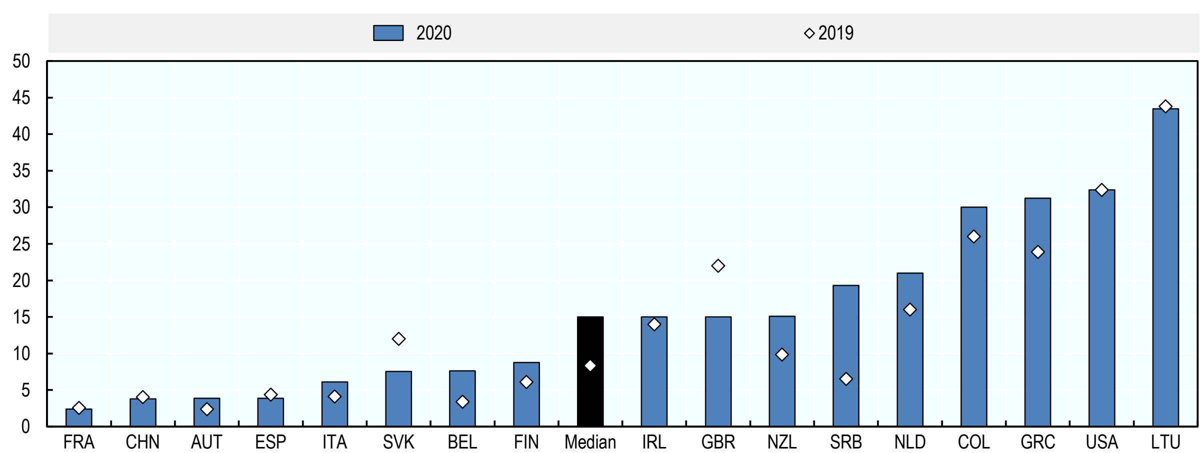
SMEs being rejected respectively, and increased considerably in Serbia (+12.78), Greece (+7.34), and New Zealand (+5.24) (Figure 1.14).

The United Kingdom and in the Slovak Republic were the only two countries that reported a decline in rejection rates in 2020 compared to 2019. In the United Kingdom this was likely driven by the Bounce Back Loan Scheme (BBLS) (Figure 1.14). The scheme provided a 100% credit guarantee against the outstanding balance (capital and interest) on small business loans extended through the scheme, which significantly reduced the risk of lending to SMEs (see United Kingdom country profile). In the Slovak Republic, two guarantee schemes were implemented: "SIHAZ 1", with a 80% coverage of individual credits from 50 % of the portfolio, and "SIHAZ 2a", with a 90% coverage of all new credits (see Slovak Republic country profile).

In countries with stable low rejection rates, public interventions such as credit mediation can explain continued low levels in 2020. In France for example, the credit mediation scheme ensures that banks reconsider the rejection of loans and ease the provision of financing to companies facing temporary difficulties (European Monitoring Centre on Change, 2020[33]). In 2020, 14 147 French firms asked for credit mediation support, a figure that is 14 times higher than in 2019. According to the Bank of France, the scheme unblocked a total of EUR 2.98 billion of credit and preserved an estimated 77 815 jobs in 2020 (see France country profile).

Figure 1.14. Rejection rates

As a percentage



Source: Data compiled from individual country profiles.

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Additional evidence on credit conditions from survey data

Survey data further illustrates that in 2020, debt finance remained relatively affordable and available, no doubt as a result of the strong policy response to tackle the COVID-19 crisis. Interest rates declined to record lows, and loan guarantees expanded significantly in European countries, Japan, the United Kingdom, and the United States. Although these surveys provide important insights on the conditions of the supply and/or demand of credit, the comparability across surveys is limited.

Euro area

The European Central Bank Survey on SME access to finance in euro area countries (SAFE Survey), undertaken twice a year, provides insights into how credit conditions are perceived by SMEs in the region. The survey, that covered the period of April to September 2020, indicates that access to finance remained among the least important concerns in the euro area as a whole, with some country heterogeneity, however. SMEs in Greece and Italy reported that the lack of finance continued to have a strong impact on them (ECB, 2021[14]). The survey covering the same period in 2021 showed that across the Euro area, the share of SMEs reporting access to finance as a major concern declined further and stood at 7% (ECB, 2021[34]).

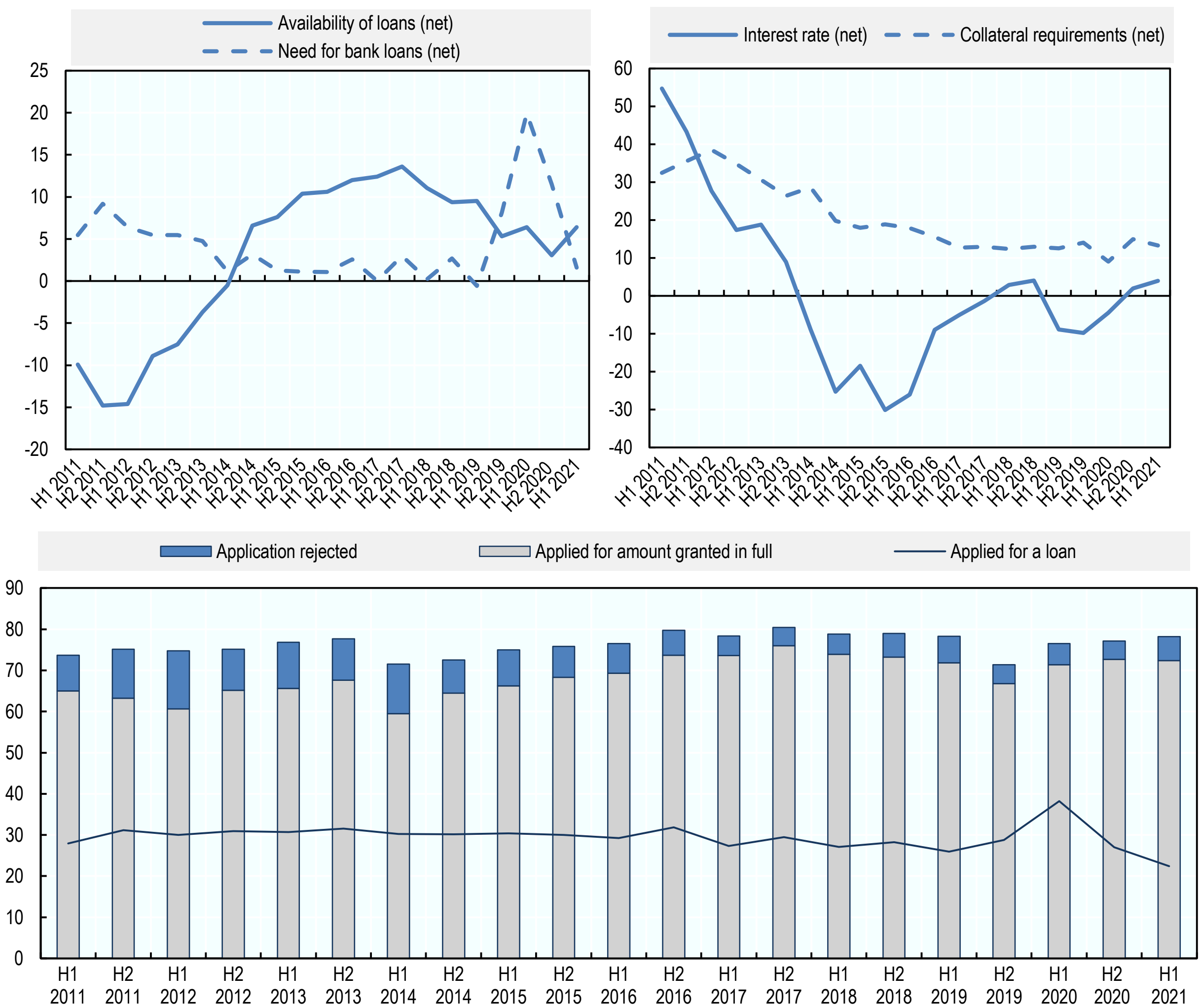
As illustrated in Figure 1.15, the demand for bank loans increased significantly in H1 2020 (20% from 8%), but decreased to 12% in H2 2020 and to 1.6% in H1 of 2021, explained by the large availability of non-debt public support schemes. The availability of bank loans showed some fluctuation in 2020: while the first half saw a slight increase in available bank loans by 6%, the second half saw a decline by 3%. Notably, while large companies signalled a return to pre-COVID-19 levels, micro firms indicated a decline in availability of bank loans. In contrast, in H1 2021, the availability of bank loans increased 6.4%, with almost all firm sizes (except medium-sized companies) reporting a return to pre-pandemic levels of loan availability (ECB, 2021[34]). Looking by country, SMEs in Belgium reported reduce availability of bank loans (ECB, 2021[14]).

The price, terms and conditions for bank financing reported in general an increase. The only exception is a decrease in interest rates in the first half of 2020, in line with the results of the Scoreboard. However, in the second half of 2020 and the first half of 2021, SMEs reported an increase in interest rates. Other financing costs, such as charges, fees and commissions reported an increase throughout the year (ECB, 2021[14]).

The survey data also shows a slight decrease in SMEs applying for a loan in H1 2021 at 22%, down from 27% from H2 2020. The share of loan applications granted in full in 2021 maintained the same levels registered in the previous round at 72.4% , while rejection rates increased to 6% (from 4% in H2 2020) (ECB, 2020[35]).

Figure 1.15. ECB Survey on SME access to finance

Selected indicators, as a percentage of total SMEs surveyed



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. H1 2020 refers to round 23 (April to September 2020), published in November 2020. H2 2020 refers to round 24 (October 2020 to March 2021), published in May 2021. H1 of 2021 refers to round 25 (April to September 2021), published in November 2021. The timeline is the same for previous rounds.
Source: European Central Bank, 2021.

StatLink https://doi.org/10.1787/888934305236

United States

Survey data from The Senior Loan Officer Survey captures the opinion of senior bank officials on lending practices in the United States. The data captured in Q3 2021 show looser standards in the terms of corporate loans for all firm sizes, which contrasts to survey results from the same period in 2020, where standards were significantly tighter. In Q3 2021, most banks reported easing loan rates for all firm sizes. For SMEs specifically, easing requirements were related to reducing the cost of loans and increasing the maximum size of credit lines. Demand for loans fluctuated between 2020 and 2021. While in 2020 bank officials reported a weaker demand for corporate credit, in Q3 2021 the demand for loans rebounded;

however demand from SMEs remained unchanged (Federal Reserve Bank, 2020[36]) (Federal Reserve Bank, 2021[37]).

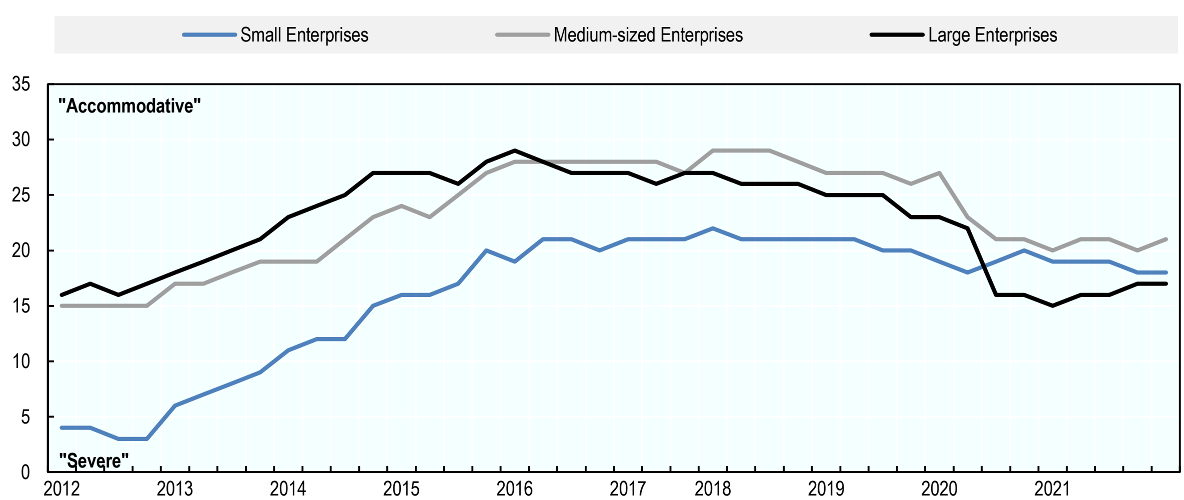
The Small Business Lending Survey, conducted quarterly, captures the perception of commercial banks of their small business lending activities in the United States. Survey responses captured in the third quarter of 2021 indicate an ease in credit standards, although with mixed loan terms, evidenced by tightened interest rate floors but an ease in spreads of loan rates and maximum maturity of credit lines (Federal Reserve Bank of Kansas City, 2021[38]). This behaviour contrasts with survey results from the same period in 2020, where credit standards and all loan terms were significantly tighter (Federal Reserve Bank of Kansas City, 2020[39]).

Japan

In Japan, the TANKAN survey, a quarterly poll on business confidence conducted by the Bank of Japan, shows that in the first two quarters of 2020 financing conditions for small firms and for large firms diverged. While lending attitudes for small businesses loosened slightly, for large business they tightened strongly, particularly in the first quarter of 2020 (Figure 1.16). In contrast, in 2021 lending attitudes for SMEs and for large firms started to converge, with the index value for both size classes being the closest in the last quarter of 2021. It is also noteworthy that the lending attitudes towards medium-sized enterprises replicate to a certain extent the attitude towards large enterprises; however it did not tighten at the same rate, remaining closer to the small firms index value in the last quarter of 2020 and through 2021 (Bank of Japan, 2021[40]).

Figure 1.16. Lending attitudes in Japan

Diffusion index, in percentage points



Note: Diffusion index of "Accommodative" minus "Severe", percentage points.
Source: Bank of Japan, 2021 (Bank of Japan, 2021[40])

StatLink https://doi.org/10.1787/888934305255

United Kingdom

The Credit Conditions Survey of the Bank of England documents the opinion of bank officials regarding capital availability for loans and overall credit conditions on a quarterly basis. According to the survey data, availability of credit to the corporate sector increased for all firm sizes in 2020. In 2021 the availability of credit remained stable for SMEs, but increased slightly for large firms in the first three quarters. On the other hand, the demand for loans from SMEs in 2020 fluctuated. As expected, considering the impact of the pandemic, demand for loans from all business sizes increased in the second quarter of 2020, and only in Q4 did SME demand for credit decline (Bank of England, 2020[41]). In 2021, demand for credit from small businesses declined, while demand from large businesses increased. Demand from medium-sized companies was broadly stable in 2021, with the exception of Q2 and Q3 where demand decreased slightly (Bank of England, 2021[42]).

Asset-based finance

Leasing and hire purchases

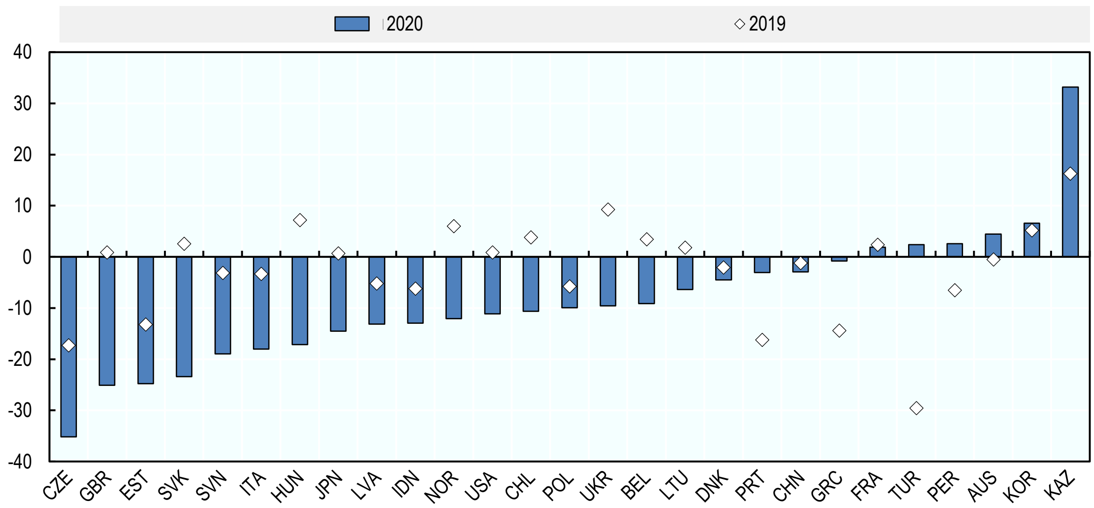
Leasing and hire purchases activity declined in 2020, reversing the positive trend seen in previous years. This decline can be explained by the weaker demand for new leasing services (ECB, 2020[35]) as well as by lower payment capacity on leases (BDO, 2020[43]) both impacted by the lower economic activity in the context of the pandemic. Data from Leaseurope, a sector organisation, show a decline in leasing activity in the first half of 2020 compared to the same period in 2019, and the information captured from the individual country profiles confirms this negative trend in 2020 for 11 out of 19 countries in the Scoreboard that reported this data (Figure 1.17). The United Kingdom shows one of the largest declines, reflecting a significant contraction in business investment in the midst of pandemic and following the exit from the European Union, as well as by a potential replacement of the use of asset-based finance by government guarantee lending (see United Kingdom's country profile). In Estonia, leasing and hire purchases in 2020 represented only 75% of the 2019 volumes, the lowest volume in the last 5 years, reflecting a significant decline in new leases (EESTI LIISINGUHINGUTEV LIIT, 2021[44]).

On the other hand, a few countries saw an increase in leasing activity in 2020. Most notably, Kazakhstan registered an increase of 33%, which continues a trend of strong growth in the leasing finance segment over the past decade (eight-fold since 2010) (Figure 1.17).

The SME Access to Finance of Enterprises (SAFE) Survey reported the evolution of leasing activities through 2020 and 2021 in the European Union. While in 2020 across the EU member states, the growth in leasing needs significantly surpassed the growth in the availability of such financing, in 2021 leasing activities return to positive growth (European Commision, 2020[45]). In the first quarter of 2021, the percentage of SMEs that indicated higher availability of leasing increased (to 6% from 3%). However, this positive growth did not reach pre-crisis levels of leasing activity (15% in 2019). In the second and third quarters, the likelihood of use of leasing was correlated with firm size, with 42% of large firms using leasing compared to 20% of SMEs in the Euro area (ECB, 2021[34]).

Figure 1.17. Leasing and hire purchases growth rate by country

As a percentage



Source: Data from Austria, Czech Republic. Denmark, Italy, Slovenia, Slovak Republic, Norway and Poland is compiled from Leaseurope Annual Statistics 2021; the data for other countries is compiled from the individual country profiles.

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Factoring

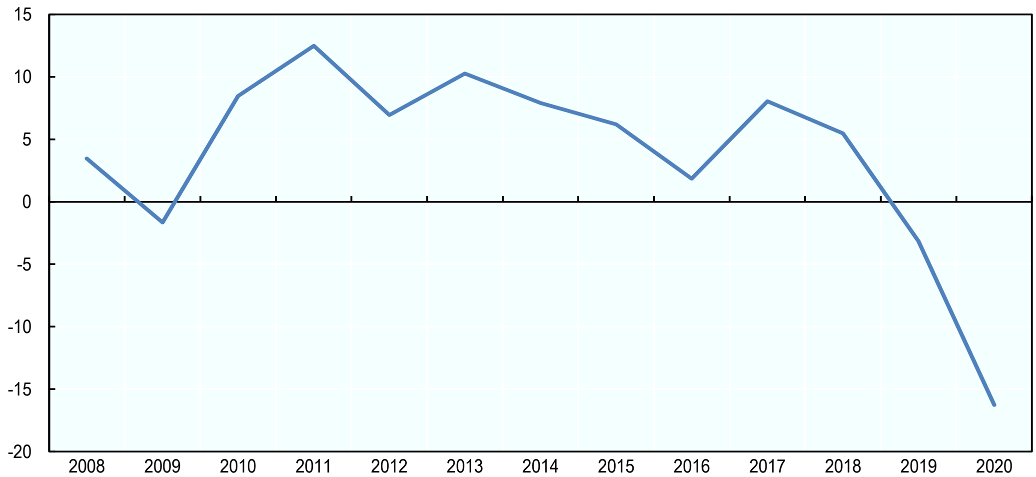
Scoreboard data on factoring volumes is complemented with data from Factors Chain International (FCI), a sector organisation. In 2020, factoring activities saw an unprecedented decline, with the Scoreboard median declining by 16.27% (Figure 1.18). In Europe, the largest contributor to factoring activities, which represents 68% of the market, factoring turnover declined by 5.4%. This was the first decrease in 11 years and mirrored the decline in GDP (-6.4%). The largest declines experienced in the region were registered in the Slovak Republic (-21%), Slovenia (-12%), Italy (-10%) and France (-8%). Likewise, in the United States, factoring declined by 23.4% in 2020 compared to 4.6% in 2019 (FCI, 2021[46]).

Data from the Scoreboard country profiles, sourced from national accounts provided by country experts as a complement to the above-mentioned data from FCI, show that 11 out of 14 countries that provided data for this indicator documented a decline in factoring activities between 2019 and 2020. The largest declines from this data source were seen in Lithuania (-51%), Portugal (-41%) and the United Kingdom (-36.6%). On the other hand, there was a modest increase in Turkey (14%) and China (6%) (Figure 1.19).

In 2020, the negative performance in factoring activities reflects significant reduction in economic output and trade as a result of COVID-19 related restrictions (FCI, 2021[46]). This represents a continuation of the pre-crisis trend of a slowdown in factoring activity (since 2017) further accelerated by the crisis. The broad trend has reflected the rising trade tensions between the United States and China as well as the uncertainty accompanying the United Kingdom's exit from the European Union. In many economies, sector-specific aspects also explain this trend. For example, factoring remains the preferred method of short-term financing in the automotive industry, which was strongly impacted by the pandemic in 2020 (OECD, 2015[47]).

Figure 1.18. Median factoring growth rate for Scoreboard countries

Year-on-year growth, as percentage



Source: Data compiled from the individual country profiles.

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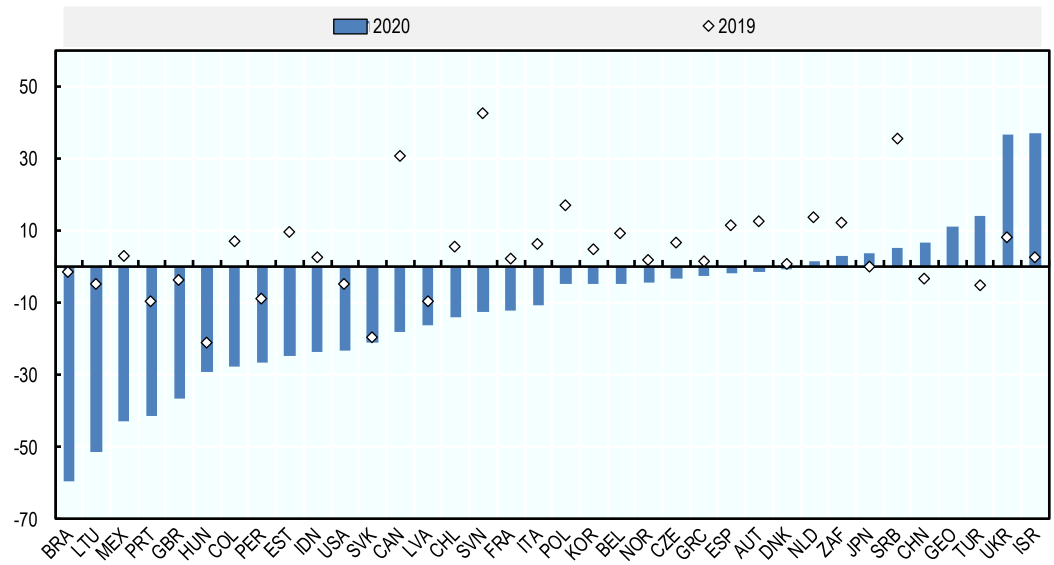
Country-specific reforms accounted for the growth observed in factoring in some countries. For example, in Ukraine, factoring activity increased by 37% in 2020 on account of the creation of the so-called Factoring Hub, an online platform that facilitates the electronic application for factoring to SMEs so they can have quick working capital to fulfil government orders: with the Factoring Hub SMEs are able to obtain finance within two days and with a minimal request of financial documents (SCM, 2020[48]). The increase in Turkey is a product of a favourable regulatory environment that strengthened the sector since 2013 (see Turkey's country profile). Similarly, in China, the increase can also be explained by the enhancement of the legal system though the National Civil Code and regulatory changes of the China Banking and Insurance Regulatory Commission, where despite a reduction in the number of factoring companies and branches, the factoring volume increased exceeding EUR 433.2 billion (see China's country profile).

European survey data from 2021 show that factoring has not yet rebounded, with only 2% of SMEs using it and 8% considering it a relevant source of finance as of Q3 2021 (ECB, 2021[34]).

Figure 1.19. Factoring growth rate by country

Year-on-year growth, as percentage



Source: Data from, Chile, China, Estonia, France, Greece, Hungary, Latvia, Lithuania, Peru, Portugal, Turkey, and United Kingdom are compiled from the individual country profiles; the data for other countries are from Factors Chain International (2021).

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Equity instruments

Venture capital

Trends in venture capital financing diverged across countries and stages in the Scoreboard in 2020 and 2021. In half of the countries providing data on this indicator, VC investment declined. On the other hand, 2020 VC investments grew strongly in a number of countries in the Scoreboard, including Turkey (+428 percentage points), Mexico (+199 percentage points) and Ireland (+110 percentage points) (Figure 1.20). In viewing these growth rates, it is important to keep in mind that data on VC investments are highly volatile, especially in smaller economies and countries with relatively underdeveloped VC markets, where a large single deal can impact overall volumes considerably.

In regions with significant VC market shares, data generally show a resilient VC sector despite the pandemic. In Europe, for example, VC saw an increase of 15% year on year, reaching a total deal value of EUR 42.8 billion. Similarly, in the United States, the sector saw in 2020 an increase of 13% year on year reaching a new record in total deal value of USD 156.2 billion, and a decline of 10% in the total number of deals, however (National Venture Capital Association - Pitchbook, 2020[49]) (Centre for Entrepreneurs, 2021[50]).

The marked growth in the European region can be explained by the acceleration of the growth of the digital economy, propelled by lockdown measures in 2020, as well as highly digitalised companies that offered online services taking advantage of the upsurge of demand. This is particularly the case for companies closing deals with sizes of over EUR 25 million (Pitchbook, 2020[51]). Government intervention also played an important role in supporting the dynamism of venture capital markets. For example, in Hungary, Hiventures, a state owned venture capital fund, set up the start-up rescue programme with a budget of HUF 41 billion (Hiventures Venture Capital Fund, 2020[52]). France and Germany, as part of their policy responses, included the establishment of a start-up fund of respectively EUR 4 billion and EUR 2 billion (with additional resources from public venture capital investors) (OECD, 2021[2]). Supranational financial institutions have also played an important role in supporting the VC sector during the pandemic. For example, the European Investment Fund mobilised up to EUR 5 billion, modified terms and conditions and included a EUR 100 million window for ease SME to access equity financing during the pandemic (EIF, 2021[53]).

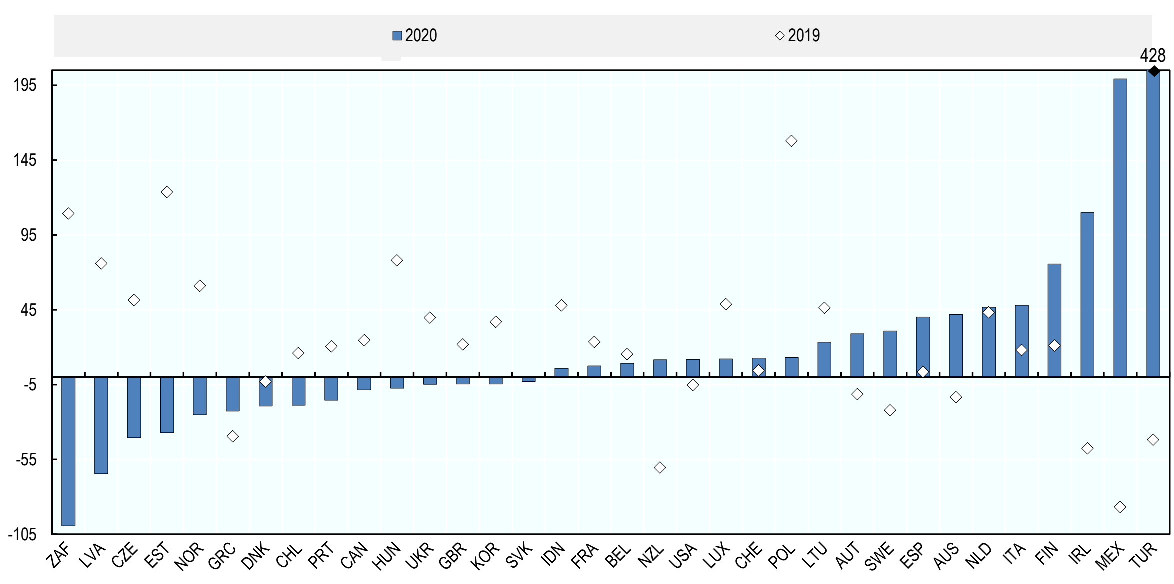
In median terms, venture capital experienced weak but positive growth in 2020 compared to previous years (Figure 1.20). However, 2021 saw a strong rebound in VC funding, which increased by 92% y-o-y (totalling USD 643 billion in 2021 compared to USD 335 billion in 2020) (Crunchbase, 2021[54]) Looking at the development by stages in 2020, the crisis took a heavier toll on seed and early stage funding than investments in later stage funding. While seed funding closed the year with a decline of 27% y-o-y, and early stage funding declined by 11% y-o-y, later stages closed with an increase of 4% y-o-y (Crunchbase, 2021[55]). In 2021, early stage funding also experienced a sharp increase, rising by 100% y-o-y. On the other hand, seed funding experienced weaker growth increasing 56% y-o-y (Crunchbase, 2021[54]).

In the Netherlands, for example, the average funding round in 2020 was 1.5 times higher in 2020 compared to 2019 and this trend has continued into 2021. However, this growth has been observed mainly in the later stage venture companies, with early stage and seed capital declining during this period (see Netherlands country profile).

In the United States in 2020, in terms of number of deals seed and angel funding declined by 10% and early stage VC declined 20%, as opposed to late stage which registered growth of 4% (see United States country profile). This slight decline is likely driven by lower start-up rates at the beginning of the pandemic, as well as the inherently riskier profile of such investments (National Venture Capital Association - Pitchbook, 2020[49]).By the third quarter of 2021, global early stage venture capital started experiencing a recovery registering a growth of 104% in terms of volume raised (Crunchbase, 2021[56]).

Figure 1.20. Venture capital investments

Year-on-year growth rates, as a percentage



Note: Data is year-on-year change of current USD volumes, at the exception of Australia, Chile, Indonesia, Luxembourg, Mexico, Turkey and Ukraine for which the indicator captures variations of volumes in current local currencies.
Source: OECD Entrepreneurship at a Glance; based on Entrepreneurship Finance Database, and data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2022 when the information was not otherwise provided.

StatLink https://doi.org/10.1787/888934305331

Online alternative finance

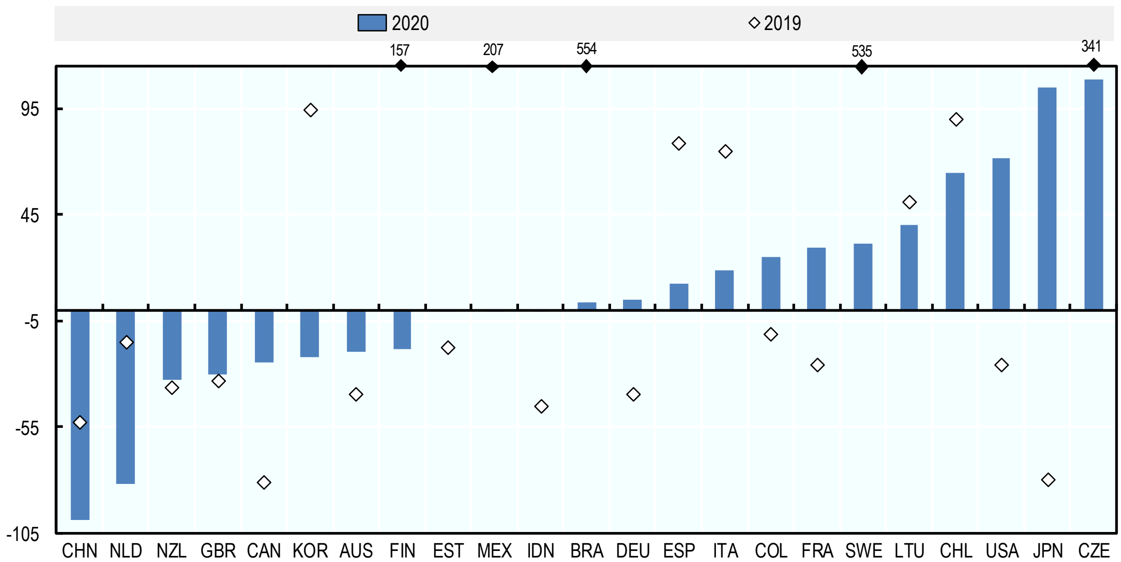
Online alternative finance is a means of soliciting funds from the public for a project / firm through an intermediate platform, usually through the Internet. The online alternative finance ecosystem comprises debt, equity and non-investment models that allow entities to raise funds through an online digital market place. Debt-based models cover P2P / marketplace lending, and include both secured and unsecured loans, bonds and debtor notes. Equity-based models, including equity-based crowdfunding, relate to activities where businesses, particularly start-ups, raise capital by issuing unlisted shares or securities. Non-investment based models are models in which individuals or firms raise capital but they are not obliged to provide a monetary return to the individuals or institutions that funded the project. They include reward-based and donation-based crowdfunding (Cambridge Centre for Alternative Finance, 2021[57]).

In 2020, there were significant changes in the volumes of online alternative finance transactions compared to previous years. In terms of total volume, the United States' alternative finance market grew by 71.7% from USD 48.9 billion in 2019 to USD 84 billion in 2020. The Czech Republic and Japan registered the largest increases in volumes transacted compared to 2019 with a rise of 108% and 105% respectively, although from a lower base. Also, in Japan, the sharp increase reflects in large part an rise from low volumes in alternative finance prior to the crisis, as it had declined by more than 100% between 2018 and2019. In Chile, which accounts for 15% of all Latin American activity in this market, online alternative finance volumes increased by 64% (Figure 1.21). In France, funds raised by crowdfunding platforms soared in the 2018-2020 period, from EUR 402 million to EUR 1 020 million. In 2020, the funds raised allowed for the financing of 13 796 SMEs (see France country profile).

On the other hand, China's market has declined significantly in recent years, from USD 177 billion in 2018, to USD 84.3 billion in 2019, to just USD 1.15 billion in 2020 (Figure 1.21). The dramatic decline in the volume and market share of China's alternative finance relates to significant changes in local regulations as a result of fraud complaints and defaults of improperly licenced platforms (FCI, 2021[46]). The Chinese authorities implemented a long-term supervision mechanism of internet finance to mitigate future internet financial risks. As a result, by June 2020 the number of online lending platforms declined from 5000 to just 29 (See China's country profile). Consequently, the United States' and Canada's overall market share grew dramatically (Figure 1.22). Other declines were witnessed in the Netherlands and New Zealand (by 82% and 33% respectively) (Cambridge Centre for Alternative Finance, 2021[58]). The decline in these countries can be in part explained by the lower volumes in alternative models of lending associated with the uncertainty of the pandemic.

Figure 1.21. Growth in online alternative finance volumes

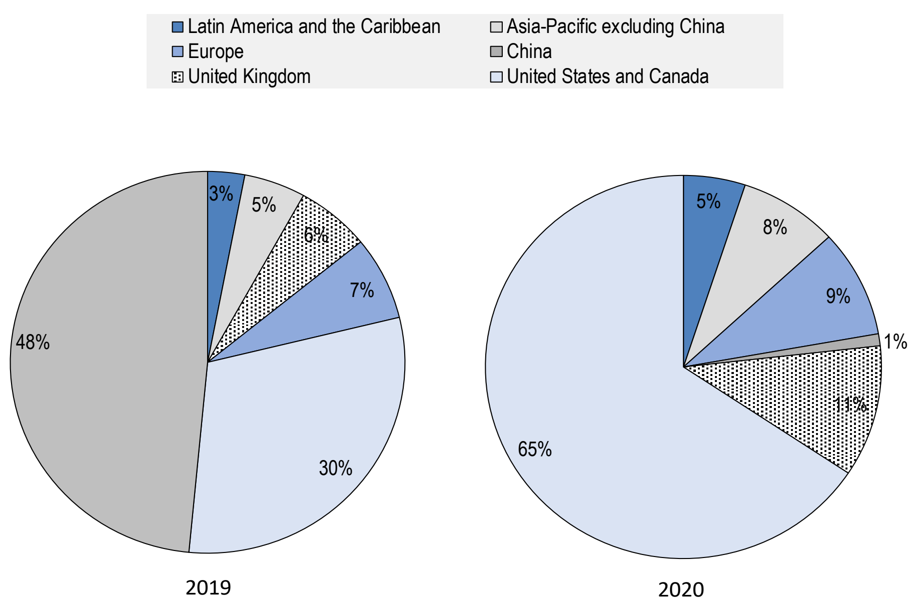
As a percentage, year-on-year growth



Source: Cambridge Centre for Online Alternative Finance, 2021.

StatLink https://doi.org/10.1787/888934305350

Figure 1.22. Total volume of alternative finance activity by region, 2019 and 2020



Source: Regional reports of the Cambridge Centre for Alternative Finance at the University of Cambridge, 2021

StatLink https://doi.org/10.1787/888934305369

Payment delays, bankruptcies and non-performing loans

Payment delays

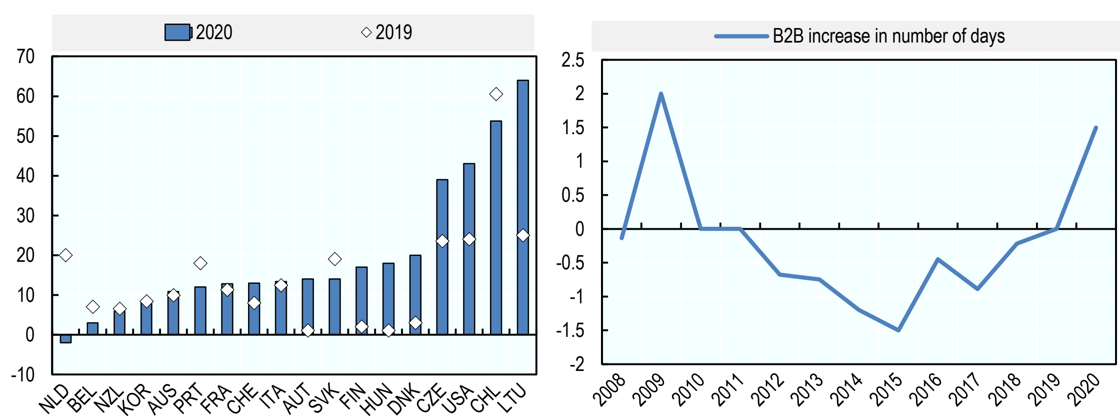
The COVID-19 pandemic brought about a large disruption in mobility and trade, affecting supply chains and payments. This strongly impacted SMEs, which generally have less bargaining power to enforce payment conditions compared to large firms and are often obliged to settle for unfavourable payment terms. 2020 saw a considerable variation in this indicator across countries. In 2020, 12 countries for which data are available reported an increase in payment delays, and 6 reported a decrease (Figure 1.23 left panel).

These delays likely compounded SMEs' liquidity shortages when the pandemic hit. Survey data from Europe, for example, show that 69% of SMEs accepted unfavourable payment terms to protect their client relationships (Intrum, 2021[59]).

On the other hand, looking at the Scoreboard median value, aggregate payment delays did not increase significantly in 2020: the median value stood at 14 days compared to 12.4 days in 2019 (Figure 1.23 right panel). The decline in the payment gap[4] in 2020 can be explained by the strong government support that eased SME liquidity constraints and allowed them to meet their payment obligations. However, as some of the public support measures are phased out, more SMEs foresee a higher risk of late or non-payments due to persistent debtors' liquidity challenges. In Europe in particular, 65% of SMEs perceived this risk in 2021 versus 46% in 2020 (Intrum, 2021[59]) (Intrum, 2020[60]).

Figure 1.23. Payment delays by country and evolution

Number of days (left panel), median value growth in number of days (right panel)



Note: Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles.
Source: Data compiled from the individual country profiles.

StatLink https://doi.org/10.1787/888934305388

Bankruptcies

In 2020, the number of bankruptcies decreased in the majority of Scoreboard countries, despite the crisis. Of 32 countries that provided data for this indicator, 26 reported a decline in bankruptcies (Figure 1.24), and the median value registered a decline of 11.7%. This can be explained in part by the changes in bankruptcy procedures and requirements implemented by several governments that allowed insolvent SMEs to have more time to recover without having to file for bankruptcy (Bruegel, 2021[61]). For example, in Austria, which saw one of the highest declines in bankruptcy in 2020 (-40.7% y-o-y), the obligation to declare insolvency was temporarily suspended in 2020. In Italy, the decline in bankruptcies in 2020 was the highest recorded in more than a decade (-30.1%), partly explained by the moratorium on bankruptcies, in force from the beginning of March to the end of June, and the general slowdown in court activity due to the pandemic containment measures. In 2020, Japanese SMEs recorded the lowest number of bankruptcies in the past 30 years (see Japan country profile).

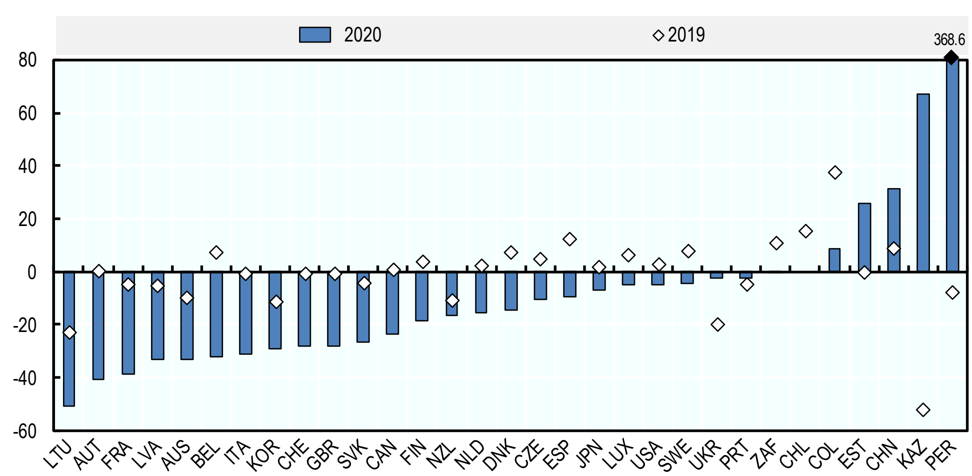
The decline in bankruptcy rates can also be explained by the unprecedented financial support provided to SMEs. No doubt, these measures also provided liquidity to some SMEs that in the absence of the pandemic would have ceased to exist in 2020, leading to a reduction in bankruptcy rates (Euler Hermes, 2020[62]). In Finland for example, even though government support was largely conditioned on enterprises not having been in financial distress at the end of 2019, this condition was waved for micro and small enterprises. These enterprises could be granted support if they were not in bankruptcy or reorganisation proceedings at the time the support was granted and had not received rescue or restructuring aid (see Finland country profile).

In light of the gradual phasing out of governmental support in some countries, it is likely that this indicator will rise going forward. In Israel, for example, the number of businesses that closed in 2021 increased by 84% y-o-y, after a 13.6% decline in 2020 attributed to the large government support (Israel Hayom, 2022[63]). However, in some countries, with the re-introduction of support measures to tackle the emergence of COVID-19 variants, bankruptcies continued to be lower compared to 2019 levels. For instance, in 2021 in France, bankruptcies were 12.7% lower than in 2020 and started to increase only in Q4 of 2021 (Banque de France, 2022[64]).

On the other hand, countries with a lower range and scope of governmental support generally reported an increase in bankruptcy rates in 2020. This includes mainly middle-income countries, including Peru, Kazakhstan, China and Colombia (Figure 1.24). In Peru, the number of SMEs declined by a remarkable 25% according to data from tax authorities. This reflects the seizing of operations of many enterprises that were strongly impacted by the strict lockdown measures, but likely also a notable share of enterprises that have continued their operations informally (see Peru country profile).

Figure 1.24. SME bankruptcies, growth rate

As a percentage



Note: Definitions of the indicator vary across jurisdictions. In addition to this, some countries provide bankruptcy data for all firms rather than for SMEs.
Source: Data compiled from the individual country profiles

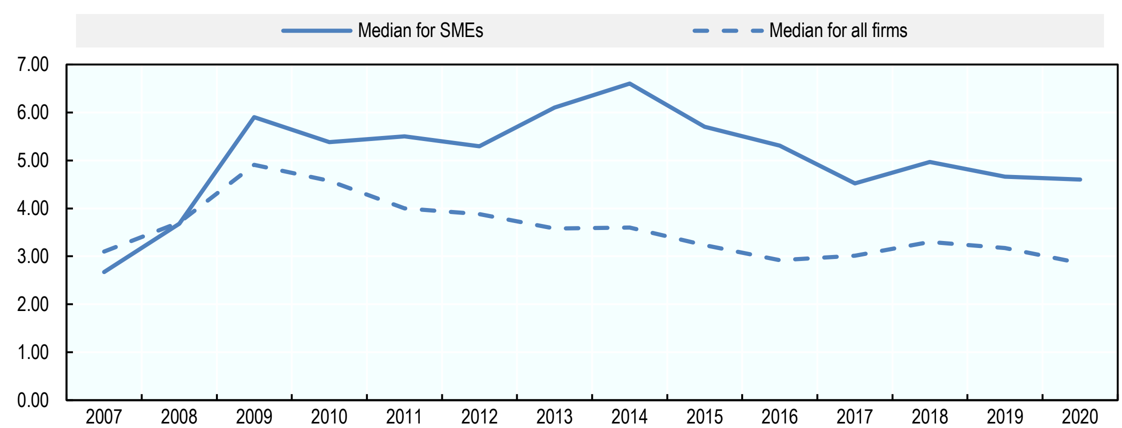
StatLink https://doi.org/10.1787/888934305407

Non-performing loans (NPLs)

A temporal analysis of data on non-performing loans shows that they are generally more prevalent among SMEs than among the overall business population, with the median value of NPLs for SME lending systematically higher than the value for all corporate lending (Figure 1.25). The median rate shows that NPLs for all firms have generally declined since 2009, but SME NPLs are more volatile and do not exhibit a clear declining trend. In 2020, the divergence between NPLs for SMEs and for all firms was larger than the one recorded in 2019, which can also be attributed to the fact that SMEs were concentrated in the sectors that were most affected by the crisis (OECD, 2020[65]). In addition, the changes that some countries underwent in national insolvency regimes may have also contributed to the accumulation of non-performing loans (see Government policy responses in 2019-20).

Figure 1.25. Median rate of NPLs by firm type, 2007-20

As a percentage



Source: Data compiled from the individual country profiles.

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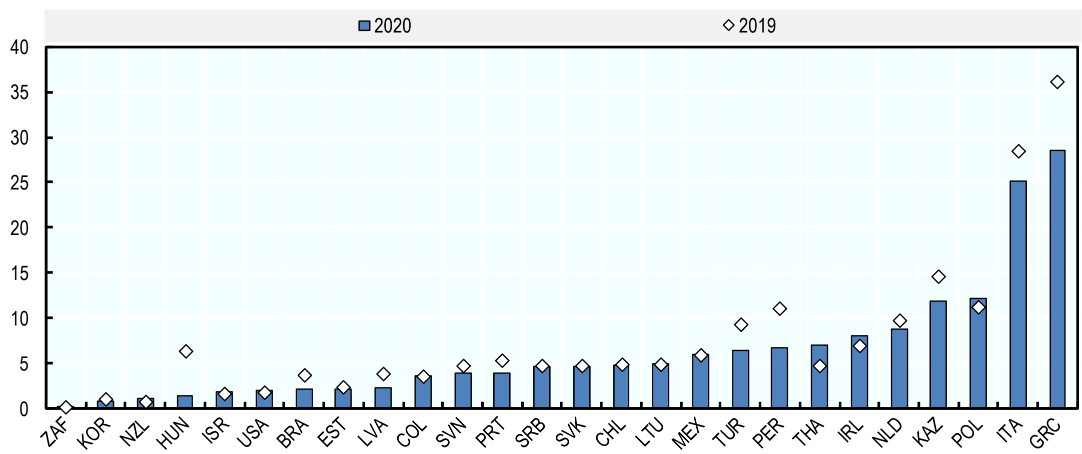
Looking at the percentage of SME NPLs over all SME loans by country in 2020, there is no uniform trend: SME NPLs declined in 15 countries and increased in 11 other countries (Figure 1.26). Greece and Italy remained the countries with largest NPL ratios, a legacy from the global financial and Eurozone crises, but they recorded a notable decline in 2020. In both countries, large-scale sales of these assets accounted for their removal from banks' balance sheets. On the other hand, NPLs increased in a number of countries, including Thailand (+2.34 percentage points), Ireland (+1.2 percentage points), Poland (+1.02 percentage points) (Figure 1.26). In Thailand, despite the requirement of not marking SMEs in debt rescheduling as NPLs (as was done prior to the crisis), non-performing exposures increased due to the expiration of most government support in Q3 2020, which prompted many companies in financial difficulty to file for restructuring and bankruptcy, increasing NPL levels (Thai Enquirer, 2021[66]). In Ireland, the increase in NPLs is to a large extent explained by the change in the definition of defaults, in combination with the pandemic's impact on SMEs particularly in hospitality and retail. This was indicated by Ireland's two largest banks that reported an increase in non-performing exposures in those portfolios (Fitch Ratings, 2021[67]).

Figure 1.26. NPL rates for SMEs, 2019-20

As a percentage



Source: Data compiled from the individual country profiles.

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Government policy responses in 2019-20

In 2020, the policy landscape for supporting SME access to finance evolved significantly in response to the COVID-19 pandemic. As with the global financial crisis, governments played a critical role in the crisis response by boosting direct financial support for SMEs, while simultaneously mobilising a strong increase in the financing channelled through private financial institutions, primarily banks. In doing so, governments increased the deployment of already existing policy instruments, which, in the pre-crisis period, had served to address structural constraints to SME finance. However, they also introduced new short-term measures to provide urgent liquidity support with a clear goal of phasing them out at the end of the crisis. This section examines policy responses during the pandemic and explores how they altered the pre-crisis SME finance policy landscape. Further information on policy responses can be found in Chapter 2, which assesses how recovery packages are being used to channel SME financing support.

In the run-up to the crisis, governments continued to make use of credit guarantee schemes and increasingly supported alternative finance instruments for SMEs

As noted in the 2020 edition of the financing SMEs and entrepreneurs *Scoreboard*, in the immediate aftermath of the global financial crisis, many governments set up or expanded guarantee schemes, direct lending, credit mediation and other measures to ease SME access to credit (OECD, 2020[28]). While these measures largely remained in place in later years, the emphasis of policies shifted as the recovery took hold. Equity instruments gained more traction as the crisis subsided, and credit measures (credit guarantees, direct loans) were increasingly targeted to specific subgroups of the SME population, including innovative firms, women entrepreneurs, start-ups, etc. (OECD, 2021[2]). This reflected the shift from counter-cyclical support during the crisis to addressing long-term structural constraints to SME access to finance in the aftermath (OECD, 2021[2]).

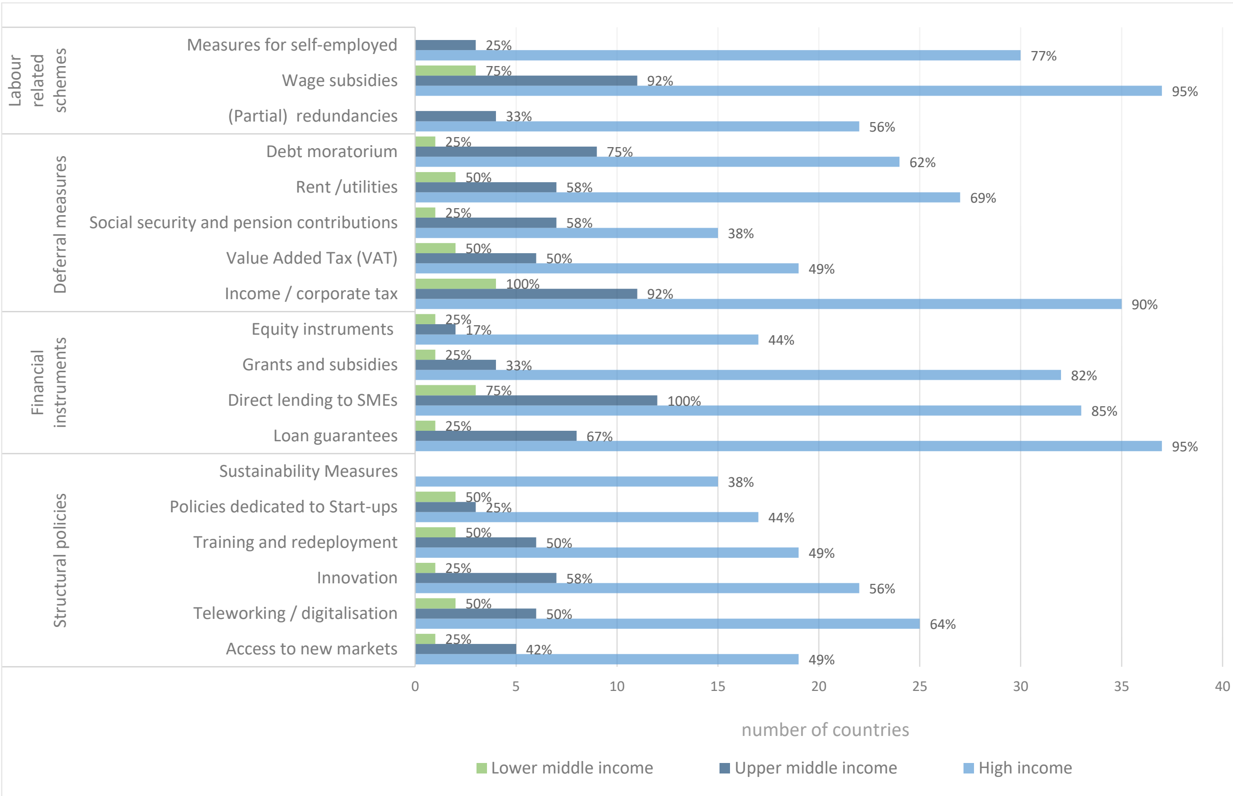
Figure 1.27. Changes in the SME financing policy landscape since the Global Financial Crisis

	Global financial crisis (2009-2012)	Interim period (2013-2019)	COVID-19 crisis (2020)	Recovery phase (2021 -)
Beneficiaries	Broad SME population	Subgroups of SME population with barriers to access finance Innovative firms, start-ups, lagging regions, women-led	Broad SME population, with special emphasis on SMEs in distressed sectors. In the second half of 2020, special emphasis on self-employed and start-ups. In some countries (EU) emphasis on lending to viable SMEs	Viable SMEs and Subgroups of SME population: Innovative firms, start-ups, lagging regions, women-led , minority-owned businesses, self-employed
Objective	Counter-cyclical support to ensure continued SME access to finance (esp. loans)	Measures and policies to address structural constraints to SME access to finance	Reduce SMEs operating expenses; provide swift liquidity, increase access to additional financing (esp. loans)	Structural support to SME finance with a focus on digitalization, greening, skills and innovation.
Main financing instruments	Credit guarantees Direct loans Credit mediation	Credit guarantees Development of more alternative sources of finance (e.g. funds of funds, co-investments)	Credit guarantees Payment deferrals Direct lending Grants and subsidies	Credit guarantees Equity and quasi-equity instruments Grants and subsidies (to achieve structural objectives)
Intermediary actors	Public banks and supranational financial institutions; Private banks (incentivised by guarantees	Private banks (incentivized by public guarantees), public financial institutions, business angels, venture capitalists, Fintech	Private banks (incentivized by public guaranteed loans) Public banks (direct lending; debt moratoria), supranational financial institutions (credit and equity facilities)	Private banks (extensions of public guaranteed loans), supranational financial institutions, public banks, venture capital (particularly in later stages and tech sectors)
Regulatory changes	Stringent regulatory changes to increase stability of financial sector	Continuation of stringent regulations for private banks (Basel III). Innovation in regulations to enable emergence of new actors (e.g. sandboxes and innovation hubs to enable Fintech)	Loosened regulations to allow swift provision of liquidity . Strong banking system thanks to Basel III	Higher innovation in regulations (Regtech) to facilitate SME access to finance

Source: Adapted from OECD, (2020)[44].

The response to the COVID-19 pandemic represented a return to primarily counter-cyclical support, but due to the nature and scale of the crisis, a significant range of new and short-term policy instruments were introduced to ease liquidity pressures on crisis-stricken SMEs (Figure 1.28) These measures included primarily the deferrals of payments (taxes, rents and utilities, pension and social security, etc.), which were used to reduce the operational expenses for the broad population of SMEs as well as larger enterprises. Subsidies and grants were also used to provide support for payments, employment retention, and to aid the self-employed (Figure 1.28).

Figure 1.28. SME support measures introduced as a response to the COVID-19 crisis by group of countries according to their income levels (February 2020 - February 2021)



Note: The bars show the number of countries per income group that introduced a measure. The percentage label on the graph corresponds to the share of countries that use the measure in that income group. The country classification by income is based on World Bank data. 39 countries whose policy response was tracked by the OECD are classified as high income, 12 as upper middle income and 4 countries as lower middle income.
Source: (OECD, 2021[2])

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In the first phase of the pandemic, alternative finance instruments were used to a lesser extent than the more traditional support channels. The urgent response to enterprises' acute liquidity needs required swift action, and the use of traditional channels of support like direct lending or government-backed lending by private banks was often the fastest way to reach as many SMEs as possible. And while alternative finance had limited use as a counter-cyclical support instrument during the crisis (e.g. through quasi-equity instruments such as subordinated loans, convertible loans and debt and equity crowdfunding), it continued to be used primarily to provide structural support for innovative SMEs and start-ups. This type of support was further enhanced as the pandemic became more prolonged and more severe, particularly in H2 2020.

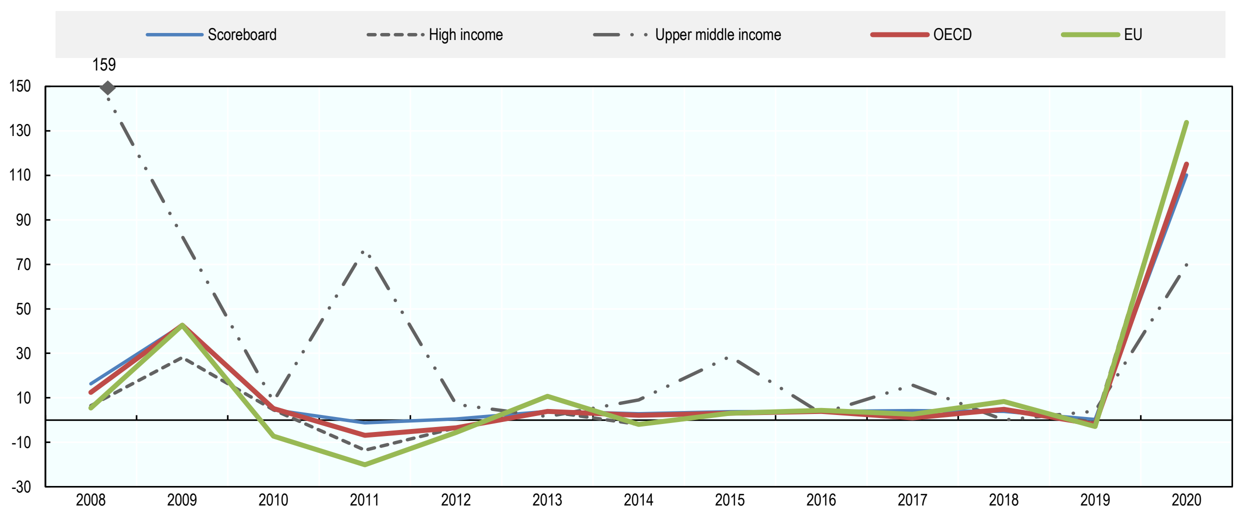
As Chapter 2 notes, the recovery phase has been marked by changes in the structural support to SMEs. Support is not only aimed at addressing traditional market failures that impact SMEs, but more emphasis is put also on financing SMEs' contribution to "build back better." Thus, significant new financing support is linked to investment in digitalisation, sustainability, skills and innovation. The challenges that policy makers face in the near term is how to balance the continuation of liquidity support and avoid a premature withdrawal, which risks harming viable SMEs, with enhanced structural support in order to ensure that SMEs take part in the digital and green transition.

Credit guarantees have remained the dominant form of support for SME access to finance through the COVID pandemic

Guarantees incentivise private bank lending to SMEs by transferring all or some of the credit risk from the private lenders to the government. Prior to the pandemic, the use of credit guarantee schemes was widespread in Scoreboard economies as a means of mobilising private debt financing for SMEs: more than half of the Scoreboard countries registered increases in guaranteed loans over 2009-19. In 2020-21, governments turned to credit guarantee schemes to provide swift access to external financing for liquidity-strapped SMEs. Government loan guarantees rose in all 27 countries providing this data in the Scoreboard, with a median increase of 110% between 2019 and 2020 (compared to an increase of 0.32% between 2018 and 2019). This marks an unprecedented increase in guaranteed lending since the start of the Scoreboard data collection (OECD, 2020[28])

Figure 1.29. Median growth of SME government loan guarantees

As a percentage



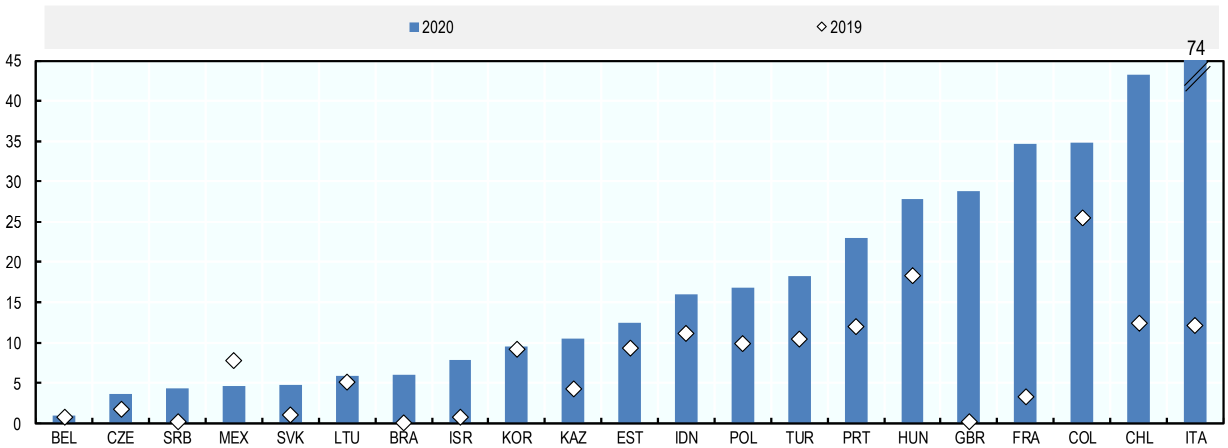
Source: Data compiled from the individual country profiles.

StatLink https://doi.org/10.1787/888934305483

However, unlike during the global financial crisis when credit guarantees were provided to a broad population of SMEs, guarantee schemes in the COVID-19 crisis in some countries, particularly in the EU, were more targeted to maximise benefits while minimising market distortions. Given the high level of coverage of the guarantee schemes - most offered guarantees of between 70% and 90% with some countries (e.g. Italy and Germany) offering up to 100% guarantees targeted mainly at SMEs and entrepreneurs – conditions on lenders and beneficiaries were introduced to minimise market distortions and fiscal risks. Some of these conditions included the provision of financing only to firms and entrepreneurs that had been strongly impacted by the crisis but which had not already been experiencing financial difficulties in 2019. In some countries, the guarantees also came with strict conditions for beneficiaries such as prohibition for distributing dividends, limits on the compensation of managers and employment retention commitments (OECD, 2020[65]).

Figure 1.30. Government guaranteed loans as a share of loan stock

Year-on-year growth rate



Note: All data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries were extracted from the World Development Indicators from the World Bank.
Source: Data compiled from the individual country profiles.

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There is evidence that the design of the schemes has contributed to limiting the distortive effects of this policy instrument. A recent empirical study of the credit guarantee schemes in EU member countries show that the credit guarantee schemes implemented in 2020 had significant positive impact by providing liquidity support to viable enterprises that were hit hard by the crisis, while minimising the support for unproductive firms. Notably, the study found that the schemes reduced the share of SMEs facing liquidity shortages by up to 8% from an estimated 32% in the absence of this policy intervention. Moreover, the schemes provided effective protection for productive firms; 40% of the SMEs facing liquidity shortages absent the credit guarantee schemes would have been firms with productivity levels higher than the median productivity level of liquid SMEs (Demmou, 2021[68]). Additional literature supports the finding that the schemes mainly supported viable firms (Laeven et al., 2020; Schivardi et al., 2020; ECB, 2021).

That said, in other high-income countries participating in the Scoreboard, notably the United Kingdom and the United States, the eligibility criteria for accessing these instruments remained relatively broad, allowing a large population of SMEs to gain access to finance. Many emerging markets in Latin America also loosened eligibility criteria for credit guarantee schemes to enable as many SMEs as possible to gain access to much needed working capital (see Country profiles).

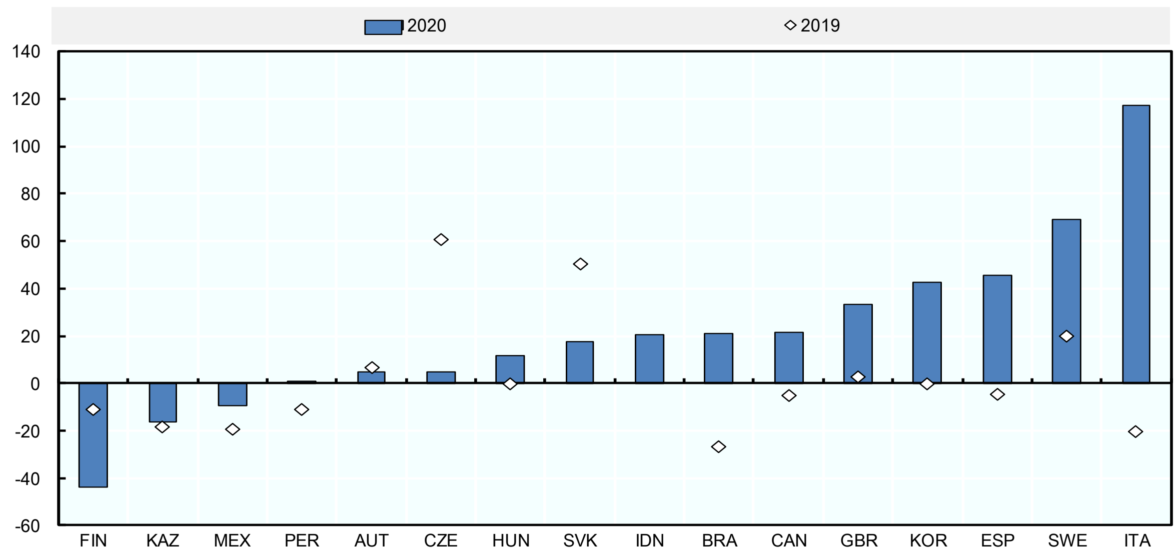
Direct lending was also ramped up to support the SME crisis response

In addition to providing guarantees to commercial banks to support their SME lending, most governments also increased direct lending to SMEs. In 2020, the growth in direct loans was positive in 12 out of 14 countries that provided data for this indicator.

The approach to the provision of new lending during the crisis was different across the Scoreboard countries. In some countries (Australia, Canada, the United Kingdom and the United States), new loan instruments were set up targeting mainly highly impacted SMEs. In some (e.g. Austria, Colombia, Brazil, Spain), new lending schemes were introduced targeting the most vulnerable sectors. Countries also opened up existing instruments for disaster relief to SMEs affected by the COVID-19 crisis. They also expanded funds for direct lending through existing channels (e.g. Brazil, Japan, United States) or eased the accessibility of loan schemes through expansion of the group of potential beneficiaries, simplification and acceleration of loan procedures, and offer of more favourable terms and reduced interest rates (e.g. Canada) (OECD, 2020[29]).

Figure 1.31. Direct loans, growth rate by country

As a percentage



Source: Data compiled from the individual country profiles.

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Governments made significant use of temporary crisis measures, such as deferred payments and grants, to support the urgent liquidity needs of SMEs

In the immediate aftermath of the 2008 Great Financial crisis, deferred payments, grants and subsidies were commonly used short-term tools to provide liquidity to SMEs. Deferral of payments as well as tax reductions were used to prevent depletion of SMEs' working capital. Similarly, grants and subsidies were used to help SMEs maintain investment levels. For instance, several countries introduced subsidies to industries that were affected by the economic crisis, but conditional on progress and clear production targets. Such subsidies were also restricted in size and their duration was limited to the crisis period (OECD, 2020[28]).

During the COVID-19 crisis, deferral measures allowed SMEs and entrepreneurs to postpone payments, thereby alleviating acute pressures on their liquidity. Deferrals on corporate and income tax were used in 90% of Scoreboard countries to relieve liquidity pressures for SMEs, especially at the time of the start of the crisis and the first lockdowns. A smaller share also included deferral of value added tax (47%), and social security and pension contributions (40%) (OECD, 2021[2]). In some countries, like France and the US, these measures were complemented with earlier repayments of tax refunds from the previous year. For enterprises providing goods and services to public institutions, measures were put in place to reduce payment times to get liquidity faster into SMEs' accounts (OECD, 2020[69]). The scope of deferrals has also been gradually extended beyond tax and social security payments. For instance, financial institutions backed by governments introduced debt repayment and fee/interest moratoria. This instrument was used in about 60% of the Scoreboard countries.

In most countries, tax deferrals were extended to all companies regardless of size, and only some schemes specifically targeted SMEs. Likewise, most of these schemes did not target only viable firms: even companies that had faced financial distress prior to 2020 could benefit from support in the form of deferred payments. (OECD, 2020[69]). This is consistent with the finding that bankruptcies declined in most Scoreboard economies in 2020, with many economies recording record low bankruptcies in decades. And while insolvencies are on the rise in some countries, they have often not increased as much as expected given the severity of the crisis. That said, as a result of these interventions, insolvencies could be expected to rise in the near future.

Grants and subsidies were also used extensively to alleviate SME liquidity constraints and support the build up of cash buffers in the immediate aftermath of the COVID-19 crisis. As the pandemic developed, the provision of grants became even more widely used by governments, and its design varied considerably between countries (OECD, 2021[70]). Despite the large variation, at the beginning of the pandemic this type of support was generally used to relieve SMEs' operating expenses and working capital needs. Grant schemes that aimed to target sectors in need (e.g. hospitality and cultural sector) were introduced in Greece, Belgium, Estonia (OECD, 2021[70]). In the Netherlands, schemes initially targeted micro and small enterprises in hard-hit sectors but gradually broadened the coverage to other sectors and company sizes (Government of the Netherlands, 2021[71]).

A key advantage of grant schemes is the broad range of beneficiaries that can be reached, as opposed to debt and equity finance where the provision is largely contingent on market-driven criteria. Grants have thus been mainly used to target microenterprises that are underserved through the traditional financing channels but were also in acute need of liquidity support. Microenterprise-targeting grant schemes were introduced in Chile, Germany, Ireland and the Netherlands (OECD, 2021[70]). In some emerging economies, grants schemes were also used to support informal SMEs given their limited access to bank finance and uncertain repayment capacity (Schwettmann, 2020[72]). Grants also have the benefit of providing relief without adding to SME debt.

As the pandemic evolved and governments started to introduce structural objectives in their policy support, grants and subsidies were also used as a tool to support the structural transition toward more digitalised, innovative and green economies (see Chapter 2). For example, vouchers were used to boost SMEs' and access to consultancy services to innovate and diversify markets as well as to provide entrepreneurs with access to digital trainings in Ireland and New Zealand. In Germany, the KfW Climate action campaign introduced grants to incentivise investments in the manufacture and use of sustainable systems and products (OECD, 2020[65]).

Public support for equity financing in 2020 was strong, but not as strong as the support provided through other instruments

In the run-up to the COVID-19 crisis, there were significant improvements in the development and uptake of alternative sources of finance for SMEs. Government support played an important role in the development of the SME equity finance industry in the period after the great financial crisis and before the COVID-19 pandemic. In the case of venture capital, public funding in new investment funds contributed to mobilising private investors and boosting investment volumes (Helmut Kraemer-Eis, Simone Signore and Dario Prencipe, 2016[73]). Some of the measures implemented included the establishment of funds of funds, direct investment or co-investment, and the development of regulatory frameworks to enhance the industry (OECD, 2020[28]). Funds of funds, for example help distribute finance between large investors (which can include institutional investors) and firms that seek private equity, by grouping funds to invest in small VC funds rather than firms (OECD, 2020[28]). This strengthened the participation of smaller actors in the industry and helped in the diversification of asset allocation. Co-investment, on the other hand, helped mobilise private investment through risk-sharing (Group of Thirty, 2020[74]). A large number of countries implemented measures to strengthen the VC industry in 2019. For example, 40 out of 46 countries had policies that supported private equity financing for SMEs.

Support for business angel finance for SMEs was another tool governments used in the run-up to the pandemic. This type of investor was increasingly recognised by policy makers as important complements to venture capital. Not only are they important sources of finance in the early stages, but also given their large involvement in the management and strategy of the companies they invest in, they positively impact the success of these firms (OECD, 2016[75]). Policies such as tax incentives (Turkey, Italy, Japan), government co-investments (Netherlands, United Kingdom), the creation of online platforms (Austria) and the formalisation of the Business Angel sector (Brazil) (OECD, 2020[28]) were important trends in the period prior to the COVID-19 crisis.

Despite the popularity of equity support measures prior to the COVID-19 crisis, these measures were not strongly used as a way to support SME access to finance during the pandemic. From a sample of 55 countries, only 20 implemented equity measures, versus 48 out of 55 that used direct lending and 46 out of 55 that used government guarantees (OECD, 2021[2]). This is in line with the data captured in other sources such as the Oxford Recovery Policy Observatory, which show that alternative sources of finance for SMEs were less used by governments than other more traditional sources of finance to combat the impact of the crisis. Only 60 rescue policies were related to alternative finance for SMEs compared to 450 rescue policies related to other, mainly debt-related sources (see Chapter 2).

The lower use of equity compared to other instruments at the outset of the crisis can be explained by several factors. First, the VC market tends to be highly cyclical and given that the COVID-19 pandemic disrupted solid business models and brought large uncertainty to the investment community, channelling initial governmental support through VC channels might not guarantee the value for money compared to providing support through more traditional and less volatile channels. Second, prior to the COVID-19 crisis, banks were the preferred sources of finance for SMEs compared to equity channels[5]. This is because there is a large proportion of SMEs, particularly family-owned SMEs, which are reluctant to cede ownership of their companies and to share voting rights to external investors (Ritch L. Sorenson, Andy Yu and Keith H. Brigham, 2013[76]). Third, some of the measures to inject equity to SMEs can be costly, given the need to assess and follow up risks (OECD, 2020[24]).

Nonetheless, equity measures were increasingly introduced in the second half of 2020 and in 2021 (see Chapter 2), as governments acknowledged the need to continue to provide liquidity support to firms without adding to their debt burden, as well as the need to reach young and highly innovative SMEs and start-ups. These enterprises had not been able to access government support in the first wave of the pandemic, as eligibility criteria principally took into account proof of existence and profits in the years prior to the pandemic (OECD, 2021[2]).

Fintech firms played a role in channelling support, but have further potential to support SME access to finance

Prior to the pandemic, several government measures were put in place to facilitate the development of the Fintech industry given its important contribution to the diversification of sources of finance, particularly for SMEs. For example, governments introduced innovation hubs that provide Fintech firms non-binding guidance on business model and licensing requirements. They also provided regulatory sandboxes allowing Fintech firms to test innovative financial products under regulatory supervision (ESMA, 2018[77]). These policy measures were implemented in 21 countries of the European Union. Similarly, several countries have set up and expanded information infrastructures for credit risk assessment, such as credit registries and credit bureaus (OECD, 2018[78]) (OECD, forthcoming[79]).

Despite the growth that Fintech firms experienced prior to the COVID-19 pandemic, their involvement in the delivery of COVID-19 related relief has been limited. Interestingly, the sector shows higher growth in countries where more stringent COVID-19 measures were in place. This can indicate that these firms offered solutions for firms and households when banks could not (e.g. digital payments, digital identity), in the context of restricted mobility. Nonetheless, against expectations, with a significant amount of firms facing large shortages in their liquidity, digital lending showed a global decline of 6% y-o-y, in contrast with the positive growth of all other Fintech subsectors. These data are likely impacted by the limited government recourse to Fintech in the delivery of COVID-19 support. In fact, only 13% of Fintech were able to participate in the delivery of government job retention measures, and 7% participated in the delivery of stimulus funding for MSMEs, despite a significant willingness to participate, where survey data indicate that 30% of Fintech were interested in delivering public support to SMEs (Cambridge Centre for Alternative finance, 2021[80]).

Despite the overall limited participation of Fintech as a delivery partner of COVID-19 related measures in 2020, in some regions Fintech solutions were used to increase the speed of delivery or to tap into different sources of finance (Cambridge Centre for Alternative finance, 2021[80]). For instance, in the United Kingdom, equity crowdfunding platforms delivered government matched funding, providing start-ups with convertible loans at reduced interest rates. In Latin America Fintech solutions were also used by the government to provide support to informal SMEs, reaching 38% of informal workers in in Chile and 21% in Colombia (El Cronista, 2021[81]).

The post-COVID policy landscape will be shaped by the recovery agenda and the need to increase SME resilience, including through continued financial diversification

Going forward, SME finance policy developments will likely be shaped by megatrends such as the green transition, globalisation, and digitalisation, as well as by geopolitical developments. The economic effects of the war in Ukraine, including rising prices in energy and raw materials and volatility in financial markets, coupled with continued inflationary pressures, are likely to lead to an increase in the price of credit going forward[6]. This could be particularly challenging for highly leveraged SMEs that took on additional debt to weather the COVID-19 crisis. Against this backdrop, it is important to continue efforts to strengthen SME financial positions. These efforts can go hand in hand with support to “build back better”, as part of recovery packages across Scoreboard economies (see Chapter 2). Support for SME access to finance may therefore be increasingly geared towards the priorities governments attach to structural transformations such as the green transition, globalisation and digitalisation.

Likewise, for SMEs to thrive in the recovery, significant attention needs to be given to the long-standing challenges these firms face in access to finance. SME access to both traditional and non-traditional sources of finance continues to be limited, compared to larger firms, making them more vulnerable to economic disruptions. Notably, the over-reliance of SMEs on bank finance and their vulnerability to changing credit conditions during times of crisis or economic downturn once again played out during the COVID-19 crisis. Similarly, growth in SME uptake of other types of finance, such as asset-backed financing and equity, was also impacted. Although the strong and swift policy responses to the COVID-19 pandemic were effective in mitigating the fallout from the crisis, such measures did not significantly mobilise alternative instruments and sources of finance for SMEs (see Chapter 2), leading to a situation in which many SMEs now face high and sometimes unsustainable levels of debt.

As governments continue to roll out recovery measures, it will be important to further consider the need to better balance SME debt and alternative instruments in the financing mix, in line with the Updated G20/OECD High-Level Principles on SME Financing to be released in 2022. Fostering the diversification of financing sources for SMEs through the support for alternative finance solutions which provide SMEs with financing adapted to their needs can also be an important source of SME resilience going forward.

This *Scoreboard* will continue to monitor developments in the SME financing and policy landscape, in order to support governments in developing SME financing policies that are effective in meeting current and future challenges.

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Notes

[1] From a sample of 124 countries that have implemented SME related support, 40% are high income countries, compared to 33% upper-middle income, 21% lower-middle income and only 6% in low income countries.

[2] Expansion or modification of existing programmes included for example: more funding for direct lending; an increase in total guarantee volumes and maximum guarantee volumes per beneficiary; an increase in the guaranteed share of loans; expansion of the scope of sectors covered by guarantees; relaxation or expansion of eligibility criteria to access these programmes; implementation of digital delivery systems and fast-track procedures to simplify and ensure quick access, etc.

[3] In the first half of 2020 nearly half of high-income countries had equity measures in place in the policy response to COVID-19 (OECD, 2021[2])

[4] Number of days between agreed payment terms and the receipt of funds (Intrum, 2021[59])

[5] In 2019 only 10% of SMEs preferred equity as external source of finance, while 70% preferred overdrafts and 55% preferred bank loans (Helmut Kraemer-Eis, Simone Signore and Dario Prencipe, 2016[73])

[6] Simulations from the March 2022 Interim Economic Outlook project an increase in interest rates of a little over 1 percentage point on average in the major advanced economies and 1½ percentage points in the major emerging-market economies (OECD, 2022[3]).

2 SME finance in COVID-19 recovery packages: Assessment and implications

This chapter examines the evolution of SME and entrepreneurship financing support measures during the COVID-19 pandemic, from the rescue to the recovery phases. It assesses how national recovery packages are addressing the challenges SMEs face in terms of liquidity and solvency, the types of financing instruments used to channel support and the contribution of these packages to meeting SME financing needs for investments in digitalisation, greening, innovation and skills.

Overview

Many countries around the world have launched recovery packages in order to help their economies return to economic growth and face the major challenges of the future with greater resilience. These packages vary greatly in format, type of support and size across countries. Given their magnitude, it is relevant to understand how these packages can contribute to helping SMEs and entrepreneurs meet their financing and investment challenges.

Through this lens, the chapter seeks to assess explicit SME related policies in their number and expenditure in recovery packages. It aims to understand the extent to which these packages can be a vehicle to enhance SME access to diverse financing instruments and sources. The assessment is based on an analysis of different databases that track the diverse policies announced since the start of the pandemic. The focus of the chapter is largely on measures at national level.

Findings show that, although there is large heterogeneity in their design, recovery packages have, in general, a relatively modest explicit SME orientation. An analysis building on several sources shows that the share of SME-related polices in recovery packages was 4.07% as a share of the number of policies, and 2.21% as a share of the amount of funding. To put this into perspective, the share of SME-oriented policies in rescue packages was 17.25% in terms of the number of policies, and 25.51% as a share of the amount of public funding invested.

Another significant finding is that, contrary to crisis measures, recovery packages focus significantly on start-ups. Start-up related policies account for 23.53% of SME-related policies in recovery packages, compared to just 2.22% in rescue packages. Conversely, the share of policies focusing on the self-employed is much lower in the recovery phase than in the rescue phase.

The report also assesses the type of financial instruments used to channel support to SMEs in recovery plans. The use and design of debt instruments for SME liquidity support in recovery packages varies across countries. While some loan schemes target viable firms, others aim to reach underserved companies owned by vulnerable groups. Similarly, although a large number of SME guarantee schemes were extended until the end of 2021 and beyond, their coverage varies.

The decreased attention to SMEs in the recovery packages is also evident in liquidity support. Efforts to boost SME liquidity through debt, grants and deferral instruments carry less weight in the recovery packages (5.78%) compared to crisis measures (30.73%) in terms of number of policies.

In general, and in particular at the outset of the crisis, rescue measures did not mobilise alternative sources and instruments of finance for SMEs. In the recovery, this situation broadly persists, indicating that these packages are not likely to be a key mechanism to kick-start improvements in the uptake of alternative financing for SMEs, which had gained significant ground in the run-up to the COVID-19 crisis, but which suffered in 2020 and 2021.

Despite the limited use of alternative finance policies in the recovery packages for SMEs, alternative finance instruments that are present include factoring, leasing and hire purchases, trade finance, and equity and quasi-equity tools. The recovery strategies also include regulatory changes in order to foster the use of such instruments.

Going forward, governments may wish to consider other mechanisms to foster diversification of SME finance instruments, including Fintech, which can help SMEs thrive in a post-pandemic recovery likely to be characterised by continued high levels of SME debt and challenges in risk assessment for certain types of firms and sectors.

There may also be a need to take additional measures to address the challenges of SME insolvency. Some recovery packages do include policies on insolvency, but these instruments are even less present than liquidity measures (debt, deferral, grants) and alternative finance. Insolvency measures include debt restructuring solutions, as well as improvements in the capacity of insolvency systems.

In terms of channelling support, banks continue to be an important partner in the deployment of recovery packages, along with digital platforms, given their effectiveness in reaching a broader range of beneficiaries.

Looking at policy domains in the recovery packages, innovation is the policy area with the highest number of SME-related policies, although digitalisation receives the highest volume of financial support among explicit SME-related policies.

Despite the high priority governments and business attach to the issues of greening and sustainability, these are clearly the areas where explicit SME-related policies are least prevalent in terms of number and financial value of policies. According the analysis of policy trackers, the value of SME-related policies on greening against the total value of greening policies appears to be particularly low (2.44%), although databases focused on European recovery plans show a higher share of approximately 5% (OECD, 2021[1]). While SMEs can benefit from generic (not SME-targeted) greening measures in recovery packages, the limited explicit emphasis on SMEs in this central policy area calls for further reflection on additional measures to ensure that SMEs are equipped to finance actions related to reducing their carbon footprint and contributing to sustainability objectives.

Introduction

SMEs and entrepreneurs have been hard hit by the economic impacts of the pandemic. They are strongly represented in the sectors most affected by the crisis, they often lack the cash reserves to weather economic downturns and generally have been less able to adopt the technologies and working methods to adjust to the new circumstances.

At the start of the pandemic, governments responded swiftly and robustly to support SMEs and entrepreneurs to avoid a liquidity crisis, through a combination of loans, loan guarantees and grants, as well as deferral of payments and job retention schemes. While these measures helped to avoid an increase in SME bankruptcies, their focus on debt finance also contributed to rising SME debt levels in a number of countries, and made the already existing need for a diversification of SME finance more manifest. The developments in SME finance in 2020, as well as policy support measures, are discussed in Chapter 1. Rising numbers of COVID-19 cases and the emergence of new variants in the second half of 2021 led to new containment measures in various countries, and the extension or re-introduction of rescue measures to support SMEs and other businesses.

As the pandemic continued in 2020 and 2021 governments increasingly focused on support for recovery, in addition to rescue and liquidity. In the earlier days of the pandemic, this took the form of a gradual increase in the inclusion of structural support measures, focused particularly on digitalisation in the policy mix (OECD, 2020[2]). Since June 2020, and in particular in the first half of 2021 (OECD, 2021[3]), a large number of OECD countries launched recovery packages that aim to pave the way for recovery (OECD, 2021[4]). These recovery packages vary in size, focus and timing, but they all include investments in infrastructure, greening, digitalisation, innovation and skills.

This chapter focuses on how these recovery packages address the financing challenges faced by SMEs - with respect to the ongoing impacts of the pandemic on their liquidity and solvency position, the instruments used to channel support and the investments needed to strengthening resilience for the future. It examines in particular the following aspects of recovery packages:

- Their potential to address SME financing needs, including those that emerged during the pandemic;

- The extent to which the packages might influence the evolution of SME finance markets over the longer term, including diversification of SME financing instruments and sources;
- How these packages may contribute to meeting SME financing needs for investments in digitalisation, greening, innovation and skills.

The chapter first provides an overview of the different recovery packages that have been launched in OECD and Scoreboard countries, examining the extent to which they include an SME focus. Then, the chapter discusses the type of SME finance instruments and sources the packages use to channel support, against the backdrop of developments and challenges in SME finance that have been discussed in previous *Scoreboard* editions. Finally, the chapter explores how the recovery packages support SME finance needs in four key policy areas: greening, digitalisation, skills and innovation.

The SME orientation of recovery packages

Many countries have launched recovery packages

From June 2020 onwards, various OECD countries launched recovery packages to counter the impact of COVID-19. Recovery packages differ from the rescue measures launched immediately after the outbreak of the pandemic, which largely aimed to avoid a liquidity crisis. Recovery packages aim to strengthen structural and sustainable growth and resilience through short-term measures (such as fostering demand via income support measures, vouchers and tax rebate schemes) and longer-term measures (structural policies with a focus on digitalisation, greening, skills, innovation and infrastructure investments). However, in practice, the distinction between rescue and recovery support is not so easily made. Some countries include aspects of rescue and liquidity support in their recovery packages, or had included structural policy support measures as part of their initial rescue support, while others continue to operate rescue support in parallel to the recovery packages. Some countries reintroduced or extended rescue measures over the course of 2021 in response to a resurgence of the pandemic, in parallel with the recovery packages introduced. Finally, some countries have not launched a comprehensive stand-alone recovery package, but introduced a series of recovery measures over the course of the pandemic.

Table 2.1 provides an overview of the timing, size and focus of the recovery plans introduced in OECD countries.

Table 2.1. Recovery packages in selected OECD countries

Country	Recovery package	Size	Focus
Australia	Federal budget 2021/22 (May 2021) (Government of Australia, 2021[5]) The Economic Recovery Plan (Australian Government, 2021[6])	5% GDP AUD 507 billion	Digitalisation, greening, infrastructure, skills, tax cuts.
Austria	Rescue and investment package (June 2020) Recovery and Resilience Plan (June 2021) (Government of Austria, 2021[7])	EUR 15 billion EUR 3.5 billion (grants)	Digitalisation, greening, innovation, investment, skills.
Belgium	Plan National pour la Reprise et la Résilience (June 2021) (Cabinet du Secrétaire d'Etat à la Relance et aux Investissements Stratégiques, en charge de la Politique Scientifique, 2021[8])	EUR 5.9 billion (grants)	Digitalisation, greening, innovation, mobility, productivity, public finance, skills, social cohesion.
Canada	Recovery Plan for jobs, growth and resilience (April 2021) (Department of Finance Canada, 2021[9])	5% GDP	Digitalisation, greening, jobs, small businesses, women, young Canadians.
Chile	Social and Economic Recovery Plan (June 2020) (OECD, 2021[10]) Paso a Paso Chile se Recupera (October 2020) (Government of Chile, 2021[11])	USD 12 billion	Greening, income support, infrastructure, innovation, investment, jobs, SME support, tourism.

Country	Recovery package	Size	Focus
Colombia	Compromiso por el Futuro de Colombia (July 2020) (Government of Colombia, 2020[12])	COP 100 billion (USD 29 million)	Digitalisation, greening, health, housing, infrastructure, jobs, skills
Czech Republic	National Recovery Plan (July 2021) (Ministerstva průmyslu a obchodu, 2021[13])	CZK 191 billion	Digitalisation, greening, mobility, skills, social services
Denmark	Danish Recovery Plan (April 2021) (Danish Minister of Finance, 2021[14])	DKK 11.6 billion	Digitalisation, exports, greening, health.
Estonia	Recovery and Resilience Plan (June 2021) (Eelarvenõukogu, 2021[15])	EUR 982.5 million (grants)	Digitalisation, greening, health, mobility, social protection.
Finland	Sustainable Growth Programme (May 2021) (Government of Finland, 2021[16])	EUR 238 million	Digitalisation, greening, health, jobs, social inclusion.
France	France Relance (September 2020) Plan National de Relance et Résilience (June 2021) (Government of France, 2021[17])	EUR 100 billion EUR 39.4 billion (grants)	Digitalisation, greening, health, innovation, skills.
Germany	Fighting Corona, Securing Prosperity, Strengthening Sustainability (June 2020) Recovery and Resilience Plan (April 2021) (Bundesministerium der Finanzen, 2021[18])	EUR 130 billion EUR 25 billion (grants)	Demand stimulus, digitalisation, greening, infrastructure, innovation,
Greece	Greece 2.0 (April 2021) (Ministry of Finance, 2021[19])	EUR 60 billion	Digitalisation, greening, innovation, investment.
Hungary	Hungary Recovery Plan (May 2021) (Miniszterelnökség, 2021[20])	EUR 16.8 billion (of which 7.17 grants)	Digitalisation, greening, mobility, skills.
Iceland	Fiscal Plan 2022-2025 (March 2021) (Government of Iceland, 2021[21]) Fiscal Budget Proposal for 2022 (December 2021) (Government of Iceland, 2021[22])	ISK 260 billion	Greening, infrastructure, innovation, jobs, skills, social cohesion.
Ireland	National Recovery and Resilience Plan (June 2021) (Department of Public Spenditure and Reform, 2021[23])	EUR 989 million (grants)	Digitalisation, greening, skills.
Israel	Economic plan for coping with the coronavirus crisis (September 2020) (Ministry of Finance, 2020[24])	NIS 80 billion	Digitalisation, health, innovation, jobs, mobility, skills.
Italy	National Recovery and Resilience Plan (June 2021) (Government of Italy, 2021[25])	EUR 191.5 billion (of which 68.9 grants)	Digitalisation, greening, innovation and start-ups , mobility, skills, social cohesion.
Japan	Comprehensive Economic Measures to Secure People's Lives and Livelihoods towards Relief and Hope (December 2020) (Government of Japan, 2020[26])	JPY 40 trillion	Access to finance, digitalisation, disaster prevention and mitigation, greening, innovation.
Korea	Korean New Deal (July 2020, revised in July 2021) (Ministry of Economy and Finance, 2021[27])	KRW 220 trillion	Digitalisation, greening, social safety net.
Latvia	Latvia Recovery Fund plan (June 2021) (Government of Latvia, 2021[28])	EUR 1.8 billion (grants)	Digitalisation, greening, skills, sustainable mobility.
Lithuania	New Generation Lithuania: Recovery plan (Government of Lithuania, 2021[29])	EUR 2.2 billion (grants)	Digitalisation, greening, health, skills, social protection.
Luxembourg	Plan pour la Reprise et la Résilience (June 2021) (Ministère des Finances, 2021[30])	EUR 93 million (grants)	Digitalisation, greening, jobs, mobility, skills
Mexico	Acciones para Reactivación Económica (January 2021) (Secretaría de Economía, 2021[31])		Digitalisation, greening, jobs, international trade, investment promotion.
Poland	National Reconstruction Plan (June 2021) (Government of Poland, 2021[32])	EUR 36 billion (of which 23.9 grants)	Digitalisation, greening, health, innovation, mobility.
Portugal	Recovery and Resilience Plan (April 2021) (Government of Portugal, 2021[33])	EUR 16.6 billion (of which 13.9 grants)	Access to finance, digitalisation, greening, innovation.
Slovak Republic	Recovery and Resilience Plan (April 2021) (Úrad Vlády Slovenskej Republiky, 2021[34])	EUR 6.3 billion (grants)	Digitalisation, greening, health, social cohesion.
Slovenia	Recovery and Resilience Plan (April 2021) (Republika Slovenija - Služba vlade za razvoj in evropsko kohezijsko politiko, 2021[35])	EUR 2.5 billion (of which 1.8 grants)	Digitalisation, greening.
Spain	Recovery, transformation and resilience plan (October 2020) (Government of Spain, 2020[36])	EUR 72 billion (of which 69.5 in grants)	Digitalisation, greening, jobs, skills.

Country	Recovery package	Size	Focus
Sweden	Recovery Plan (May 2021) (Swedish MInistry of Finance, 2021[37])	SEK 34 billion (grants)	Digitalisation, greening, jobs, social cohesion.
Switzerland	Education and Research Budget (December 2020) (Government of Switzerland, 2020[38])	CHF 28 billion	Innovation, research, skills.
United Kingdom	Build Back Better plan for growth (March 2021) (Government of United Kingdom, 2020[39])	GBP 65 billion	Digitalisation, greening, health, infrastructure, innovation, skills.
United States	American Families Plan (April 2021) (Government of the United States of America, 2021[40]) American Jobs Plan (March 2021) (Government of the United States of America, 2021[41]) Infrastructure Investment and Jobs Act (November 2021) (Government of the United States of America, 2021[42])	USD 2 trillion USD 2.3 trillion USD 1.2 trillion	Income support, infrastructure, skills.

Source: Authors, based on government announcements

The packages share common overarching objectives but differ in focus

As Table 2.1 shows, many of the recovery plans have similar objectives, for instance in the areas of digitalisation, skills, greening, innovation and investment. However, within those broad areas, their focus varies significantly. In non-EU OECD countries, the emphasis in recovery packages is on skills and infrastructure, whereas recovery packages of EU countries include a strong focus on greening and digitalisation, in line with European Commission requirements that these should amount to at least 37% and 20% of recovery packages respectively. In Austria, Denmark, Germany, and Luxembourg (all countries that receive a relatively small amount of recovery and resilience support from the EU in relation to their GDP), virtually all funding goes towards green and digital measures. Countries that receive larger amounts presented more diverse plans with higher ‘other’ (non-green and non-digital) shares of spending (Bruegel, 2021[43]). In Austria, Germany, and Lithuania, the share of spending on digitalisation is highest among the policy mix, whereas in Belgium, Denmark, France, and Luxembourg the share of green spending ranks highest. In absolute terms France, Germany, Italy, and Spain spend most on digital, and France, Italy, Poland, and Spain on greening. Non-EU countries that put strong emphasis on greening as a share of recovery packages include Japan, Korea, Norway, Switzerland and Turkey, whereas in Australia and the United States the share is below 10% (UNDP - Nature, Climate and Energy, 2021[44]).

The format, types of support and size of packages differ across countries

Furthermore, the format and types of support of the recovery packages differ. For example, the recovery plans of EU countries often build on the Next Generation European Union fund (NGEU), agreed upon in July 2020 (European Commission, 2021[45]). The deal included an allocation by country of grants and loans of the total of EUR 806.9 billion, with only few countries making use of the loan element in NGEU in practice. In addition, some EU countries hit by new coronavirus outbreaks in late March and April 2021 approved supplementary budgets or extended fiscal support for businesses, affected workers, and the health care system (France, Germany, Italy). Moreover, although during 2021 various countries were phasing out liquidity support programs for businesses, these have been extended or re-introduced in several countries (for instance, Italy, Portugal) in response to the resurgence of the pandemic late 2021 (The New York Times, 2021[46]).

In other countries, the packages were launched through large self-standing initiatives (United States) and supplementary budgets (Australia, Canada, Japan, Korea, United Kingdom) with a greater variety in focus. In some of these countries (such as Australia, Korea and Japan), emergency support was extended or intensified in response to renewed lockdowns, whereas in others (New Zealand, United Kingdom), rescue support was gradually phased out.

A key difference among the recovery packages is size, as illustrated in Table 1. The July 2021 IMF Economic Outlook and the December 2021 OECD Economic Outlook document differences in the pace of economic recovery across countries, often in line with their level of resources. For example, higher-income countries continue to provide fiscal support to their economies, with fiscal measures announced to fight the pandemic estimated at USD 16.5 trillion as of early July 2021. Whereas USD 4.6 trillion of advanced economies' pandemic-related revenue and expenditure measures were still to be utilised in 2021 and beyond, most measures in emerging market economies and low-income developing countries expired in 2020 (IMF, 2021[47]).

Rescue packages had a strong focus on SMEs

SMEs were hard hit by the impacts of the COVID-19 pandemic and the SME focused policy response was unprecedented. Measures were directed in particular towards avoiding a liquidity crisis among SMEs by providing deferral of payments, support for wage payments, loans, loan guarantees and grants. The World Bank has counted a staggering 1 600 SME-oriented support measures launched during the pandemic world-wide, with an emphasis on debt finance, employment support and tax measures (World Bank, n.d.[48]). By July 2020, McKinsey calculated on the basis of IMF data that support to SMEs in 50 countries amounted to USD 1.2 trillion (10% of total fiscal policy support provided), 83% of which consisted of loans and loan guarantees (McKinsey & Company, 2020[49]).

This strong SME orientation in the rescue phase of the policy response to the pandemic was confirmed by two OECD surveys on financing support programmes for businesses during the crisis conducted in 2020. The first survey in April 2020 (with responses from 32 OECD countries) showed that 55 out of 98 policy measures identified were directed towards SMEs (56%) (OECD, 2020[50]). In a second wave of the survey, held in December 2020 with responses from 21 countries, that figure dropped to 46 out of 117 measures (39%) (OECD, 2021[51]). Box 2.1 explains the sources and methodology used to identify the SME orientation of policy measures.

Box 2.1. Identifying SME-related policies in recovery packages: sources and methodology

The assessment of the SME-orientation of recovery packages relies on the analysis of five trackers and databases:

- The Global Recovery Observatory of the Oxford University Economics Recovery Project (OUERP), which includes 7.584 rescue and recovery policies of 91 countries, accessed in October 2021 (O'Callaghan, 2020[52]).
- The Bruegel Recovery and Resilience Plans dataset of 22 EU countries recovery packages which includes 1763 policies, accessed in July 2021 (Bruegel, 2021[43]).
- The results of two surveys among OECD countries on financial support measures for business with responses from 26 (June 2020) and 21 countries (December 2020), and including in total 215 policies ((OECD, 2020[50]) (OECD, 2021[51])).
- The OECD Green Recovery Database, which includes 857 greening policies in recovery packages in 44 countries, accessed in September 2021 (OECD, 2021[53]).
- The Green Recovery Tracker developed by the Wuppertal Institute and E3G, which includes 996 recovery policies in 17 EU countries and assesses these in terms of their green impact, accessed in September 2021 (Wuppertal Institute, E3G, 2021[54]).

The aim of the tracker analysis is to assess if and how policies in the trackers are 'SME-related'. For the purposes of this chapter, the term "SME-related" refers to policies that explicitly target SMEs or reference them as one of the target groups. Where possible, the share of SME-related policies was assessed by number and value of policies in both rescue and recovery packages at large, as well as in specific policy domains (digitalisation, greening, skills and innovation) and aspects of SME finance such as the use of types of financial instruments (debt, deferral, grants) or more broadly type of support (liquidity, insolvency, alternative finance). Where possible, SME-related policies were differentiated by focus on firm age (e.g start-ups), self-employed, type of entrepreneurs and firm size per se.

The identification of SME-related policies took place along three steps:

- First, relevant existing classifications within the databases were used, for instance archetype C (liquidity for SMEs) in the Oxford database, or classifications regarding policy domains.
- Second, a word search was done on the descriptions of policies in the databases (where available), using targeted search terms to identify policies.
- Third, a manual check was done on all the policies identified, to verify that they indeed fall into the right category. Moreover, outlier policies (in terms of financial value) were omitted to avoid bias in the analysis.

The results of the tracker analysis should be interpreted with the following limitations in mind:

- The databases are a work in progress that are continuously updated.
- The databases differ in objectives and methodologies, and are therefore not fully comparable.
- The tracker analysis aims to map SME-related policies in rescue and recovery packages, but is not intended to compare rescue and recovery packages as such, given their different objectives and nature. It does not aim to make a normative interpretation of how high or low the share of SME-related policies should be. Furthermore, while the analysis provides relevant insights on the SME orientation of policies, it does not suggest that policies that are not SME-related are not relevant for SMEs. Many financial support measures open to the business sector at large can also be relevant for SMEs.

> Data on the values of policies should be carefully considered. The policies in the databases mostly refer to the announcement of measures, not expenditure; not all policies have financial values attached.
>
> Notes: See Annex B for a more detailed overview of the methodology used.

However, recovery packages have a less explicit focus on SMEs

While SMEs took the centre stage in rescue support, this shifted in the recovery phase. Countries continued to include policies that aim to support the recovery and resilience of SMEs through more targeted measures for SMEs, examples of which are discussed in the Key policy objectives in recovery plans: the SME dimension section. However, the emphasis in recovery packages on measures and budgets with an explicit SME orientation declined – even though emergency support measures remained in place in various countries when lockdowns and restrictions continued. This shift can be explained in part by the fact that with reopening of economies, the need for SME focused emergency support declined, and that countries increasingly became concerned about the negative effects of long-term liquidity support. Furthermore, the focus in recovery packages on structural and future-oriented policy objectives gave a more prominent place to more horizontal measures, such as for digital infrastructure or innovation – which can also benefit SMEs. Finally, in some cases, rescue policies had a longer-term horizon and impact, and therefore it was not necessary to include these policies again in recovery plans.

The shift in focus from rescue measures to recovery packages is shown in Table 2.2 and Table 2.3 which make use of data from the Global Recovery Observatory (O'Callaghan, 2020[52]) (Table 2.2), the Bruegel think tank (Bruegel, 2021[43]) and the Green Recovery Tracker (Wuppertal Institute, E3G, 2021[54]) (Table 2.3). Table 2.2 shows that of the total number of policies in the database by October 2021, 1033 (13.62%) were SME-related. In terms of the value of support, SME-related policies account for USD 3,942 billion (20.21%). The share of SME-related policies in the total number of rescue policies as of October 2021 was 17.25%; the share in the value of SME relevant support was even higher: almost 25.51%. However, the share of SME relevant recovery policies is significantly lower: 4.07% as a share of the number of policies, and 2.21% as a share of the amount of funding.

This reflects two developments. Not only were a large number of policies in the rescue phase focused on SMEs, they also often included relatively high budgets compared to other policy types such as loans and loan guarantees. In the recovery phase, a lesser focus on SMEs can be observed, using instruments that on average had smaller budgets than non-SME-related policies. In absolute terms, spending on SME-related policies dropped from USD 3 862.02 billion in the rescue packages to USD 78.15 billion in recovery packages.

Table 2.2. SME-related policies in global recovery and rescue packages

Number of policies and financial value

	Total (rescue and recovery)		Rescue packages		Recovery packages	
	Number	Value (billion USD)	Number	Value (billion USD)	Number	Value (billion USD)
SMEs related policies	1033	3942.84	945	3862.02	85	78.15
Other policies	6551	15567.16	4533	11278.33	2002	3451.78
Total policies	7584	19510	5478	15140.35	2087	3529.93
Share of SMEs related policies	13.62%	20.21%	17.25%	25.51%	4.07%	2.21%

Source: Global Recovery Observatory (O'Callaghan, 2020[52])

Table 2.3 shows the results from a similar analysis on recovery packages in Europe (Bruegel, 2021[43]) (Wuppertal Institute, E3G, 2021[54]). The share of SME-related policies by value is higher in European recovery packages, ranging from approximately 2.29% and 4.65% (compared to 2.21% globally), although these funds are concentrated in a smaller number of policies.

Table 2.3. Share of SME-related policies in European recovery packages

Number of policies and financial value

	Bruegel Recovery and Resilience Plans data set*		Wuppertal Institute Green Recovery Tracker	
	Number	Value (billion EUR)	Number	Value (billion EUR)
SME-related policies	57	11.02	41	31.89
Other policies	1706	470.98	955	653.49
Total number / value of policies	1763	482.00	996	685.38
Share in total	3.23%	2.29%	4.12%	4.65%

*Note: The value includes only grants in the recovery packages, not loan elements. Bruegel dataset consider the data for 22 European countries, while Wuppertal Institute consider 17 European countries.
Source: Bruegel Recovery and Resilience Plans dataset (Bruegel, 2021[43]) and Green Recovery Tracker (Wuppertal Institute, E3G, 2021[54])

Recovery packages also saw a shift in the types of SMEs targeted

A relevant distinction is on which types of SMEs the support packages focus: on existing SMEs, on new SMEs and start-ups, on the self-employed and/or on types of entrepreneurs. Out of the 1 033 policies identified as SME-relevant, the vast majority (55.37% by numbers, 92.03% by funding) focus on existing SMEs, followed by self-employed (14.81% by number and 12.55% by funding). Start-ups and new ventures account for 3.97% in the number of policies and 0.55% in funding, and entrepreneurs 8.52% and 1.8% respectively (Table 2.4).

The table also documents the changing share of SME-related policies for different types of SMEs in the rescue versus recovery packages. It shows that recovery packages focus more on start-up oriented policies than previous crisis measures. Start-up related policies accounted for 23.53% of the number of SME-related policies in the recovery packages, compared to 2.22% in the rescue packages. Conversely, the share of policies focusing on the self-employed is much lower in the recovery phase. For policies related to types of entrepreneur, the share increased from 7.51% in rescue packages to 20% for recovery packages, with an even stronger increase by share of value, although their number and value in absolute terms declined.

Table 2.4. SME-related policies in rescue and recovery packages by SME type

Number of policies and financial value

	Number of policy references				Financial value in USD billion			
	SME	Start-up	Entrepreneur	Self-employed	SME	Start-up	Entrepreneur	Self-employed
	Total (rescue and recovery packages)							
Number/value of policies by SME type	572	41	88	153	3,245.11	19.49	63.59	442.67
Share of SMEs related policies by SME type*	55.37%	3.97%	8.52%	14.81%	92.03%	0.55%	1.80%	12.55%
	Rescue packages							
Number/value of policies by SME type	520	21	71	145	3,172.43	15.93	56.82	439.57
Share of SMEs related policies by SME type*	55.03%	2.22%	7.51%	15.34%	82.14%	0.41%	1.47%	11.38%
	Recovery packages							
Number/value of policies by SME type	50	20	17	8	72.14	3.56	6.77	3.1
Share of SMEs related policies by SME type*	58.82%	23.53%	20.00%	9.41%	92.31%	4.56%	8.66%	3.97%

Notes: *The shares are calculated over the total of SME related policies (1033) amounting to USD 3942.8 billion. The shares do not add up to 100% because some SME-related policies are not related to one of the four types. Not all policies by SME type include information on whether they are part of rescue or recovery packages.
Source: Global Recovery Observatory (O'Callaghan, 2020[52])

The Bruegel database on recovery packages in the EU confirms the significant share of start-up oriented policies in the recovery packages (over 30% of SME-related policies), and the very low share of policies for the self-employed in recovery packages (less than 2% of SME-related policies) (Table 2.5).

Table 2.5. SME related policies in 22 European recovery packages by SME type

Number of policies and financial value

	SME	Start-up	Entrepreneurship	Self-employed
Number of policies	13	18	5	1
Value of funding (billion EUR)	6.37	0.28	0.55	0.01
Share of SME-related policies by SME type (number) (%)*	22.81%	31.58%	8.77%	1.75%
Share of SME-related policies by SME type (value) (%)*	57.78%	2.58%	4.99%	0.09%

Note: The shares do not add up to 100% because some SME-related policies are not related to one of the four types
Source: Bruegel Recovery and Resilience Plans dataset (Bruegel, 2021[43])

SME financing instruments in recovery packages

The 2020 special edition of the *Scoreboard* noted the need to preserve the progress made in financial diversification for SMEs documented in recent years, in light of the strong emphasis on credit in crisis measures. This section assesses the extent to which recovery packages can contribute to this objective.

As countries strive for recovery, SME liquidity needs remain significant. As noted in the OECD in-depth analysis of one year of SME policy responses to COVID-19, the provision of liquidity was key in the rescue aid to SMEs from the start of the pandemic, and was largely successful in avoiding a wave of SME bankruptcies (OECD, 2021[3]). However, especially in countries where lockdowns were introduced in 2021, liquidity remains a challenge for recovery. For instance, a study conducted by Euler Hermes finds that the support provided by governments reduced the number of SMEs insolvencies by more than 8000 in Germany, France and the United Kingdom. However, the risk of insolvency in a sample of 525 000 SMEs is still present in 7% of SMEs in Germany, 12% in France and 15% in the United Kingdom. This is slightly lower than pre-pandemic levels, indicating the impact of government support in avoiding a wave of bankruptcies (Euler Hermes, 2021[55]). In addition, the emergence of new variants and the continued uncertainty about the strength of the recovery in some sectors has pressed governments around the world to continue to provide financial support to businesses. In 2021, many SMEs continued to be in a very vulnerable position. In addition to continuing to drain funds given market uncertainty, low demand and rising inflation, they also generally face a risk of insolvency caused by the extensive use of debt support through the banking system in the first phases of the pandemic. In the rescue phase, the established relationship between banks and SMEs allowed policymakers to reach a large number of SMEs swiftly. On the other hand, an overreliance of the policy response to the pandemic on traditional financing, as well as the pro-cyclical nature of early stage equity finance, contributed to an increase in SME indebtedness.

Against this backdrop, this section examines the extent to which the recovery packages mobilise different financing instruments and policy tools for SMEs, and assesses how they can contribute to tackling SME short- and long-term finance needs in the recovery, as well as the reduction of SME reliance on debt.

Debt instruments continue to be an integral part of recovery packages, with a shift in design and focus

Looking at the different debt instruments to enhance liquidity of SMEs in the recovery packages, there is some heterogeneity in their use. For example, some loan schemes target viable firms, while others aim to target companies owned by vulnerable groups. Similarly, although a large bulk of guarantee schemes were extended until the end of 2021, the extent of the coverage that benefit SMEs varies. Furthermore, intangible based finance is included in several recovery packages.

The design of some recovery loan schemes are more stringent in their eligibility criteria

Considering the reliance of SMEs on debt finance, loan schemes continue to be present in the recovery mix. While in the rescue phase, the aim was to distribute support quickly and ensure large uptake and coverage, the eligibility criteria to receive support was broad. However, given the increasing risk of over indebtedness, eligibility criteria tend to be more stringent and narrow in the recovery schemes, where the aim is to target viable but illiquid businesses.

In Australia, for example, the SME Recovery Loan Scheme launched in May 2021 is only open to companies that passed the so-called Decline in Turnover Test. The aim of the test is to evaluate viability prior to the COVID-19 crisis and ensure that beneficiary companies had a decline in turnover caused solely by the pandemic. To pass the test a company must have a decline of 15%, 30% or 50% in a quarter in 2020 compared to the same quarter in 2019 (Australian Government - Taxation Office, 2020[56]).

In the United Kingdom, the Recovery Loan Scheme (RLS) launched in March 2021 requires the business to not be in collective insolvency proceedings, and to show it would be viable if it were not for the pandemic. The scheme also considers lending provided by previous schemes (Bounce Back Loan Scheme, or Coronavirus Business Interruption Loan Scheme) and can limit the amount borrowed under the RLS (British Business Bank, 2021[57]). The SME needs to have a borrower proposal which has to be considered viable by the lender. The scheme also require borrowers to pay fees and interest from the beginning (although interest rates will not be high as the scheme benefit from an 80% state guarantee) (Ashurst, 2021[58]). The payment of interest from the outset can limit uptake; however, it ensures that the companies that take it have repayment capacity.

In Greece, in September 2021, the government announced that a portion of funding under the Recovery Fund Loan Scheme would benefit SMEs, providing them with low interest loans. However, eligible SMEs need to show that they merged, undertook an acquisition or have entered into long-term cooperation for at least five years (ΗΜΕΡΗΣΙΑ, 2021[59]). This may direct resources towards business models that are in a more stable financial position with a higher repayment capacity.

Other loan schemes target SMEs that are disadvantaged in their access to finance

Some schemes target firms that have not benefited from other support programmes or face greater barriers to access. For instance, in the United States, the extension of the Paycheck Protection Programme, announced in February 2021, takes a more targeted approach to reach under-banked businesses. It includes a special 14-day window in which only businesses with fewer than 20 employees can apply and have a revised loan formula, which allows more money to flow to sole proprietors, independent contractors and self-employed people (of which 70% are owned by women and people of colour (Government of the United States of America, 2021[60])). From the USD 7 billion of the PPP extension, USD 1 billion was set aside for businesses without employees located in low and moderate income areas. Data from the SBA in March 2021 indicate that loans to minority-owned businesses were up by 20%, reaching an additional thousand minority-owned businesses each day. Loans to women owned businesses were up by 14%, reaching an additional of 600 women-owned business each day, and loans to small businesses in rural areas were up by 12% during the special 14-day window (CBS News, 2021[61]).

Similarly, the State Small Business Credit Initiative (SSBCI) was re-launched in March 2021 as part of the American Rescue Plan with USD 10 billion (US Department of the Treasury, 2021[62]), of which USD 1.5 billion was set aside specifically for socially and economically disadvantage businesses. The programme also allocates USD 308 million in funding specifically to rural southern states. The programme was originally launched in 2010 as a recovery strategy for the Great Financial Crisis. The current version of the programme has six times more funding than in 2010 and allocates three times more funding to rural southern states (Hope Policy Institute, 2021[63]). Another case in point is the San Francisco loan programme that provides working capital specifically to SMEs not reached by previous programmes, and recently created SMEs that do not have a credit history. The programme offers zero interest rate loans of up to USD 100 000, making it the largest SME loan programme offered in the city to date (California News Times, 2021[64]).

In Canada, the 2021 Budget provides CAD 80 million in 2021 and 2022 for the Community Futures Network of Canada and regional development agencies (Government of Canada - Department of Finance, 2021[65]). The Community Futures Network Canada provides support in the form of loans and training to small businesses in rural communities (Community Futures - Network of Canada, n.d.[66]).

Youth-led businesses were also greatly affected by the crisis. In order for help this vulnerable group around the world, the Youth Business International initiative launched the COVID-19 Rapid Response and Recovery Programme which collaborates with national authorities and SME organisations to help young entrepreneurs (aged 18 to 35 years), women and migrant entrepreneurs to recover from the crisis across 32 countries. In the Netherlands, for example, it collaborate with Qredits, a microfinance institution supported by the government to offer advice and training (Youth Business International, n.d.[67]).

Guarantee schemes continue to be an important tool to support SMEs in the recovery

Government guarantees continue to be important to ensure SMEs have the liquidity they need to recover from the crisis, thanks to their risk-mitigating and counter-cyclical nature. In addition, through the pandemic, credit guarantees have been effective in allocating public support towards viable firms that were most affected by the pandemic. An OECD study shows that in 2020, only a small share of companies that benefited from loan guarantees were in financial distress in 2019 (Demmou and Franco, 2021[68]). Likewise, a study from the European Investment Bank that linked policy support with firm characteristics, shows that firms that experienced larger sales losses (most of them SMEs) were the ones that benefited the most from the policy support (including subsidised or guaranteed credit), with no evidence that these firms were weak before the crisis (EIB, 2022[69]). Guarantee schemes therefore continue to be instrumental for an effective allocation of financial support for SMEs in the recovery. For example, the Pan-European Guarantee Fund has registered significant activity in 2021. From December 2020 to December 2021, 287 guarantee agreements were approved to support SMEs and mid-caps in the European Union (EIB, 2021[70]). With the objective to pool risk among member states, it offers harmonised support to SMEs across member states, avoiding an uneven distribution of support linked to government capacities. The target amount is EUR 25 billion with the aim to mobilise private funding reaching EUR 200 billion.

Individual countries have also extended their guarantees schemes to continue to benefit SMEs specifically. Most of these guarantees were established in 2020 and were set to expire in the first half of 2021. Acknowledging the importance to continue to provide liquidity, they were extended in most cases until the end of 2021, and in some cases to mid-2022 considering the emergence of COVID-19 variants and related restrictions. Table 2.6 provides information on guarantee extensions and guarantee coverage.

Table 2.6. Guarantee extensions to support SMEs in selected countries

Country	Guarantee name	Announcement date of extension	Extension period	Type of beneficiary	Type / Level of coverage
Argentina	Fondo de Garantía Argentino	Jun-21	Until 30 September 2021	SMEs	100% guarantee rate. Loans of up to ARS 15 million per project with a term of 7 years and fixed annual interest rate of 18%.
Australia	SME Loan Scheme	13 December 2021	Until June 2022	SMEs	Loans are available from 1 April 2021 until 31 December 2021 with a Government guarantee of 80%. Under the 2022 Scheme expansion, loans are available from 1 January 2022 until 30 June 2022, with a Government guarantee of 50%.
Austria	Bridging Guarantees (AWS)	Jun-21	Until December 2021	SMEs and self-employed, tourism companies with finance requirement of more than EUR 4.4 million, large companies with financing requirement of up to EUR 0.5 million	100% guarantee rate for a loan of up to EUR 500,000. 90% guarantee rate for a loan of up to EUR 27.7 million. 80% guarantee rate for a loan of up to EUR 1.5 million. Guarantee period max. 5 years.
Belgium	Second Guarantee	Jun-21	Until December 2021	SMEs	80% guarantee. The guarantee will only apply for new loans and credit lines and not for existing loans.
Chile	FOGAPE-REACTIVA programme	Feb 2021	Until December 2021	MSMEs	80% coverage to small enterprises and 85% to micro and small enterprises. The interest rate is fixed (0.6% monthly rate) to avoid exceeding monetary policy rate.
France	Government Guarantee	Apr-21	Until December 2021	All firms	90% of the loan for all SMEs. For companies with more than 5 000 employees or a turnover above 1.5 billion, the coverage guaranteed by the State is 70% or 80%.
Greece	COVID-19 Loan Guarantee Fund (Phase 3)		Until December 2021	Micro-sized enterprises	80% of the loan amount, to cover liquidity needs resulting from the COVID-19 crisis. Loans are of up to EUR 50 0000 and have a duration of up to 5 years.
Italy	Central Guarantee Fund	Jul-21	Until December 2021	SMEs	Maximum coverage of 80% for direct guarantees and 90% for indirect guarantees. Adjustments up to 90% and 100% respectively upon authorization of the European Commission. The maximum guaranteed amount for each SME is EUR 5 million and no

Country	Guarantee name	Announcement date of extension	Extension period	Type of beneficiary	Type / Level of coverage
					fees or commissions are payable.
Italy	Guarantee Italy Programme	Jun-21	Until December 2021	SMEs that have exhausted their ability to access to the Central Guarantee Fund	The coverage percentages increases from 70% to 90% as firm size decreases.
Latvia	Credit Holiday Guarantee		Until December 2021	SMEs and large enterprises	50 % guarantee. Up to EUR 500,000 per company. Term up to 6 years for financial leasing and investment loan financial services, up to 3 years – for working capital financial services.
Malaysia	Syarikat Jaminan Pembiayaan Perniagaan Bhd (SJPP)	Jul-21	Until 2022	SMEs	Guarantee ceiling increased amounting to RM 20 billion (The Sun Daily, 2021[71]).
Netherlands	SME credit guarantee scheme (BMKB-C, in Dutch)	Mar-21	Until December 2021	SMEs	The share covered by the guarantee increased from 45% to 67.5% (excluding start-ups and small credit requests as they already benefitted by a 67.5% guarantee) and the duration of the guarantee is extended from 2 to 4 years. The guarantee budget increased from EUR 765 million to EUR 1.5 billion. The commission charged decreased.
Netherlands	Small Corona Bridging loans (KKC in Dutch)	Mar-21	Until December 2021	SMEs	95% of state guarantee for loans between EUR 10,000 and EUR 50,000. The term is at most 5 years and 4% maximum interest rate.
Netherlands	Business Loan Guarantee Scheme (GO-C)	Mar-21	Until December 2021	SMEs and large corporates	The share covered by the guarantee increased from 50% to 80% for large companies and to 90% for SMEs. The guarantee budget increased to EUR 150 million. Excludes agriculture, real state, financial services and healthcare providers.
Poland	Minimis Guarantee	July 2021	Until December 2021	SMEs	The maximum coverage of the guarantee increased from 60% to 80%. In 2020, Minimis guarantees provided support worth more than 29 billion PLN of financing value to more than 50 thousand MSMEs.
Spain	ICO guarantee scheme	May-21	Until December 2021	SMEs and self-employed	80% guarantee rate for SMEs and Self-employed persons. For other companies 70%. Extension of guarantee budget for EUR 10,000 for SMEs.
Sweden	Government guarantee programme for companies (Företagsakuten)	Jun-21	Until 30 September 2021	SMEs and large corporates	70% guarantee rate, the guarantee budget for the extension is SEK 50 billion.

Note: Authors based on government announcements and information provided in the Country Profiles.

Some guarantee schemes and other instruments are used to target sectors that are still in distress

In the recovery phase, there are a number of countries increasing their guarantees to benefit specific sectors that are still facing challenges as a consequence of COVID-19 variants and related restrictions. For example, in Argentina, the Argentinian Guarantee Fund supports cultural SMEs and self-employed in the tourism sector, with 100% coverage. The support has a 0% rate in the first year and an 18% interest rate in the second year (Ministerio de Desarrollo Productivo, 2021[72]). In February 2021, the Danish alternative finance provider *Reinvent*, signed a guarantee agreement with the European Investment Fund to support SMEs in the cultural and creative sectors. The guarantee amount to up to EUR 26 million and supports SMEs in Denmark, Finland, Iceland, Norway and Sweden. The support is distributed through bridge financing loans, minimum guarantees and content development loans (European Commission, 2021[73]). In March 2021, the Hungarian Foundation for enterprise promotion (Magyar Vállalkozásfejlesztési Alapítvány) signed a guarantee agreement with the European Investment Fund to support SMEs in the cultural and creative sector with EUR 8.2 million (European Commission, 2021[73]).

With the emergence of COVID-19 variants, a number of financial packages have been re-introduced to help companies in sectors that needed to comply with restrictions in late 2021. For example, in France in January 2022, the government lowered the threshold for companies to claim public support to compensate for turnover losses; the policy particularly benefits companies in the tourism sector (Reuters, 2022[74]). Similarly, the Slovak Republic government restored the measures within the First Aid+ package in December 2021, to help companies in the gastronomy and tourism sector that suffered 40% or more decline in revenues in late 2021 (The Slovak Spectator, 2021[75]). In South Korea, the Finance Ministry announced in December 2021, a new stimulus package worth KRW 4.3 billion to support SMEs and the self-employed that face difficulties from the re-introduction of tougher COVID-19 measures (US News, 2021[76]). In the United Kingdom, a new grant scheme worth GBP 1 billion has been introduced to help SMEs affected by COVID-19 variant related restrictions in the leisure and hospitality sectors (HM Treasury, 2021[77]).

Intangible-based finance is also included in some recovery strategies

Intangible assets are assets that lack physical substance. It not only refers to key drivers for innovation, such as investments in R&D, patents or software, but also includes other types of assets that can be key for a firm's success, such as databases, designs, managerial skills, and organization and distribution networks, among others (OECD, 2021[78]). Although SMEs and start-ups increasingly own a larger share of intangible assets, and multiple studies have shown the impact that these assets have in business growth and productivity, this does not translate into better access to debt financing (OECD, 2018[79]). Recovery plans attach large importance to the digitalisation of SMEs, the improvement of technological skills in employees and the enhancement of innovation in businesses (see Sections on Digitalisation, Skills, and Innovation). To help achieve these objectives, the recovery plans seek to foster an increased use of intangible assets in SMEs to drive productivity and economic growth. As such, the inclusion of intangible assets as collateral in the provision of finance is important as a complementary policy in the recovery strategy of SMEs and start-ups. For example, in Canada the 2021 budget presented in April 2021 aims to improve the Canada Small Business Financing Programme by expanding loan class eligibility to include lending against intangibles such as intellectual property and start-up assets and expenses. The maximum loan amount was also expanded from CAD 350,000 to CAD 500,000. Similarly, in Singapore, the IP Strategy 2030, published in April 2021, aims at strengthening IP financing schemes for businesses and supporting IP-rich companies based in Singapore (Brassell and Boschmans, forthcoming[80]). Yet liquidity support for SMEs through debt, grants and deferrals carries less weight in recovery packages than in crisis measures.

Yet liquidity support for SMEs through debt, grants and deferrals carries less weight in recovery packages than in crisis measures

This section examines the weight in terms of number of policies and financial value of liquidity support instruments in recovery packages. In a context of significant continued SME liquidity concerns, the recovery packages can be assessed by looking at financial commitments to proxy the weight that governments give to different finance instruments in each phase of the pandemic. To do so, data on COVID-19 related policies and fiscal spending from the Global Recovery Observatory (O'Callaghan, 2020[52]) was analysed through the methodology explained in Box 2.1.

Table 2.7 shows SME-related policies by type of instrument (debt, deferral and grants) in both rescue and recovery packages (and in total), in terms of number of policies and financial value in USD billion. When looking at the aggregate of these three instruments, the results show that there is a large share of SME-related policies to support liquidity, both in terms of number of policies and value. However, when comparing rescue and recovery packages, liquidity support was more significant in rescue than in recovery: 30.73% versus 5.78% respectively in terms of number of policies. In terms of financial value, the difference is also significant: out of USD 3 135.59 billion of SME related policies invested in liquidity, USD 3 101.05 billion were allocated to rescue support, while USD 31.87 billion are put forward for SME liquidity in recovery.

Looking at the type of instrument in the Global Recovery Observatory database, Table 2.7 shows that there is less frequency in the use of the selected instruments that benefit SMEs compared to other types of beneficiaries (which can include other firm sizes and households), despite the fact that SMEs were strongly impacted by the crisis. In terms of number of SME policies, between the three types of financial tools studied, there is a larger use of debt compared to grants and deferral tools. The share of debt was 39.04% versus 29.02% of deferral instruments and 15.64% of grants and subsidies. However when looking at the financial value invested through those instruments, deferral instruments have a slightly larger share of investment for SMEs 49.43% compared to 42.85% of debt instruments and 18.96% of grants. Looking at rescue and recovery packages, it is notable that all instruments are largely used in rescue and less in recovery, which can in part be explained by the short-term nature of liquidity support.

Table 2.7. SME-related policies by type of instrument

Number of policies and financial value

	Number of policy references			Financial value in USD billion		
	Debt	Deferral	Grants and subsidies	Debt	Deferral	Grants and subsidies
	Total (rescue and recovery packages)					
SMEs-related policies	349	56	139	2708.05	222.54	371.95
Other policies	545	137	750	3612.29	227.65	1590.04
Total policies by financial instrument	894	193	889	6320.34	450.19	1961.99
Share of SMEs-related policies by financial instrument	39.04%	29.02%	15.64%	42.85%	49.43%	18.96%
	Rescue packages					
SME-related policies	338	56	131	2706.29	222.54	338.63
Other policies	442	134	582	3060.19	227.41	973.42
Total policies by financial instrument in rescue packages	780	190	713	5766.48	449.95	1312.05
Share of SMEs-related policies by financial instrument	43.33%	29.47%	18.37%	46.93%	49.46%	25.81%
	Recovery packages					
SME-related policies	10	0	7	1.22	0	31.19
Other policies	101	3	168	551.93	0.24	616.62
Total policies by financial instrument in recovery packages	111	3	175	553.15	0.24	647.81
Share of SMEs-related policies by financial instrument	9.01%	0.00%	4.00%	0.22%	0.00%	4.81%

Note: The methodology is explained in Box 1 and Annex B.
Source: Global Recovery Observatory (O'Callaghan, 2020[52]).

Alternative finance

In the run-up to the COVID-19 crisis there were significant improvements in the development and uptake of alternative sources of finance for SMEs. However, in the initial stages of the pandemic, many alternative instruments remained out of reach for SMEs relative to debt. There are several explanations for this phenomenon. First, debt finance continues to be the preferred source of finance for SMEs, compared to other alternative sources. In addition, governments sought to leverage pre-existing relationships between SMEs and banks to channel their liquidity support swiftly, thereby contributing SME uptake of credit.

In this context, several types of alternative finance registered a large drop in 2020 (see Chapter 1) and some of these sources continue to present some difficulties in 2021; for example, factoring volumes declined by 6.6% globally in 2020 (FCI, 2021[81]), and even though levels rebounded in the first quarter of 2021 in some regions (FCI, 2021[82]), the growth is strongly linked to the recovery of commercial activities which have been affected by the emergence of COVID-19 variants late 2021. In Europe, the net percentage of SMEs reporting easier access to leasing and hire purchases decreased from 12% to 3% between April and September 2020 (ECB, 2020[83]). Between April and September 2021, 20% of SMEs reported access to leasing (8 percentage points higher than in 2020) (ECB, 2021[84]); however, this share is lower than pre-crisis levels (24%) (ECB, 2020[85]). Global venture capital in early stages was also disrupted in 2020 but started to rebound in 2021, increasing by 92% y-o-y. Seed funding closed 2020 with a decline of 27% y-o-y, and early stage funding declined by 11% y-o-y (Crunchbase, 2021[86]) However, in 2021 early stage experienced a sharp increasing, rising by 100% y-o-y, while seed funding experienced weaker growth, increasing 56% y-o-y (Crunchbase, 2021[87]).

In the recovery, alternative financing instruments are of great importance for SMEs to thrive in the post-pandemic context. Not only do they offer more flexibility than traditional lending (in terms of time to access capital, requirements and expansion of capital limit), but they can also finance young and innovative SMEs and start-ups that have a limited credit history or riskier business models.

In addition, in a period when many SMEs are over-indebted, alternative finance instruments are very useful for SMEs, as they can provide working capital more easily to highly leveraged firms or firms that have experienced recent losses. The close monitoring that alternative finance providers do of the secured assets' value and underlying collateral becomes very useful for SMEs to access capital in periods with large market uncertainty. This is more challenging for conventional lenders, as they usually do not rely on specific assets to support loans as opposed to alternative financiers that accept stocks or inventory, plant and machinery, property, or intangibles such as brands and intellectual property to secure loans (OECD, 2015[88]).

Furthermore, equity finance such as venture capital and business angel finance, can offer mentoring, business advice and access to networks, which can improve the success rate of start-ups and SMEs (OECD, 2016[89]). In addition, it can provide entrepreneurs with useful resources to better adapt to new business conditions and consumer behaviour changes as a result of the pandemic.

Recovery packages include a range of measures on alternative finance. Of the measures launched in 2021, some make use of instruments such as factoring, leasing and hire purchases, trade finance, and equity and quasi-equity tools. The recovery strategies also include regulatory changes in order to enhance such instruments, particularly in regard to equity and quasi-equity.

Factoring is one of the instruments used in recovery packages to enhance SME liquidity

Factoring is a key instrument to enhance SME liquidity in the recovery. It allows businesses to sell their account receivables at a discount and helps them to maintain financial liquidity when they need it most. In July 2021 in India, the Factoring Regulation Act 2011 amendment was approved to increase the number of entities undertaking factoring activities and help SMEs deal with late payments by monetising their receivables in an easier way. During the lockdown restrictions, survey data showed that over 83,000 SMEs reported late payments as of July 2021. Factoring allows non-banking finance companies other than those whose principal business is factoring, to discount invoices. The regulation also seek to reduce time for registration of invoices, increasing the flow of credit and lowering its cost to SMEs (Financial Express, 2021[90]).

In Italy, in July 2021, the European Investment Bank and Intesa Sanpaolo signed an agreement to provide liquidity lines via factoring. The agreement unlock more than EUR 18 billion benefiting around 50 000 SMEs and 150 large corporates and mid-caps. The focus of the investment is to strengthen supply chains by financing working capital through reverse factoring. This instrument allow companies in supply chains to cash in their trade receivables in advance. The Pan-European Guarantee Fund is the instrument through which the EIB will channel support. Considering the amount of liquidity supplied to businesses, this is the largest operation supported by the guarantee fund in the European Union as a whole.

Leasing and hire purchases are also fostered through recovery plans in some countries

In the case of leasing, SME owners can acquire liquidity by providing the right to use an asset it owns in exchange for payments for a specified period. In the recovery, while the economy and consumer demand get back on track, leasing can enable businesses to have liquidity while they return to pre-pandemic level of operations. Romania and Spain have implemented some measures to boost leasing operations. In Romania, in February 2021, the Deutsche Leasing Romania and the EIB signed their first cooperation agreement to unlock EUR 370 million of private financing to provide cheaper leasing finance to SMEs, especially to increase finance for agricultural and equipment investment in rural areas. In Spain, in April

2021, the EU investment plan for Europe announced a EUR 50 million scheme to provide long-term financing through leasing facilities (European Commission, 2021[73]). As part of the Polish recovery package, a measure to provide SMEs with guarantees on financial leasing and leasing loans was presented in May 2021 for the European Commission approval. The investment will be of EUR 300 million and will be channelled through leasing companies. The measure will be financed with national resources but will benefit from a counter-guarantee by the Pan-European Guarantee Fund to cover part of the risk (European Commission, 2020[91]).

Trade finance is receiving support, often outside of recovery packages

One of the most common forms of trade finance is short-term trade finance. Short-term finance products enable deferred payment over a period of less than one year. The COVID-19 crisis has affected significantly the supply of this type of finance, for example increasing the price of short-term financing for SMEs (International Chamber of Commerce, 2020[92]). Record demand for short-term products from Export Credit Agencies suggests that even though commercial lenders have sufficient liquidity to provide financing to exporters, the ongoing uncertainty in trade behaviour has weakened the risk appetite of private suppliers, limiting the availability of trade finance and requiring governments to act through Export Credit Agencies (OECD, 2021[93]).

To spur recovery, some Export Credit Agencies have expanded programmes in the form of export credit insurance or guarantees that can benefit SMEs specifically. For example, in Australia, the COVID-19 Export Capital Facility from Export Finance Australia provides assistance to SMEs through access to credit and financial relief. The agency was amended to remove limits on the number of times that it could provide support to any customer, streamlining SME access to financing (see Australia's Country Profile). In January 2021, the French government announced support to strengthen the short-term reinsurance system with EUR 5 billion, allowing Bpifrance to maintain stable international trade of SMEs and mid-sized companies. The measure also enlarges the list of export countries. Additionally, measures to strengthen the insurance-prospect instrument (an instrument that helps target beneficiaries for the BpiFrance Assurance Export), and provides financial support to SMEs and mid-sized companies that buy export services are also part of the recovery strategy (Goodwin, 2021[94]). Similarly, the Croatian Recovery and Resilience Plan includes strengthening the guarantee fund for export credit to support exporter entrepreneurs and enhance SME internationalization (The Government of the Republic of Croatia, 2021[95]). As another case in point, in Bulgaria the United Bulgarian Bank (UBB) signed an agreement with the European Investment Fund in February 2021 for a new guarantee programme called the JEREMIE Trade Financing COVID-19 (JEREMIE stands for *Joint European Resources for Micro, Small and Medium-sized enterprises*). The programme will allow UBB to offer preferential pricing and lenient security requirements up to 50% of the reduced amount and refinancing of up to 30% of the loan amount (SME banking, 2021[96]).

Looking at the Global Recovery Observatory (O'Callaghan, 2020[52]), findings show that trade finance is not a common policy tool in the recovery packages proper. Of the total policies captured, only 11 were trade finance related, with only one policy targeting SMEs. This policy was a rescue policy by Denmark, which provides a liquidity guarantee for Denmark's Export Credit of up to DKK 1.25 billion in new loans that target SME exporters.

The majority of generic trade finance policies found in the tracker were rescue policies from South Korea which provide guarantees, export insurance measures and export financing through loan extensions and interest payment suspensions.

Equity and quasi-equity instruments take different forms within recovery packages

Equity and in particular quasi-equity tools in recovery packages seek to fund SMEs in ways that are adapted to their needs :

- Participative loans: This instrument refers to loans whose remuneration is linked to the firm's performance. It can be linked to a firm's sales, turnover or profits, and both interest rate and capital repayment can be contingent to the firm's results (OECD, 2015[97]). For the recovery process, and while the economic environment remains uncertain, this instrument can be beneficial for firms as it reduces the burden of making fix payments to investors and ensures companies pay as much as they are able. Once the economy recovers however, investors are also able to receive larger returns. As part of France's Relance package, EUR 14 billion were launched in the form of participating loans in early March 2021 (FirmFunding, 2021[98]) to support SMEs. The government support takes the form of a 30% guarantee to investors and banks that will refinance the loans. The maturity period is longer than traditional loans with eight years, a grace period of four years and the same period for amortization. This design provides an opportunity for eligible SMEs and mid-caps to have a considerable amount of time to recover from the crisis before they need to start repayment (at the beginning of the fifth year after acquiring the loan) (Daf-Mag.fr, 2021[99]) (Ministère de l'économie, des finances et de la relance, 2021[100]).
- Subordinated bonds: These refer to unsecured bonds and offer the investor periodical interest payments and full redemption at maturity (OECD, 2015[97]). The France Relance Programme will have EUR 6 billion to provide to SMEs in subordinated bonds. The so-called "relance bonds" are distributed by equity investors, providing a 30% state guarantee and a 5 to 6% interest rate. For the recovery, this instrument is useful for firms as they will only need to pay the interest during an eight-year period and the full amount at the end of the eight years (FirmFunding, 2021[98]), providing them with significant amount of time to recover from the crisis.
- Equity funds: Government investment in equity or quasi-equity funds were part of the rescue policy mix in several countries, as a way to provide liquidity to early-stage risky business models that otherwise could not find liquidity through debt.

  In the recovery period, the use of equity funds continues to be relevant. For instance, in March 2021, Australia's government invested AUS 100 million to fund the Business Growth Fund (Government of Australia - The Treasury, 2020[101]). Four banks joined the investment with AUS 20 million each, bringing the total size of the fund to AUS 540 million considering previous investments. The objective of the recent investment is to increase the pool of "patient equity capital". Patient capital allows SMEs to pay investors after a prolonged period (usually after 5 years). The fund aims to target viable SMEs, as they need to demonstrate three years of revenue growth before COVID-19 (InnovationAus, 2021[102]).

  In Italy, the SME asset fund was extended for the first half of 2021 with an endowment of EUR 1 billion, purchase bonds and debt securities from SMEs with a turnover between EUR 10 and 50 million, and that have made a capital increase of at least EUR 250 000 between 20 May and 30 June 2021 (White & Case, 2021[103]). In addition, the company needs to provide periodic statements to certify compliance with the conditions (Invitalia, 2021[104]).

  The Central Bank of Malaysia, under the 2022 budget, created the Business Recapitalisation Facility to strengthen capital structure of SMEs and help them manage their indebtedness levels. With a total amount of MYR 1 billion, the facility will provide equity or hybrid financing, the latter in partnership with third party equity financiers (Bank Negara Malaysia, 2021[105]).

  In the United Kingdom, in March 2021 the government announced a continuation of the Future Fund Initiative with an endowment of GBP 375 million to the renewed Future Fund: Breakthrough initiative (Growthbusiness.co.uk, 2021[106]). While the first version of the fund focused on innovative businesses in pre-revenue stages, the renewed version of the Fund aims to provide equity to scale-up tech companies. The scheme aims to achieve strong participation from the private sector, with matching state and private investments (British Business Bank, 2021[107]).
- Forgivable loans: Some governments included in their rescue strategies loans that turn totally or partially into subsidies if the company complies with certain conditions. The recovery strategies

includes an expansion of such measures. For instance, in December 2020, the Canada Emergence Business Account (CEBA) increased forgivable loans from CAD 40,000 to 60,000 and expanded the application deadline for the first half of 2021. If a business repays its loans by December 2022, up to a third of the loan is forgiven (Government of Canada - Department of Finance, 2021[65]). The Paycheck Protection Program (PPP) in the United States forgave the principal of loans used for working capital for eight weeks if the business maintained pre-crisis employment levels. In its extension in January 2021, the process for writing off PPP loans was streamlined. Business owners requesting loans of USD 150 000 or less only need to attest on a one-page form that they used the funds for payroll and other eligible businesses expenses. This has resulted in 81% of the total PPP loan value forgiven, amounting to USD 645 billion, as of December 2021 (SBA, 2021[108]).

- Debt for equity swaps: This is an instrument used by companies and shareholders to exchange debt for shares to resize debt and improve the capital position of the borrower. When the swap is made, debt is written off (reducing a company's leverage) and in return the lender will have a share that once the business recovers is sold or floated. Considering the large number of companies looking to restructure their balance sheets, debt for equity swaps are relevant instruments for the recovery (Travers Smith, 2020[109]). For instance in the United Kingdom, debt for equity swaps are being proposed by the Federation of Small Businesses (FSB) and Ownership at work to swap "bounce back" debt for employee ownership trusts. The "shares for debt recovery plan" outline the path to convert bounce back loans worth up to GBP 50 000 into employee equity. The private lenders will write off loans and claim a 100% state guarantee. According to the FSB this will have the dual effect of protecting viable businesses and jobs and boosting productivity (FSB - Federation of Small Businesses, 2021[110]) (Small Business Charter, n.d.[111]).

Regulatory changes to incentivise equity for SMEs are also present in recovery strategies

Notwithstanding the measures mentioned above, recent developments in capital markets suggest that equity markets provide fewer opportunities for SMEs than for large firms. This is the case as the number of IPOs and the number of listed companies have declined while the overall capitalisation of equity markets has been rising in a number of countries. This trend suggests a concentration in large firms and high barriers to entry for SMEs, given the high costs associated with going public (OECD, 2021[78]). As part of the recovery strategy, and with the aim to mobilise long-term savings accumulated during the pandemic, governments have changed regulatory frameworks to facilitate equity investment for SMEs. A case in point is the legislative changes that took place under the Capital Markets Recovery Package approved by the European Parliament in March 2021 (Clifford Chance, 2021[112]). One of the reforms approved aims at easing the process of issuing capital from SMEs and making it easier for investors to access SME information. Under the prospectus regulation of 2017, the European Parliament lays down the requirements for writing, approval and distribution of the prospectus when securities are offered. For SMEs especially, this implied high compliance costs given the large disclosure of information required. However, with the new "EU Recovery prospectus", only "essential information is required for investors to make an informed investment decision" (Council of the European Union, 2020[113]). This new short-form prospectus is easier to produce by smaller issuers, easy to understand by retail investors and facilitates monitor by regulators, which allows for increasing the investor pool for SMEs while reducing compliance costs (Council of the European Union, 2020[113]). This reform is limited to the recovery phase and will apply until December 2022 after which it will be reviewed.

Another important reform approved by the European Union aims to improving the visibility of SMEs to investors. Under the regulation, banks and financial firms can access SME information by paying jointly for the provision of research and execution services for companies that have a market capitalisation of less than EUR 1 billion. Research is crucial to help small issuers connect with investors increasing the level of investment towards SMEs (Council of the European Union, 2020[114]).

New Zealand is another example where regulatory changes have been implemented to ease SME access to capital markets. In 2021, the Minister of Commerce and Consumer Affairs issued a financial product market license to Catalist Markets. This market is New Zealand's stock exchange designed for SMEs. It provides alternative disclosure provisions and reporting requirements and reduces the compliance costs for SMEs(see New Zealand's country profile).

Overall, alternative finance measures for SMEs are not prominent in the recovery packages

Analysing the Global Recovery Observatory (O'Callaghan, 2020[52]), alternative sources of finance are not prevalent. There are in total 74 policies that promote alternative finance sources, while 1833 policies promote liquidity through debt, deferral and grants instruments (Table 2.8). Alternative finance also has the lowest share in terms of investment, with 33 percentage points less than the funds allocated to liquidity investment to SMEs through debt, grants and deferrals.

In addition, from the 74 policies on alternative finance, 39.19% are SME-related policies but they make up only 6.76% in terms of financial value. This suggests relatively small-scale programmes based on alternative finance compared to the number of policies put forward in that policy domain.

Furthermore, many of the policies documented in alternative finance for SMEs were part of rescue policies. 24 out of 29 policies are rescue, concentrating USD 15.06 billion of funding for SME-related policies on alternative finance. The small emphasis in number of policies and funding for SMEs through alternative finance, particularly in the recovery phase, suggests an area of opportunity going forward. This is not only relevant to avoid the risk of reversing the trend of diversification of SME financing sources, but also because of the effectiveness that alternative finance can have compared to other types of support. Policy simulations show that from targeting liquidity support, equity and quasi-equity instruments can be over four times more effective than other types of support (IMF, 2021[115]).

Table 2.8. Types of SME finance support by number of policies and financial value

Number of policies and financial value

	Number of policy references		Financial value in USD billion	
	Liquidity	Promotion of alternative sources of finance	Liquidity	Promotion of alternative sources of finance
	Total (rescue and recovery packages)			
SME-related policies	495	29	3135.59	15.74
Other policies	1338	45	4758.7	217.24
Total policies by type of support	1833	74	7894.29	232.98
Share of SME-related policies by type of support	27.00%	39.19%	39.72%	6.76%
	Rescue packages			
SME-related policies	477	24	3101.05	15.06
Other policies	1075	32	4075.92	179.63
Total policies by type of support in rescue packages	1552	56	7176.97	194.69
Share of SME-related policies by type of support	30.73%	42.86%	43.21%	7.74%
	Recovery packages			
SME-related policies	16	5	31.87	0.68
Other policies	261	13	682.61	37.61
Total policies by type of support in recovery packages	277	18	714.48	38.29
Share of SME-related policies by type of support	5.78%	27.78%	4.46%	1.78%

Note: The liquidity category include policies that used debt, deferral and grants to alleviate corporate cash flow. Not all policies include information on being part of rescue or recovery packages. The methodology is explained in Box 2.1 and Annex B.
Source: Global Recovery Observatory (O'Callaghan, 2020[52]).

Insolvency

Debt overhang and insolvency are an increasing threat to recovery. In the immediate aftermath of the crisis, governments provided liquidity to SMEs through grants and equity, but mainly relied on debt channels. This, in combination with the fact that several countries implemented temporal adjustments to insolvency regimes to protect companies from bankruptcy by pausing insolvency proceedings, or by preventing creditors from initiating insolvency procedures, for example, could increase the risk of a wave of insolvencies once such time-bound measures are phased out. According to Euler Hermes, global insolvencies are projected to rise by 15% in 2022, but this is still 4% lower compared to the pre-crisis figures (Euler Hermes, 2021[116]).

Some of the measures to counter insolvency that have been implemented so far in recovery packages include insolvency and debt restructuring tools, dedicated out of court restructuring mechanisms, and simplified reorganisation for SMEs. In the Netherlands, for example, the Time Out Arrangement (TOA) scheme offers restructuring loans to entrepreneurs with the prerequisite of having creditors' agreement and a restructuring plan describing financial feasibility and viable start. The TOA credit amounts to a maximum of EUR 100 000 which can be used for working capital or necessary assets to restart the business (Qredits, 2021[117]). In Singapore, the Simplified Insolvency Programme was launched to smooth the way for SMEs to restructure. The programme includes one application for the High Court, instead of two (which was common previously), automatic moratorium, and creditor approval threshold lowered from three quarters to two thirds. The Irish Recovery and Resilience Plan proposes the Small Companies Administrative Rescue Process (SCARP). The process provides options to viable but illiquid SMEs to simulate the "examinership process", reducing court oversight, improving efficiency and reducing timeframe of restructuring procedures. In Q4 2021, the Irish government passed the Rescue Process for Small and Micro companies Act, which allows businesses to appoint insolvency professionals to oversee the administrative rescue process, determine whether the company can survive and prepare a rescue plan. In the meantime, it gives companies legal protection against creditors (Irish Times, 2022[118]).

In Spain, the Recovery and Resilience Plan includes support for SMEs to restructure their debt. Three main measures were approved, the possibility to: i) defer the amortization period up to 12 years, ii) convert the loan into a participative loan, iii) negotiate a reduction of the total debt that benefits from a state guarantee. While the company can request the first measure, the last two measures are decided by the bank, which considers, among other criteria, a fall in revenue of minimum 30% in 2020. When the bank agrees on the reduction of the debt, the bank will request the government to transfer the remaining amount of the debt under the guarantee. For that purpose, the government announced an investment of EUR 3 billion (El Païs Economía, 2021[119]).

The recovery also calls for strengthening the capacity of insolvency systems to effectively manage and process the volume of the upcoming wave of restructuring procedures. In Portugal, the Recovery and Resilience plan proposes the creation of an integrated Insolvency Platform that aims to dematerialise processes and reduce the administrative burden to SMEs. It proposes also to modernise the Judicial System and undertake a review of the legal framework for insolvency. A similar objective is proposed in the Croatian Recovery and Resilience Plan, where HRK 20 million will be invested to the improvement of the bankruptcy framework. The investment includes IT tools to improve the methodology of data collection on restructuring, insolvency and debt repayment procedures allowing for better monitoring. The investment will also automate some parts of the proceedings, reducing timeframes, and predict duration of the process and costs. Fees will be able to be paid electronically.

SME-related policies on insolvency might deserve increased attention going forward

Information from the Global Recovery Observatory (O'Callaghan, 2020[52]) shows that insolvency policies have not been significantly used when compared to other policy domains. Only 5 policies were registered as SME-related insolvency policies and 9 policies target other types of businesses. This suggests a limited response compared to the projections of rising number of insolvencies in most economies, and the larger risk among SMEs, calling for increasing attention going forward.

Looking into rescue and recovery policy categorisation, none of the SME insolvency policies is recovery; all of them are rescue policies. This can be explained by the short-term nature of most insolvency measures that aimed to temporarily change bankruptcy legal procedures. However, long-term insolvency measures will be needed to respond to SME needs. These measures can include the reduction of the administrative burden of insolvency procedures, or measures that could support "second chance entrepreneurship" to allow bona fide entrepreneurs to restart, which will increasingly become a priority for policy makers to incentivize business dynamism (OECD, 2021[3]).

Channels to support SME recovery

The banking system continues to be a commonly used transmission mechanism for support

Since the COVID-19 crisis started, the banking system has been the preferred transmission mechanism for governmental support. Central banks instituted several policies to improve lending conditions and channel liquidity to the economy through banks. Monetary policy included a significant decrease in interest rates, generally reaching values close to zero in most advanced economies, and a large expansion of asset purchase schemes[1], to encourage lending. Regulatory policy involved changes in the supervisory requirements, by easing collateral standards, relaxing capital requirements, and suspending dividend payments (Group of thirty, 2020[120]). Additionally, lending was further incentivised by government guarantees to values close to 100% in various advanced economies. Survey results on government crisis financing programmes for businesses, conducted in June 2020 by the OECD Committee on Financial Markets, show that indeed bank channels were used in almost half (48%) of the policies used to tackle the crisis (OECD, 2020[50]).

In the recovery, banks continue to be an important channel of support for SMEs, in part evidenced by the significant expansion of loan guarantees in 2021 and 2022 (Table 6: Guarantee Extensions to support SMEs). However, their role in the recovery has also included other aspects beyond channelling support. In some recovery loan schemes, banks are helping governments target support to viable businesses, potentially increasing the effectiveness of resource allocation. For example in the United Kingdom, through the Recovery Loan Scheme, borrowers need to present a borrowing plan to lenders in order to prove the viability of their businesses and their repayment capacity in the future. It is at the banks' discretion to lend based on the assessment of the borrowing plan (British Business Bank, 2021[57]).

Another aspect of banks' role in the recovery is in supporting the creation of new instruments to help over-indebted companies (Oliver Wyman, 2021[121]). The Spanish Recovery and Resilience Plan empowers banks to decide whether borrowers can convert their existing loans into participative loans, which allow companies to repay according to their business performance, or whether borrowers can benefit from state guarantees for part of their debt (El Païs Economía, 2021[119]).

Digital platforms are on the rise

In the rescue phase, some countries that had digital delivery systems were able to channel support through platforms in an effective manner. Notably, in Switzerland and Korea support was effectively channelled through easy-to-use digital portals (OECD, 2021[3]). In the recovery, governments are increasingly implementing digital infrastructures or channelling support through existing digital platforms to ensure effectiveness in delivery. For example, in Malaysia, the Ministry of Finance launched the National Supply Chain Finance Platform called "JanaNiaga" in July 2021. With an endowment of MYR 300 million and an expected growth of MYR 1.2 billion, the platform aim to benefit SMEs by providing very low interest rate loans (3.5% per annum). The platform will also decrease considerably the amount of time to access to finance, as SMEs apply online and receive approval within 24 hours.

Another case in point is the investment made by the European Investment Fund, the Amsterdam Trade Bank and BNP Paribas in January 2021. EUR 40 million was the endowment to the Creditshelf Platform to provide debt finance to German SMEs. In July 2021, the endowment was extended to EUR 60 million after the success in delivering loans to SMEs without compromising credit criteria.

Digital platforms are also used as a way to incentivise private financing from retail investors. For instance, the Lithuanian National Development Institution for Investment and Business Guarantees allocated EUR 10 million to the measure "Raspberry". The state funds will be channelled through crowdfunding platforms in the form of debt. The loans are funded up to 40% by the state with a ceiling of EUR 10 000 per company, while the remaining 60% needs to be raised from retail investors. Another case in point is the emerging crowdfunding ecosystem in Turkey. With equity-based crowdfunding legalised in 2017 and debt-crowdfunding in 2020, the government foresees significant potential for early stage ventures and start-ups to access finance from a multitude of investors with less administrative burden. As of November 2021, five companies obtained a licence to operate as equity-based crowdfunding platforms and as of December 2021, 15 campaigns were conducted and funded successfully (see Country Profile of Turkey).

Private investor funds also hold potential to finance SMEs in the recovery

The unprecedented support provided to the corporate sector to face liquidity challenges has impacted the health of public finances. For this reason, recovery strategies have placed more emphasis on incentivising private funds not only as a distribution channel, but also as a tool to mobilise long-term savings from private investors and the private sector's knowledge and expertise at the service of SMEs. For example, in France, the participative loans and subordinated bonds from the France Relance Plan is distributed by banks, but is backed mainly by institutional investors. Banks keep 10% of the debt, while the remaining 90% is transferred to the fund "Prêts Participatifs Relance" which is supported by 18 insurer companies, several banking groups and the Caisse des Dépôts et des Consignations. The part transferred to the fund supported by private investors benefits from a state guarantee of up to 30%, which has helped to mobilise EUR 11 billion from institutional investors in the first round (Fédération Bancaire Française, 2021[122]). Asset managers selected by the French Insurance Federation manage the fund (French Insurance Federation, 2021[123]). Another case in point is New Zealand's recently created Fund of Funds (2020), where the Government committed more than USD 150 million in early stage venture capital and was matched by USD 420 million of private capital as of December 2021 (Business Desk, 2021[124]).

The Singapore Situation Fund for Start-ups where the government co-invests and catalyse private investments and expertise to support high-potential start-ups facing cash flow or fundraising problems. In June 2021, the Economic Development Board and Enterprise Singapore announced that the fund raised SDG 216 million with more than half of the funds being from private investors (The Business Times, 2021[125]).

In the United Kingdom, the London Stock Exchange is building a GBP 300 million SME investment fund to help SMEs that continue to be challenged by the pandemic. The fund will include the participation of three large asset manager companies to oversee three strands of investment: private equity, listed small-cap companies and venture capital. The idea of the fund is to mobilise seed capital from large companies that have seen their businesses grow after the pandemic, such as supermarkets and online retailers (Growthbusiness.co.uk, 2021[106]).

Combining financial and non-financial support

The G20/OECD High-Level Principles on SME Financing call for the enhancement of SME financial skills and strategic vision. In the context of recovery, the improvement of financial skills through the provision of non-financial services can help SMEs to strengthen their ability to allocate financial resources appropriately. It can also impact on the health of the financial system through improved loan repayments. Randomised control trials conducted by International Labour Organization on 5000 Indonesians SMEs found that 46% of SMEs in the treatment group included cash flow analysis to record financial transactions, which impacted positively on loan repayments (late loan payment was reduced by 7.2%). Subgroups of treated SMEs also saw an increase in revenue by approximately IDR 22 331 million (USD 1595) at the 1% significance level (Government of France, 2021[17]).

The importance of blending financial and non-financial services was already recognised in previous editions of the OECD financing *Scoreboard*. In the 2018 edition, 27 Scoreboard countries reported that they had a non-financial support tool in place as part of their policy range for SME finance (OECD, 2018[126]).

Non-financial services in the form of advice, consultancy, and education have been provided as part of the policy mix to help SMEs navigate the crisis. A survey conducted by the Montreal Group that explored the support provided by member state-owned banks during the COVID-19 pandemic shows that the provision of non-financial services was a crucial part of the help to SMEs. Members' responses show how the need for information on cash flow management, available financial aid, re-adaptation of business models, and relaunching of activities became more pressing for SMEs as a consequence of the COVID-19 crisis. To provide the support SMEs needed, state banks that did not have a long-lasting portfolio dedicated to non-financial services readapted their business model and explored channels to deliver such services to their small clients (The Montreal Group, 2021[127]).

In the recovery phase, non-financial services are even more crucial. Not only can they help SMEs allocate more effectively the financial resources they receive from government support but they directly impact on SME resilience by building skills to face adverse business environments. In this regard, as part of the recovery strategy, countries are combining the provision of finance with the offer of non-financial services such as education and training for entrepreneurs to adapt to the post-COVID. The United Kingdom's 2021 Budget includes the launch of two new schemes to boost SMEs' productivity by improving their management and digital skills. The Help to Grow: Management and the Help to Grow: Digital schemes will benefit 100 000 SMEs. The Help to Grow: Management initiative provides sessions designed by world-class business schools to senior managers, 90% funded by the government. The objective is not only to improve the management skills of senior managers but also to produce a growth plan for their business and build resilience to future shocks (Small Business Charter, n.d.[128]). Another example is the Lithuanian Accelerator 2 programme that combines acceleration services with the provision of funding (see Box 2.2).

Box 2.2. Accelerator 2 Programme in Lithuania

In May 2021, the Lithuanian National Development Institution for Investment and Business Guarantees and the Ministry of Economy of Lithuania announced an investment of EUR 18 million for the Accelerator 2 Programme. The programme consists of selecting two financial intermediaries to set up two Venture Capital funds (pre-seed and seed) and combines the provision of capital with mentoring, counselling and education for companies in early stages of development.

The pre-seed fund will benefit from an endowment of EUR 6.5 million and will implement two programmes:

- Pre-acceleration program: target individuals working in innovations and who wish to start a business, to form teams and generate business ideas.
- Acceleration program: designed to strengthen teams of partially or fully established companies. It includes mentor and counselling to grow competences among the participants.

All eligible companies will be provided with initial venture capital investments.

The seed fund will have an endowment of EUR 2.7 million. It aim to fund SMEs with venture capital. However, at least 70% of the allocated funds will need to be invested in companies that have participated in the pre-seed stage of the fund's acceleration programme (INVEGA, 2021[129]).

Key policy objectives in recovery plans: the SME dimension

The SME orientation of recovery packages varies by policy domain

This section examines how support in recovery packages corresponds to financial needs that SMEs face to "build back better" in the key policy areas of digitalisation, greening, skills and innovation. As mentioned earlier, recovery packages seek to foster greater economic resilience by addressing major medium- to long-term policy challenges through the provision of investments and non-financial support. To gain further insight into the distribution of resources targeted to SMEs in recovery packages across policy domains, Table 2.9 shows explicit SME-related policies in greening, digitalisation, skills and innovation, in both rescue and recovery packages (and in total). Innovation is the policy area with most SME-related policies.

Digitalisation is the area where SME-related policies are least prevalent in absolute numbers, although by value this policy domain ranks second. The share of SME-related policies in the total number of policies by policy area is significantly higher than the share in value, suggesting that the average value of SME-oriented policies is relatively small. Finally, the table documents that the share of SME-related policies (by number and by value) is considerably lower in recovery packages than in rescue packages in all four policy domains, and in particular for greening.

Table 2.9. SME related policies by policy domain

Numbers, value (billion USD) and shares (in number of policies and value)

	Number of policy references				Financial value in USD billion			
	Greening	Digitalisation	Skills	Innovation	Greening	Digitalisation	Skills	Innovation
Total (rescue and recovery packages)								
SME-related policies	39	26	46	70	38.2	56.98	21.93	74.38
Other policies	767	251	530	359	1,525.49	616.06	698.70	617.35
Total policies by policy domain	806	277	576	429	1,563.69	673.04	720.63	691.73
Share of SME-related policies by policy domain	4.84%	9.39%	7.99%	16.32%	2.44%	8.47%	3.04%	10.75%
Rescue packages								
SME-related policies	20	10	22	35	13.63	7.97	8.84	32.41
Other policies	127	24	229	106	164.35	27.11	400.03	186.09
Total policies by policy domain in rescue packages	147	34	251	141	177.98	35.08	408.87	218.50
Share of SME-related policies by policy domain	13.61%	29.41%	8.76%	24.82%	7.66%	22.72%	2.16%	14.83%
Recovery packages								
SME-related policies	19	16	23	35	24.57	49.01	13.09	41.97
Other policies	640	227	301	252	1361.14	588.95	298.67	431.26
Total policies by policy domain in rescue packages	659	243	324	287	1385.71	637.96	311.76	473.23
Share of SME-related policies by policy domain	2.88%	6.58%	7.10%	12.20%	1.77%	7.68%	4.20%	8.87%

Note: Not all policies by policy domain specify whether they are part of rescue or recovery packages
Source: Global Recovery Observatory (O'Callaghan, 2020[52])

Greening

SME-related greening policies focus on eco-innovation and on scaling up of climate friendly technologies

The various recovery packages include SME-related policy initiatives to support greening. They include both grant and loan elements, and focus on eco-innovation and start-ups, as well as the wider greening of business processes, including energy saving, the circular economy and hydrogen. Box 2.3 provides examples of green SME-related policies in recovery packages.

Box 2.3. Examples of SME-related green policies in recovery packages

- In **Austria**, EUR 4.4 million will be made available for the seed program from the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology to support EcoTech start-ups.
- **Canada** supports start-ups and scale-up companies to enable pre-commercial clean technologies to successfully demonstrate feasibility and support early commercialisation efforts (Government of Canada, 2021[130]).
- The **Danish** recovery plan includes EUR 80 million in SME support measures for energy renovation, supporting SMEs to grow and create local employment with projects such as energy renovation of buildings or boosting energy efficiency for industry (European Commission, 2021[131]).
- **France** introduced a support mechanism to provide financial assistance to young entrepreneurs, volunteering in green companies (Government of France, 2020[132]). France also launched measures to support the environmental transition and energy renovation of MSMEs, (Government of France, 2021[17]), including a refundable tax credit for the energy renovation of building in which MSMEs operate. The tax credit amounts to 30% of expenses for eligible actions and is capped at EUR 25 000 per company (total cost: EUR 105 million); support for artisans, traders and independent workers, in partnership with the chambers of trades and crafts (CMA) and chambers of commerce and of industry (CCI), up to EUR 15 million; support in the form of State aid of EUR 45 million to companies engaged in the environmental transition (EETE). This measure aims to finance a share of the actions or investments involving MSMEs in the green transition; support in the form of State aid of EUR 35 million for MSMEs, in the form of a lump sum to initiate or accelerate an eco-design process.
- In **Germany**, the KfW and the Federal Ministry for Economic Affairs and Energy launched the programme Climate action campaign for SMEs. Through low-interest loans and grants, it incentives investments in the manufacture and use of sustainable systems and products, helping SMEs in their efforts to transition to climate change mitigation, environmental protection and resource efficiency. The programme will provide up to EUR 100 million per year, over a period of three years (KFW, 2020[133]).
- In **Norway**, the Nordic Project Fund (Nopef), launched a fast track green recovery financing for Nordic SMEs. The aim of the loan programme is to scale up green solutions from SMEs. The loan can be used for investments, business development and working capital with the requisite that the SME must commercialise green technologies to apply for finance; it includes energy efficiency renewable energy, circular economy, sustainable food production and agriculture (Nopef, n.d.[134]).
- In the **United Kingdom**, a new GBP 100 million scheme was launched to help households and small businesses invest in low carbon heating systems, and consulting on introducing a Green

Gas Levy to increase biomethane production for the gas grid (Government of the United Kingdom, 2020[135]).

- The **United States** Department of Energy (DOE) in August 2021 announced a plan to provide USD 37 million for small businesses pursuing climate and energy research and development (R&D) projects as well the development of advanced scientific instrumentation through a funding opportunity announcement (FOA). The projects, in support of efforts to build the American economy back better, typically range from atmospheric science and critical materials to quantum information sciences and accelerator technologies. This funding will be administered by DOE's Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs, which were established to encourage participation of diverse communities in technological innovation, as well as to increase technology transfer between research institutions and small businesses (US Department of Energy - Office of SCIENCE, 2021[136]).
- The **Slovenian** recovery plan includes various references to SMEs with regard to greening, such as the fostering of cooperation between energy-intensive industries and innovative SMEs to strengthen energy efficiency, promoting environmental management systems in SMEs, raising awareness among SMEs of energy efficiency, demonstration projects with SMEs, retrofitting of buildings with specific SME reference, and supporting innovation in SMEs and start-ups. The plan also includes a 'support for SMEs in the circular economy' initiative.
- **Belgium** and **Poland** include measures regarding SMEs and the circular economy.
- **Finland** and **Spain** reference SMEs in the context of hydrogen. Lithuania and Italy put emphasis on eco-innovation and start-ups.

…and contribute to SME investments to reach climate objectives

There are important implications for SME financing needs from greening targets, and in particular the ambition to reach net zero by mid-century. Various estimates (Trinomics, 2019[137]) exist on the investment needed for reaching green ambitions in general. However, no data are available that specifically focus on the investment costs for SMEs to reach net zero. Given the fact that on aggregate they contribute significantly to greenhouse gas emissions (50-70% in business sector emissions and 10-30% of energy consumption (OECD, 2021[1]), it is likely that SMEs will need to invest significantly to reach net zero.

As indicated in Table 9, the share of greening spending that focuses on SMEs is, however, modest, representing USD 38.2 billion and amounting to 4.84% of the total number and 2.44% of the value of policies. Looking at recovery packages only, the share of SME-related policies in total greening policies is 2.88% in the number of policies and 1.77% in value.

This limited emphasis on SMEs in greening support within recovery packages is confirmed by other data. For instance, the OECD Green Recovery Database (OECD, 2021[53]) provides a similar picture, with the share of SME oriented policies and amounting to 4.2% (OECD, 2021[1])of total policies. However, the Green Recovery Tracker from the German Wuppertal Institute (looking at policies with an expected positive or very positive green impact) shows a higher share of SME-related policies, both in number of policies (4.9%) and value (5.1%) (Wuppertal Institute, E3G, 2021[54]).

Given the specific circumstances of smaller companies, an important challenge is to ensure that financial support is provided according to their needs. As a report on private investment in climate adaptation suggests, 'the problem is that existing direct instruments as well as international donors are more suited to supporting large companies (CAN - Climate Action Network, 2013[138]).' The new OECD Platform on Financing SMEs for Sustainability aims to help bridge the gap for SMEs.

Digitalisation

SME-related finance for digitalisation focuses on skills and the adoption of basic and more advanced digital technologies

The various recovery plans include policies to support SME digitalisation, including both grant and loan elements and non-financial support (see Box 2.4).

Box 2.4. Examples of SME-related digitalisation policies in recovery packages

- The **Danish** recovery plan includes an SME Digitalisation and Exports facility which aims to invest DKK 65 million in the SME digital transition. The facility supports SMEs in digital transition and e-commerce through grants for co-financing purchases of counselling on the development of the companies' e-export capacity, implementation of new e-commerce solutions and technical support for upstart, development and integration of digital sales for new international markets. (Danish Minister of Finance, 2021[14]).
- The **Spanish** SME Digitalisation Plan includes EUR 3 billion and will directly impact 1.5 million SMEs. The objective of this plan is to integrate digital technologies into the business models of SMEs in Spain as a catalyst for change that will help them face future and current crises (Government of Spain, 2021[139]).
- The **Belgian** recovery plan includes measures through the Belgium Cyber Secure and Resilient Digital Society to enhance cybersecurity particularly focused on SMEs. The plan includes the launch of a website to support SMEs to assess and improve their cybersecurity.
- **Korea** invests 0.8tn won for high speed internet in 1 300 remote villages, WiFi in 41 000 public places, security testing and consulting for 25 000 SMEs, security checks for railroad and airline aviation, creating 15 000 jobs. It allocates 1.4tn won to set up WiFi in schools, replacing 200K laptops, old servers and network devices, provide remote care to 120K elderly, and 160K SMEs with vouchers to access remote work systems, creating 28K jobs. Furthermore, it invests 4.8tn won for smart infrastructure, and information centres, encouraging SMEs to jointly build smart logistics centres, creating 65K jobs.
- In **Australia**, the Government will provide funding for its Digital Business Plan to further drive progress towards Australia becoming a leading digital economy by 2030 and to improve productivity, income growth and jobs by supporting the adoption of digital technologies by Australian businesses. The measures cover the following pillars: modern digital infrastructure, reduced regulatory barriers, SME support and capability and a digital government with which it is easier to do business.
- The **German** recovery plan references the Mittelstand Digital initiative, which provides information and resources for SMEs to strengthen their digitalisation (Bundesministerium für Wirtschaft und Energie, 2021[140]).
- **Ireland's** recovery plan includes EUR 85 million to support the digitisation of businesses, primarily focused on SMEs.
- The **Italian** plan includes EUR 13.4 billion for the digitalisation of businesses, promoting the uptake of digital technologies by companies through a tax credit scheme aimed at supporting and accelerating their digital transformation.
- The **Latvian** recovery plan includes EUR 125 million for the digitalisation of business, supporting businesses in introducing digital technologies; supporting the introduction of e-commerce solutions, innovation and new products; digital mentoring.

- The **Polish** plan includes SME-oriented measures regarding blockchain and teleworking.
- The **Portuguese** plan includes EUR 650 million for dedicated measures for SME digitalisation, with tailored digital skills trainings and tailored coaching to help them make the best use of digital, and provides e-commerce support for micro enterprises.
- The **Slovak** plan includes EUR 102 million for digitalising businesses, including the building of a supercomputer and a network of digital hubs to assist businesses with digitalising their processes; and providing training for digital skills.
- The **New Zealand** Small Business Digital Boost initiative supports small business owners to realise the benefits of digitising their business. This NZD 20 million digital package includes showcasing successful case studies, skills training and support, and a directory collecting tools, products and services into one depository.

Achieving ambitions regarding SME digitalisation requires substantial resources

The pandemic provided a boost for SME digitalisation, especially in the adoption of e-commerce and teleworking practices. However, SMEs continue to lag behind larger firms in the adoption of digital technologies, especially those of a more advanced nature, which reflects – among other issues – underinvestment by SMEs (OECD, 2021[141]).

Estimates of the investment needs for SME digitalisation can be derived by examining how current investment levels relate to targets set by policies Table 2.10 (Deloitte, 2021[142]). For instance, the European Union set the following targets with respect to SME digitalisation: i) raising the share of SMEs with basic digital intensity from 60% (2019) to 90% in 2030, and ii) raising the share of cloud/AI/big data users from 18% (2020) to 75% in 2030. Current investment in SME digitalisation in the EU27 according to the European Investment Bank amounts to EUR 57 billion per annum (2018, projected to rise to EUR 65 billion by 2022) (European Commission, 2019[143]), which according to the targets formulated would require a significant increase. Table 2.10 identifies 26 SME-related policies on digital (9.4% of total digitalisation policies) amounting to USD 56.98 billion (8.47%). The share in recovery packages alone is 6.58% by number of policies and 7.68% by value. Interestingly, the share both in number of policies (29.41%) and value (22.72%) of SME-related policies on digitalisation was significantly higher during the rescue phase, suggesting that during the rescue phase there was a stronger emphasis on SMEs for structural as well as crisis policies.

A study by (Deloitte, 2021[142]) provides further background on investment in SME digitalisation in European recovery plans. According to the study, digital spending in recovery packages amounts to EUR 154 billion (27% of total RP spending in 20 member states), with support for SME digitalisation in 20 plans amounting to EUR 40 billion for digital and greater cloud use (26% of total digital expenditure). Table 2.10 shows the investment in selected European countries. Support for basic SME digitalisation in the recovery packages is higher than for more advanced digital applications such as cloud and Artificial Intelligence.

Table 2.10. Recovery Plans and SME digitalisation (in billion Euro and %)

	Digital in RP (amount and share)	SME/business in digital	SME basic digital intensity	Cloud / AI / big data
Czech Republic	1.5 (23%)	0.4 (27%)	0.37	0.03
France	22.1 (25%)	5.2 (24%	3.1	2.1
Germany	10.5 (50%)	2.9 (28%)	2.1	0.8
Greece	4.5 (25%)	0.5 (11%)	0.5	-
Hungary	1.4 (23%)	0.0005 (0.4%)	0.0005	-
Italy	43.3 (27%)	14.7 (34%)	14.6	0.1
Poland	7.5 (22%)	1.6 (21%)	1.6	0.5

Portugal	4 (20%)	0.7 (18%)	0.7	-
Romania	4.3 (20%)	0.9 (21%)	0.8	0.1
Spain	25.4 (30%)	12.3 (48%)	3.6	8.7

Source: (Deloitte, 2021[142]).

Skills

SME-related skills policies in recovery packages focus on digital and management skills…

The recovery packages include various measures to support SME skills development, many including a grant element, and often with a focus on digital skills and management skills (see Box 2.5).

Box 2.5. Examples of SME-related skills policies in recovery packages

- The **Australian** government will provide 231 million USD over four years for the "Second Women's Economic Security Package", which includes STEM (Science, Technology, Engineering and Mathematics) educational support.
- **Chile** invests 30 million USD in the Social Solidarity and Investment Fund (FOSIS) to offer positions in entrepreneurship and employment programs. These programs include training and financial support.
- The **Irish** recovery plan includes EUR 114 million in support for upskilling and reskilling, developing a range of additional educational and training programmes with a strong focus on green, digital and future-proof skills, to support those most affected by the pandemic and foster the resilience of the economy.
- The **Colombian** recovery plan supports young people between 14 and 28, providing training in entrepreneurship, sustainability and innovation through the work of speakers and academics.
- **France** allocated USD 790 billion to create job opportunities for young people, providing counselling support, founding of entrepreneurial networks and training funds, and increasing the beneficiaries of the "youth guarantee" allowance and employment initiative contracts, both of which support employers hiring new people
- **Korea** invests 5tn won to improve job security. Of this, 0.5tn for internships for young adults, retraining for middle-aged, and start-ups, creating 92k jobs. Additionally, a job seeker preparation plan, contributing to job training and start-up support for people in their 40s and to addresses job market mismatches by providing support designed by age group.
- In **Spain**, a 2021 – 2025 Digitalisation of SMEs promotes business training for executives in digital skills with the purpose of enhancing a disruptive innovation and entrepreneurship.
- The **United Kingdom** recovery plan supports SMEs to grow through two new schemes to boost productivity: Help to Grow: Management, a new management training offer, and Help to Grow: Digital, a new scheme to help 100 000 SMEs save time and money by adopting productivity-enhancing software, transforming the way they do business (Government of the United Kingdom, 2021[144]). Furthermore, the Export Academy, which will provide a series of activities to build the capabilities of smaller businesses to trade internationally.

…and contribute to the needs for reskilling of SMEs and their employees

As indicated in Table 2.9, there are 46 (8%) SME-related skills policies in the rescue and recovery packages combined, reaching USD 21.93 billion (3.04% of total spending on skills). While the share of the number of SME-related skills policies in total skills policies decreased from 8.76% in rescue packages to 7.10% in recovery packages, by value the share actually increased (from 2.16% to 4.20%).

It is clear that skills development (from entrepreneurial skills to management and vocational skills for entrepreneurs and their employees) is of essential importance for SME productivity growth. Before the pandemic, skills shortages ranked high among the concerns of SMEs, according to various surveys. Similarly, to enable their recovery and resilience, strengthening SME skills is important, including for dealing with challenges regarding digitalisation and greening as well as more generally in transforming business models and working methods for the post-pandemic economy. Skills shortages are flagged by SMEs as a main concern in the recovery (SMEUnited, 2021[145]).

Estimates of the economic costs of the skills gap underline this importance. A 2018 report by Deloitte and the Manufacturing Institute suggests that between 2018 and 2028 the economic impact of the skills gap may amount to USD 2.5 trillion in the US manufacturing sector alone (Deloitte, 2018[146]). According to the European Commission a 'massive investment in skills is needed' to reach the targets set, including through the recovery plans but also through the European Social Fund (EUR 61.5 billion), Erasmus (EUR 16.2 billion) and InvestEU (EUR 4.9 billion) (European Commission, 2021[147]).

Innovation

SME innovation constitutes an important aspect of recovery packages…

The recovery packages include a variety of policies that aim to support SME innovation. These policies often focus on innovative start-ups but also include examples of wider innovation support of relevance to SMEs. Various innovation policies aim to support vaccine development and other COVID-19 related innovation. Box 2.6 provides examples of such policies.

Box 2.6. Examples of SME-related policies in innovation

- Budget 2021 proposes to improve the **Canada** Small Business Financing Program to increase annual financing by CAD 560 million, supporting approximately 2 900 additional small businesses, alongside other enhancements that will increase the eligibility for this financing and permit lending against intellectual property and start-up assets and expenses.
- The Innovation Fund **Denmark** has received an additional DKK 350 million to be granted to innovative and knowledge-based projects through the Fund's Innobooster programme. The programme targets SMEs and start-ups (Kromann Reumert, 2020[148]).
- The **Finnish** Sustainable Growth Plan includes targeted finance for growth of innovative SMEs, research-based entrepreneurship and systematic support for the internationalisation capacity of SMEs.
- The **Italian** recovery plan places strong emphasis on innovation for SMEs and innovative entrepreneurship, for instance through measures to help SMEs internationalise and make supply chains function better for SMEs. The plan also includes a section on innovative start-ups.
- The **Lithuanian** recovery plan includes a focus on entrepreneurship and start-ups, acknowledging that new and innovative start-ups and existing SMEs need to be supported to grow, scale and become more innovative. For instance, the plan lists support for start-ups in finance for AI, blockchain, robotics and automation. Regarding entrepreneurship, the plan puts emphasis on promoting entrepreneurship, education (focus on seniors and students), deregulation and business climate, and e-government.
- The **Norwegian** Government will allocate NOK40 million to the Industrial Development Corporation of Norway (SIVA) in order to help support innovative SMEs and start-ups during and after COVID-19 (SIVA - The Industrial Growth Company, 2020[149]).
- The **Polish** recovery plan puts strong emphasis on access to finance challenges for SMEs, also in the COVID-19 context as well as on innovation. Furthermore, it takes a sector perspective, where for certain sectors (agriculture & food, creative industries, aviation, telecommunications) it takes an explicit SME perspective in support.
- The **Portuguese** plan references SMEs and start-ups in the context of access to finance, the strengthening of (financial) resilience and innovation, including for instance promoting SME engagement in the blue economy. It also mentions fostering the scale up of SMEs and start-ups in the context of relations with larger companies and in trade zones.
- In **Switzerland**, the Suisse Innovation Program intends to specifically stimulate science-based innovation projects by SMEs. The flagship initiative will give impetus to systemic innovations that are central to current economic and social challenges in Switzerland (The Federal Council, 2021[150]).

…which is important for strengthening the capacity of SMEs for recovery and resilience

As shown in Table 2.9, SME-related innovation policies in rescue and recovery packages combined number 70 (16.32%), amounting to USD 74.38 billion (10.75%). However, the share of SME-related innovation policies in total innovation policies in recovery packages amount to 12.20% (number of policies) and 8.87% (value). This is considerably lower than their share in rescue packages (24.82% and 14.83% respectively), suggesting that like for digital policies, there was a stronger SME focus on structural policies during the rescue phase than the recovery phase.

Conclusions

Since July 2020, the policy response to COVID-19 has shifted from rescue measures through provision of liquidity to measures that support recovery and resilience, including for SMEs, although the resurgence of the pandemic in 2021 led to renewed emphasis on rescue support alongside recovery. Many countries within and outside the OECD have put in place recovery packages that provide investment in infrastructure, greening, digitalisation, skills and innovation, although the timing, size and focus of these packages varies.

From the perspective of SME finance, these packages include a number of important measures that enhance the access to finance for SMEs and entrepreneurs. Debt finance instruments continue to take centre stage, although the use and design of these instruments for SME liquidity support in recovery packages vary across countries.

In general, rescue measures have not mobilised alternative sources of finance for SMEs in a significant way, particularly at the outset of the crisis. In the recovery, this situation broadly persists, indicating that these packages are not likely to be a key mechanism to kick-start improvements in the uptake of alternative sources of finance for SMEs, which had gained significant ground in the run-up to the COVID-19 crisis. This suggests that going forward, governments' consideration of other mechanisms to foster diversification of SME finance instruments, including Fintech, will be key to avoid SME over-reliance on debt and enable them to thrive, invest and grow in the post-pandemic recovery. The 2022 update of the G20/OECD High-Level Principles on SME Financing will support these efforts. There may also be a need to take additional measures to address the challenges of SME insolvency.

Where alternative finance instruments are present in recovery packages, they include factoring, leasing and hire purchases, trade finance and equity and quasi-equity tools.

Findings also show that although there is large diversity in their design, recovery packages generally have a relatively modest explicit SME orientation, and do not constitute a silver bullet to address the range of financing challenges SMEs continue to face. This is to some extent a reflection of the nature of recovery measures, which focus on strengthening the capacity for recovery in the broader economy. SMEs can also benefit from more generic measures such as digital infrastructure investments or support measures for the business population at large. However, it is important to ensure that recovery plans and accompanying measures take the circumstances and financing needs of SMEs sufficiently into account, in order to foster their recovery from the crisis, as well as to strengthen their capacity to invest in greening, digitalisation, skills and innovation.

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Note

[1] The European Central Bank through the European Pandemic Emergency Purchase Programme bought assets with an overall envelop of EUR 750 billion and later enlarged to EUR 1 350 billion. The Federal Reserve in the United States purchased Treasury Securities and agency mortgage-backed securities of billions worth of dollars. Furthermore, from USD 600 billion in SME loans, the Fed purchased a stake of 95% of each SME loan (OECD, 2020[168]).

Country snapshots

3. Australia

Key facts on SME financing

According to the Australian Bureau of Statistics (ABS), there were 2,418,037 small and medium sized enterprises (SMEs) in Australia in 2019-20. SMEs account for 99.8% of all enterprises in Australia and employed more than 7.6 million people in 2018-19, which equates to around 66% of employment in the private sector.

The Australian economy fell by 0.3% in 2019-20 due to the COVID-19 lockdown recession, after 28 consecutive years of economic growth. The economy continues to recover, and had reversed 85% of the decline from its pre-COVID level of output by the end of 2020.

Interest rates are historically low for both SMEs and large businesses. SME interest rates in Australia have gradually declined from 8.6% in 2007 to 3.4% in 2020. The interest rate spread between SME loans and large enterprise loans increased from 71 basis points in 2007 to 170 basis points in 2008, and remained high at 185 basis points in 2017. However, the interest rate spread has declined somewhat to 177 basis points in 2020.

New lending to SMEs declined sharply from AUD 185.2 billion in 2019 to AUD 80 billion in 2020, in the wake of COVID-19. In 2020, the share of SME outstanding loans stood at 42.68% of total outstanding business loans.

The total amount of venture capital invested by registered Early Stage Venture Capital Limited Partnerships (ESVCLPs) and Venture Capital Limited Partnerships (VCLPs) increased in 2017-18 by 32.96%, totalling AUD 1.3 billion, decreased in 2018-19 by 10.56% to AUD 1.1 billion, before rising to a high of AUD 1.6 billion in 2019-20, an increase of 43.28%. Leasing and hire purchase volumes dropped from AUD 9,245 million in 2007 to a low of AUD 6,549 million in 2010. Leasing and hire purchase volumes have recovered since, rising to AUD 10,530 million in 2020, an increase of about 5% over the previous year.

The number of bankruptcies per 10,000 businesses increased from 45 in 2007 to 50 in 2010. It since reached a ten-year low of 29 in 2019, before falling even further to 19 in 2020 in response to COVID-19 related policies. In March 2020, the Australian Government announced a series of temporary changes to bankruptcy law to protect otherwise viable businesses from bankruptcy. These included a new formal debt restructuring process, and a simplified liquidation pathway; with the new processes available to incorporated businesses with liabilities of less than AUD 1 million.

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 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	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	AUD billion	189	204.6	204.7	225.2	235.9	239.9	243.1	251.4	261.5	271.4	281.4	283.7	426.6	421.2
Outstanding business loans, total	AUD billion	699.9	767.3	713.2	689.2	712.7	732.5	744.8	778.2	831.8	875.1	903.9	954.2	976.2	986.9
Share of SME outstanding loans	% of total outstanding business loans	27.03	26.66	28.71	32.68	33.11	32.76	32.64	32.30	31.44	31.01	31.13	29.73	43.71	42.68
New business lending, total	AUD billion	375.0	336.1	265.5	265.8	310.7	273.8	292.4	360.5	391.7	341.8	346.0	346.9	..	..
New business lending, SMEs	AUD billion	77.5	79.9	69.6	82.5	81.6	73.7	79.1	85.4	91.2	86.7	79.7	76.7	185.2	80
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	25.37	23.03	22.11	..	..
Non-performing loans, total	% of all business loans	0.50	2.07	3.27	3.55	3.16	2.68	2.03	1.39	1.01	1.13	0.78	0.81	0.92	1.02
Interest rate, SMEs	%	8.66	8.04	7.60	8.40	8.02	7.13	6.54	6.27	5.63	5.36	5.28	5.33	4.18	3.40
Interest rate, large firms	%	7.95	6.34	5.94	7.02	6.74	5.50	4.77	4.60	3.90	3.49	3.43	3.72	2.48	1.63
Interest rate spread	% points	0.71	1.70	1.66	1.38	1.28	1.62	1.77	1.67	1.73	1.86	1.85	1.61	1.70	1.77
Non-bank finance															
Venture and growth capital	AUD billion					0.46	0.28	0.24	0.30	0.59	0.96	0.98	1.30	1.16	1.67
Venture and growth capital (growth rate)	%, Year-on-year growth rate						-39.05	-13.17	23.36	96.35	63.45	1.76	32.96	-10.56	43.28
Leasing and hire purchases	AUD billion	9.25	9.28	6.73	6.55	6.90	8.75	7.34	8.77	9.86	8.89	10.14	9.71	9.98	10.53
Factoring and invoicing	AUD billion	54.76	64.99	63.10	58.66	61.42	63.36	63.27	62.39	64.40	..	..	..	..	..
Other indicators															
Payment delays, B2B	Number of days	..	..	..	..	22	20	20	15	13	14	12	11	10	11
Bankruptcies, Unincorporated	Number	5 045	4 427	4 426	5 616	5 266	5 858	4 761	4 007	4 088	4 350	4 168	4 291	3815	3 353
Bankruptcies, Unincorporated	Per 10 000 enterprises	42	36	36	45	43	50	42	35	34	36	34	36	26	23
Bankruptcies, Corporates	Number	7 489	9 067	9 465	9 605	10 439	10 583	10 854	8 822	10 093	8 511	7 819	8 052	8 324	4 943
Bankruptcies, Corporates	Per 10 000 companies	48	55	56	54	57	55	54	41	45	36	31	31	30	17
Bankruptcies, Total	Per 10 000 businesses	45	47	47	50	51	53	49	39	41	36	32	32	29	19
Invoice payment days, average	Number of days	53	56	54	53	54	53	54	53	47	..	..	..	..	..
Outstanding business credit, Unincorporated business	AUD billion	111	117	119	122	125	131	136	142	150	157	164	165	244	246

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Outstanding business credit, Private trading corporations	AUD billion	500	555	514	500	514	524	531	556	592	626	636	663	619	621

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

4. Austria

Key facts on SME financing

As in many EU countries, SMEs contribute substantially to Austria's economy. In 2019, 99.7% of all firms were SMEs employing approximately 66.8% of the labour force.

The capital structure of SMEs in Austria is traditionally biased towards debt financing, whereas limitations on access to risk-finance are still apparent. Bank lending is therefore an important factor affecting the availability of external financing for SMEs. However, access to finance is generally not a major concern for Austrian SMEs. Despite the COVID-19 pandemic, which severely affected the economic environment, only 8% (compared to 10% of European SMEs) stated in 2020 that access to finance is one of their main concerns.

Following the COVID-19 pandemic, Austria showed an increase in medium- and long-term loans, as government guarantees typically covered loans with medium-term maturities and up to EUR 1 million. This reflected a shift in the financing needs of businesses, since loans were taken to bridge liquidity shortages and build up liquidity buffers. However, loan growth differed across industries depending on how much they were affected by the pandemic. Overall, the share of new SME loans (i.e. up to EUR 1 million) increased by more than 3 percentage-points to 15.3%.

To mitigate the negative economic effects of the COVID-19 pandemic, the Austrian as well as European governments provided unprecedented (fiscal) stimulus programs to non-financial corporations including SMEs following the modified EU "Temporary Framework to support the economy in the context of the coronavirus outbreak". The enlargement of loan guarantee programmes offering bridge-financing and special lending conditions resulted in a sharp decline of the spread between SME loans (i.e. loans with a volume of up to EUR 1 million) and loans to large firms down to 0.23%. In comparison, this spread has been rather stable over the last years reaching 44 basis points (0.44%) on average until 2019.

In Austria, limitations on access to risk-finance (e.g. Venture Capital) are still apparent and have always been considered to be a particular weakness of the Austrian innovation system. Official data reported by Invest Europe show no clear trend over time, with frequent ups and downs.

Bankruptcies (per 1 000 enterprises) fell sharply by -40.7% in 2020 compared to 2019, reaching the number of 3 106. This development can be explained by a wide range of fiscal and other crisis response measures set up by the Austrian Federal Government to help affected companies through the crisis quickly and accurately. For example, the obligation to declare insolvency has been temporarily suspended. For a sustainable recovery after a recession, it is essential to ensure structural change, improve business dynamics and strengthen firms' equity ratios. A catch-up effect and the realization of an insolvency backlog have to be considered once the policy measures end or are phased out.

In 2020, initiatives and supporting measures of the Austrian Government concentrated primarily on tackling the economic and financial consequences of the COVID-19 pandemic and on helping affected companies through the crisis quickly and accurately. In order to mitigate the economic disadvantages, the financial aids ensure the liquidity of companies and focus on:

- Mitigating revenues losses stemming from the crisis: e.g. non-repayable grants to cover fixed costs and revenue losses.
- Measures facilitating economic recovery -- e.g. Loan guarantees for bridge-financing loans.
- Stimulating labour market: e.g. Corona short-time work.

Table 4.1. Scoreboard for Austria

Indicator	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt												
Outstanding business loans, total	EUR billion	135.5	138.8	140.4	140.3	136.6	137.2	135.6	143.8	153.0	162.9	169,8
New business loans, total (flows)	EUR million	74 896	73 041	80 867	73 460	73 126	61 711	55 543	64 418	64 438	71266	60096
New business loans, SMEs (flows)	EUR million	9 414	9 476	9 347	8 884	8 237	8 116	7 499	8 304	8 182	8 639	9214
Share of new SME loans	% of total business loans	12.57	12.97	11.56	12.09	11.26	13.15	13.50	12.89	12.70	12.12	15.33
short-term loans, SMEs (flow)	EUR million	5 139	4 944	4 901	4 536	4 016	3 345	3 010	2 539	1 998	1 969	1640
long-term loans, SMEs (flow)	EUR million	4 275	4 532	4 446	4 348	4 221	4 771	4 489	5 765	6 184	6 670	7574
Share of short-term SME lending	in %	54.59	52.17	52.43	51.06	48.76	41.21	40.14	30.58	24.42	22.79	17.80
Government loan guarantees, SMEs	EUR million	173	143	158	167	172	204	192	279	301	366	4898*
Government guaranteed loans, SMEs	EUR million	226	185	207	211	225	258	282	414	395	568	5508*
Government direct loans, SMEs	EUR million	607	633	539	594	490	543	454	744	690	749	793
Interest rate, SME, loans up to EUR 1m	in %	2.43	2.92	2.46	2.28	2.27	2.02	1.92	1.80	1.82	1.80	1.59
Interest rate, large firms, loans over EUR 1m	in %	1.96	2.55	1.98	1.77	1.74	1.61	1.54	1.45	1.38	1.32	1.36
Interest rate spread	in %	0.47	0.37	0.48	0.51	0.53	0.41	0.38	0.35	0.44	0.48	0.23
Non-performing loans, total	In %	..	2.71	2.81	2.87	3.74	3.39	2.67	2.37	1.88	1.77	1.58
Non-bank Finance												
Venture and growth capital (seed, start-up, later stage)	EUR million	43	97	44	59	60	112	57	108	86	81	102
Venture and growth capital (growth capital)	EUR million	34	118	29	26	45	85	29	179	49	88	149
Venture and growth capital (total)	EUR million	78	216	73	86	105	197	85	287	135	169	251
Venture and growth capital (growth rate)	In %	-31.53	177.61	-66.31	17.76	22.56	87.97	-56.63	235.47	-52.96	24.98	48,72
Other												
Payment delays, B2B	Days	11	12	11	12	13	4	4	2	1	1	14
Payment delays, B2C	Days	11	11	9	9	9	1	4	1	1	5	9
Bankruptcies, total	Number	6 657	6 194	6 266	5 626	5 600	5 422	5 534	5 318	5 224	5235	3106
Bankruptcies, per 1 000 firms	Number	18	17	17	15	15	11	12	11	11	11	7

* Note: this temporary increase is related to COVID-19 crisis response measures

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

5. Belgium

Key facts on SME financing

In 2018, SMEs dominated the business enterprise landscape in Belgium, accounting for 99.85% of all firms.

The outstanding stock of SME loans expanded by 2% in 2020, 3.6 percentage points down from its growth rate of the previous year. SME interest rates continued to decrease and averaged 1.55% in 2020. The interest rate spread between loans charged to large enterprises and loans charged to SMEs was 15 basis points in 2020.

Survey data illustrates that lending conditions eased between 2013 and 2015 and remained relatively stable until the end of 2018. A deterioration of credit conditions has been reported since the fourth quarter of 2018, through the end of 2020.

After having expanded moderately in 2019 (+5.17%), leasing volumes receded by 8.14% in 2020. Overall, factoring continues to be widely used by Belgian companies. However, this source of financing stands out in 2020 and shows a downward trend for the first time since 2007, decreasing by 3.66% during the year. Factoring has an average growth rate of 6.85 over the period 2015-2020 and contributed to almost 18% of GDP in 2020, as opposed to only 6.3% of GDP in 2008.

Venture and growth capital investments continue to show considerable variations due to the small number of deals completed every year. Total venture and growth capital investments were stable in 2020, after having increased by 44% in 2019.

Average payment delays for business to business transactions decreased steadily during the last ten years, dropping from a 17-day average in 2009 to a 3-day average in 2020.

The number of registered failures dropped to 7 203 (-32%) in 2020. This figure is much lower than usual and can be explained by the moratorium on bankruptcies introduced in Belgium in the context of the Covid-19 crisis.

Policy initiatives to ease SMEs' access to finance are taken both at the federal and regional levels. Policy measures in 2020 were primarily aimed at protecting healthy businesses in the context of the covid-19 crisis. In the framework of the Flemish recovery plan, PMV (the Flemish investment body) is reinforcing its investments in companies through loans, capital and guarantees. The Brussels-Capital Region is offering companies a low-interest loan to support all sectors affected by the crisis. With the Covid-19 crisis and the partial or full closure of a number of businesses, the Walloon Government has decided from March 2020 to support SMEs and self-employed in sectors affected by the crisis through a lump sum compensation. An additional compensation based on the loss of turnover has been introduced since September 2020.

At the federal level, the government introduced a debt moratorium on corporate loans and activated a EUR 50 billion new guarantee for all new loans until 31 December 2020. A second guarantee scheme, which only applies to SMEs for loans taken before end-June 2021, was also activated.

Table 5.1. Scoreboard for Belgium

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	EUR billion	82.8	89.1	88.9	93.9	100.0	109.6	109.5	100.7	104.4	108.0	115.7	123.9	130.9	133.6
Outstanding business loans, total	EUR billion	134.2	149.4	141.8	150.6	153.7	167.6	162.0	151.7	164.6	163.4	173.6	184.1	193.0	195.2
Share of SME outstanding loans	% of total outstanding business loans	61.72	59.62	62.73	62.35	65.07	65.43	67.60	66.39	63.44	66.12	66.66	67.31	67.8	68.43
Outstanding short-term loans, SME	EUR billion	37.4	40.4	34.1	35.4	36.5	34.5	33.8	31.4	30.9	32.0	33.6	36.6	36.7	34.3
Outstanding long-term loans, SME	EUR billion	59.7	66.1	72.2	77.2	79.3	82.5	83.9	80.3	84.8	90.8	97.8	103.4	109.6	115.5
Share of short-term lending, total	% of total business lending	38.52	37.91	32.08	31.45	31.50	29.48	28.74	28.08	26.71	26.05	25.58	25.95	28.93	26.00
Government loan guarantees, SMEs	EUR million	..	156.5	411.9	553.9	317.5	266.0	480.2	265.6	448.2	398.3	458.4	612.2	520	777
Government guaranteed loans, SMEs	EUR million	..	312.7	832.7	888.4	561.7	484.3	826.1	476.7	805.6	735.9	828.3	1130.3	993	1 318
Direct government loans, SMEs	EUR million	..	113.7	142.2	141.9	148.3	170.5	235.6	..	..	..	..	..	..	..
Interest rate, SMEs	%	5.45	5.70	3.01	2.51	2.88	2.32	2.06	2.09	1.83	1.72	1.66	1.60	1.58	1.55
Interest rate, large firms	%	4.72	5.05	2.09	1.70	2.22	1.74	1.76	1.77	1.60	1.34	1.40	1.35	1.31	1.40
Interest rate spread	% points	0.73	0.65	0.92	0.81	0.66	0.58	0.30	0.32	0.23	0.38	0.26	0.25	0.27	0,15
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	74.30	71.90	78.60	..	..	..	..	..	..	..	
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	22.22	26.46	30.20	29.33	29.36	39.33	36.61	36.71	37.18	35.38	33.87	33.072
Rejection rate	(SME loans authorised/ requested)	..	..	0.52	5.13	6.44	10.40	10.91	5.88	5.71	6.13	5.07	2.75	3.39	7.62
Utilisation rate	SME loans used/ authorised	77.80	79.05	80.69	80.07	80.16	77.45	77.79	79.76	79.62	80.01	79.86	80.39	80.64	80.61
Non-bank finance															
Venture and growth capital	EUR million	502.26	507.83	618.05	363.60	411.11	445.36	438.09	580.86	548.18	843.14	767.18	837.50	1207.3	1208.1

Venture and growth capital (growth rate)	%, year-on-year growth rate	..	1.11	21.70	-41.17	13.07	8.33	-1.63	32.59	-5.63	53.81	-9.01	9.17	44.16	0.07
Leasing and hire purchases	EUR million	4405.9	4856.4	3756.4	4005.5	4439.0	4450.2	4121.7	4356.9	4800.5	6009.6	5800.1	668.4	6382	5863
Factoring and invoicing	EUR million	19.2	22.5	23.9	32.2	36.9	42.4	47.7	55.4	61.2	62.8	69.6	76.3	84.8	81.7
Other indicators															
Payment delays, B2B	Number of days	..	..	17	17	15	19	18	19	13	10	8	9	7	3
Bankruptcies, total	Number	7.680	8.476	9.420	9.570	10.224	10.587	11.740	10.736	9.762	9.170	9.968	9.878	10.598	7.203
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	8.77	-0.90	7.29	-32.03
Bankruptcies, SMEs	Number	7 650	8 445	9 392	9 527	10 188	10 539	11 694	10 678	9 728	9 134	9 935	9 860	10 567	7 176
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate		10.39	11.21	1.44	6.94	3.45	10.96	-8.62	-8.90	-6.11	8.77	-0.75	7.17	-32.09

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

6. Brazil

Key facts on SME financing

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

The reference interest rate of *Banco Central do Brasil* (Special Clearance and Escrow System - SELIC) has been gradually declining, from 14.15% per annum in December 2015 to 6.4% in December 2018. The previous period of rate hike (from 7.25% in March 2013 to 14.25% in September 2016) led to high interest rates on loans for large corporate borrowers (14.8%) and SMEs (30.6%), leading to a shrinking demand for new SME loans. Interest rates have increased more for micro-enterprises and SMEs than for large businesses. However, this trend was reversed when the Central Bank decreased its rate at the end of 2016, thus decreasing interest rates for SMEs. In 2020 the Central Bank decided to lower the SELIC rate from 4.25% in February and 3.75% in March to 2.0% in August). In March 2021 the SELIC rate was increased to 2.75% p.a., achieving 3.50% in May 2021.

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. A sharp rise was observed in 2020 due to measures adopted in the context of the Covid-19 pandemic (see more under Government policy response).

Since 2008, large companies have received a larger share of business loans than SMEs. The government has taken on a more active role in this area, often with the aim to provide financial services to small businesses excluded from traditional financial institutions. 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 agencies where financial services are provided.

In the area of equity finance, the regulatory framework for angel investors was revised in 2016 and further adjusted in 2017, removing some long-standing barriers for investors in SME markets, in particular by offering more legal protection in the case of company closures, more flexibility in the type of investment and more information sharing between recipients and investors. In addition, new regulations concerning investment-based crowdfunding and Fintech were introduced in 2017 and 2018.

Table 6.1. Scoreboard for Brazil

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	BRL billion	251	332	365	448	533	609	666	711	682	586	510	500	536	731
Outstanding business loans, total	BRL billion	501	682	775	930	1.107	1.279	1.460	1.623	1.734	1.565	1.436	1.441	1.427	1.753
Share of SME outstanding loans	% of total outstanding business loans	50.08	48.61	47.10	48.15	48.15	47.62	45.65	43.78	39.36	37.41	35.51	34.69	37.55	41.66
New business lending, total	BRL billion						1 240	1 267	1 266	1 281	1 138	1 043	1 170	1 334	1 620
New business lending, SMEs	BRL billion						786	783	782	727	623	551	587	685	838
Share of new SME lending	% of total business lending						63.43	61.78	61.75	56.79	54.80	52.83	50.15	51.39	51.72
Outstanding short-term loans, SMEs	BRL billion	89	98	90	107	136	146	150	145	133	109	101	107	116	98
Outstanding long-term loans, SMEs	BRL billion	147	198	232	292	369	459	515	564	548	473	406	391	417	630
Share of short-term SME lending	%	37.69	33.04	28.08	26.83	26.94	24.20	22.51	20.50	19.49	18.80	19.86	21.42	21.80	13.42
Government guaranteed loans, SMEs	BRL billion	40	46	93	51	705	810	705	2 777	3 420	3 918	2 081	486	199	44 087
Direct government loans, SMEs	BRL billion	17	24	26	27	31	35	36	43	46	39	33	26	20	25
Non-performing loans, total	% of all business loans	1.54	1.55	2.67	1.84	2.02	2.22	1.84	1.88	2.39	3.15	2.99	2.45	2.08	1.20
Non-performing loans, SMEs	% of SME loans	2.83	2.83	4.99	3.56	3.95	4.4	3.7	3.8	5.4	6.6	5.97	4.55	3.55	2.07
Interest rate, SMEs	%						19.7	23.8	25.3	35.0	32.0	25.19	21.70	24.89	6.00
Interest rate, large firms	%						10.2	13.8	14.4	17.5	17.5	9.85	8.91	8.73	5.91
Interest rate spread	% points						9.5	10.0	10.9	17.5	14.5	15.3	12.8	16.2	0.1

Note: Regarding the government guaranteed loans indicator, the 2020 figure considers two of the emergency credit programmes launched by the federal government in the context of the Covid-19 pandemic (National Program to Support Micro and Small Enterprises – Pronampe, and Emergency Employment Program – Pese). In both cases, relevant federal government guarantees are provided for loans.

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

7. Canada

Key facts on SME financing

In 2020, Canadian small businesses (1-99 employees) constituted 98.0% of all businesses and employed 7.7 million individuals, or 67.7% of the private sector labour force.

Supply-side survey data show that outstanding debt held by all businesses increased in 2020 to CAD 1,007 billion. Lending to small businesses increased to CAD 117.9 billion. As a result, small businesses' share of total outstanding business loans was 11.7%.

Small business credit conditions have remained relatively stable since 2011. The average interest rate charged to small businesses in 2019 decreased to 5.3%, with an average business prime rate of 3.6%. The business risk premium stood at 1.7%, the lowest level since the 2009 recession reflecting an easing in access to financing for small businesses in Canada.

Bank of Canada survey results indicate that lenders reported that overall business lending conditions eased towards the end of the second half of 2020. Borrowers also reported an easing of credit conditions during the same period.

In 2020, the small business 90-day loan delinquency rate reached 0.78%, its highest level since 2010.

Total venture capital (VC) investment levels in Canada reached a peak of CAD 6.1 billion in 2019 followed by a decline to CAD 4.1 billion in 2020. These are the highest levels of VC investment recorded in Canada since 2001.

In 2020-21, the Government of Canada continued its commitment to support entrepreneurship and the growth of SMEs. The Business Development Bank of Canada (BDC), a crown corporation with the mandate to support Canadian entrepreneurship had CAD 36.5 billion in financing and investments, as of 31 March 2020, committed to 62 000 clients operating across Canada. In response to the COVID-19 pandemic, BDC delivered the Business Credit Availability Program and the Highly Affected Sectors Credit Availability Program on behalf of the Government. Through these programmes, Canadian businesses could access term loans of up to CAD 60 million for operational cash flow requirements. Additionally, BDC extended new working capital loans, expanded its online financing platform, and launched the BDC Venture Capital Bridge Financing Program to support existing clients and increase the availability of capital in the market.

The Government of Canada has also invested CAD 371 million through the original Venture Capital Catalyst Initiative (VCCI) to increase late-stage venture capital available to Canadian entrepreneurs. Selected fund managers under the original VCCI will inject more than CAD 1.8 billion over the coming years into the innovation capital market by leveraging funds from the public sector and private sector. Building on this momentum, the Government introduced in Budget 2021 that it has made available up to CAD 450 million through a renewed VCCI to support future venture capital investments.

The Government of Canada has established a number of programmes to provide support targeted to entrepreneurs from underrepresented groups. The Government has made total investments of nearly CAD 6 billion in the Women Entrepreneurship Strategy (WES); of up to CAD 272.8 million in the Black

Entrepreneurship Program (BEP); and of CAD 58.1 million for Futurpreneur, a program to support youth entrepreneurs.

To help simplify and streamline the Government's support programmes and to help equity-deserving entrepreneurs access funding and capital, mentorship, financial planning services, and business training, the Government will launch the Small Business and Entrepreneurship Development Program (SBED), investing CAD101.4 million over 5 years in a tool which will facilitate continued support of small businesses and entrepreneurs across Canada.

Table 7.1. Scoreboard for Canada

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	CAD billion	83.4	83.4	86.4	85.7	90.1	87.7	92.2	93.5	97.4	99.6	104.1	105.7	109.8	117.9
Outstanding business loans, total	CAD billion	479.8	534.0	482.3	489.5	514.4	557.3	602.1	658.5	739.0	774.7	834.1	918.2	984.9	10007
Share of SME outstanding loans	% of total outstanding business loans	17.39	15.61	17.92	17.50	17.52	15.75	15.31	14.20	13.18	12.86	12.49	11.51	11.15	11.71
New business lending, total	CAD billion	..	..	..	..	126.2	141.6	151.0	168.7	188.4	204.0	233.9	269.7	285.7	287.7
New business lending, SMEs	CAD billion	..	..	..	..	20.2	21.7	22.8	23.2	24.0	22.8	25.2	27.2	26.8	26.7
Share of new SME lending	% of total new lending	..	..	..	..	15.99	15.30	15.10	13.74	12.73	11.16	10.78	10.08	9.39	9.30
Outstanding short-term loans, SMEs	CAD billion	15.1	..			6.9	..	..	15.6	..	..	24.2	..	..	..
Outstanding long-term loans, SMEs	CAD billion	21.1	..	..	..	12.8	..	..	12.4	..	..	32.4	..	..	..
Share of short-term SME lending	% of total SME lending	41.62	..	43.40	36.30	35.13	39.00	46.00	55.71	47.20	36.20	42.8	30.10	19.50	..
Government loan guarantees, SMEs	CAD billion	1.20	1.30	1.20	1.30	1.30	1.08	1.06	1.01	1.11	1.30	1.54	1.75	1.89	3.28
Direct government loans, SMEs	CAD billion	4.40	4.10	5.50	4.70	6.00	5.80	4.60	6.50	6.70	7.9	8.0	8.4	8.10	..
Interest rate, SMEs	%	7.50	..	6.20	5.80	5.30	5.40	5.60	5.10	5.10	5.30	5.20	5.70	5.30	..
Interest rate, large firms	%	6.10	..	3.10	2.60	3.00	3.00	3.00	3.00	2.80	2.70	2.90	3.64	3.60	2.70
Interest rate spread	% points	1.40	..	3.10	3.20	2.30	2.40	2.60	2.10	2.30	2.60	2.30	2.06	1.70	..
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	47.7	..	56.1	66.7	64.8	76.0	56.0	66.6	80.0	74.0	64.1	70.0	72.73	..
Percentage of SME loan applications	SME loan applications/ total number of SMEs	17.0	..	14.0	18.0	24.0	26.0	30.0	27.0	23.0	26.0	26.0	27.0	26.71	..

Rejection rate	1-(SME loans authorised/ requested)	..	..	..	9.0	8.0	7.0	9.0	12.8	7.0	9.0	9.5	9.0	8.3	..
Non-bank finance															
Venture and growth capital	CAD billion	..	..	..	..	..	..	1.88	2.06	2.30	3.61	3.61	3.42	6.09	4.14
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	..	..	..	..	..	..	9.57	11.65	56.9	0	-5.3	78.07	-32.02
Other Indicators															
90-Day Delinquency Rate Small business	%	0.70	1.16	1.56	0.88	0.62	0.53	0.40	0.39	0.56	0.52	0.49	0.54	0.45	0.78
90-Day Delinquency Rate Medium business	%	0.01	0.01	0.27	0.11	0.04	0.00	0.00	0.09	0.07	0.01	0.01	0.05	0.06	0.15
Leasing request rate	%	20.8	..	1.00	2.00	7.00	8.00	11.0	7.90	8.00	9.00	7.2	9.00	13.00	..
Leasing approval rate	%	93	..	76	97	97.3	95	95	98.6	94	94	97.6	96.0	96.0	..
Bankruptcies, SMEs	Per 1 000 firms with employees	7.00	6.60	5.90	4.60	4.30	3.80	3.60	3.40	3.30	3.10	2.84	2.79	2.81	2.14
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	-5.71	-10.6	-22.0	-6.52	-11.6	-5.26	-5.56	-2.94	-6.06	-8.39	-1.76	0.72	-23.84

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8. Chile

Key facts on SME financing

2020 was marked by coronavirus outbreak which impacted the economy and led to an unprecedented decrease of activity.

Despite advances in Chile's economic recovery, GDP closed 2020 with an annual decline of 5.8%, but the growth projection for 2021 is raised to a range between 6.0% and 7.0%, while for 2022 it remains between 3.0% and 4.0%.

Since March 2020, Chile has developed a robust economic relief plan through the "Emergency Economic Plan", which has 49 economic and social measures to support different people and firms. This Emergency Economic Plan, along with the 2020 "Step by Step Plan, Chile recovers", seeks to gradually reactivate the economic activity through measures that encourage investment, infrastructure development, in addition to a special plan to simplify bureaucratic procedures, in order to promote and accelerate innovation and investment.

The foregoing, with a marked focus on the recovery of employment and the reactivation of micro, small and medium enterprises through tax measures, subsidy programs, financing and capacity development programs. In total, these plans mobilised resources that represent 9.7% of GDP.

According to the Central Bank, the supply of credit to SMEs is less restrictive and, with respect to the segment of large companies, there are no significant changes. However, the SME share of outstanding loans reached 21.4%, a historical peak, and the interest rate spread between large firms and SMEs fell from 4.0% in 2019 to 2.3% in 2020.

2020 marked an important step forward in terms of domestic financial schemes, presenting historic capital injections, strongly expanding the Small Business Guarantee Fund (or "FOGAPE" for short) by USD 3 billion, which aimed at expanding the financing coverage. Additionally, this fund will help to provide financing for enterprises with annual sales of up to USD 36 million, therefore increasing the current threshold which stands at around USD 12 million.

In terms of the guarantees granted by the Production Development Corporation (CORFO), such as COBEX, Pro Inversión and FOGAIN, there have been more than 62 000 guarantee operations, amounting to more than USD 2 billion.

In regard to non-bank finance, there have been actions undertaken to reduce the funding gap faced by micro-enterprises. In this sense, the "MSME Credit", operated by CORFO, received a capital injection of USD 178 million and by the end of 2020 there were more than 54 000 credit operation via this scheme, amounting to USD 68 million.

With respect to venture capital funds, CORFO and Start-Up Chile's programmes are the main instruments of SME capital financing, although other private and public initiatives have also developed. After two years of sustained increase in 2018 and 2019, 2020 marked a drop of 12% in venture capital investments, reaching an investment of CLP 54.9 in 2019 and CLP 48.3 in 2020.

In 2020, the Superintendence of Insolvency and Re-entrepreneurship (SUPERIR) implemented the Economic Insolvency Advisory program (AEI). This is a procedure by which an advisor is made available to smaller companies, free of charge, in order to propose improvement actions that allow them to overcome the state of insolvency, such as recovery agreements, search for new sources of financing, among others. During the period that the advisory lasts, the company has financial protection that suspends possible legal actions for a period of 90 days. The process was carried out first through the relocation of funds from Superir to Sercotec during 2020, with the objective of financing 498 AEI. By the end of 2020, a total of 321 AEI had been initiated.

Finally, the Commission for the Financial Market (CMF) is leading the proposal for a Fintech bill for the stock market. The Commission's preliminary draft seeks, among others, to provide a legal and regulatory framework for collective financing platforms and other Fintech activities related to the stock market. The preliminary draft proposal also incorporates an update of part of the current security market legislation in order to adapt it and preserve regulatory coherence between the new Fintech players and the players that operate today under the regulation and supervision of the CMF.

Table 8.1. Scoreboard for Chile

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
								Debt							
Outstanding business loans. SMEs	CLP billion	6.8	7.6	8.1	9.3	10.1	11.5	11.8	13.7	15.8	17.3	18.7	19.8	20.8	23. 9
Outstanding business loans. total	CLP billion	40.9	49.9	46.3	48.1	57.2	64.6	69.8	76.4	84.9	88.7	90.3	99.5	108.5	111. 8
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	20.7	19.9	19.2	21.4
New business lending. total	CLP billion	..	..	..	53.3	58.0	58.0	58.1	63.9	67.8	67.4	67.7	71.4	77.1	70.8
New business lending. SMEs	CLP billion	..	..	..	2.6	3.1	3.8	3.8	4.4	5.1	5.1	5.6	5.63	5.8	8.7
Share of new SME lending	% of total new lending	..	..	..	4.9	5.3	6.5	6.6	6.8	7.5	7.6	8.2	7.8	7.5	12.3
Outstanding Short-term loans. SMEs	CLP billion	..	..	..	1.6	2.0	2.3	1.8	1.8	1.9	1.8	1.8	1.9	1.8	1.1
Outstanding Long-term loans. SMEs	CLP billion	..	..	..	1.0	1.1	1.5	2.0	2.5	3.2	3.3	3.8	3.8	4.0	7.6
Share of short-term SME lending	% of total SME lending	..	..	..	60.2	63.3	60.3	47.8	41.9	36.9	35.8	32.8	33.3	31.0	12.6
Government loan guarantees. SMEs	CLP billion	0.2	0.3	0.8	1.1	1.3	1.9	1.9	1.6	1.7	1.8	1.7	1.6	1.7	7.7
Government guaranteed loans. SME	CLP billion	0.3	0.5	1.3	1.8	2.0	2.9	3.1	2.3	2.4	2.6	2.6	2.5	2.6	10.3
Direct Government loans. SMEs	CLP billion	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Non-performing loans. total	% of all business loans	…	…	2.5	2.2	2.1	2.2	2.4	2.6	2.4	2.1	2.3	2.5	2.4	2.1
Non-performing loans. SMEs	% of all SME loans	..	..	5.9	6.1	5.5	5.4	6.1	6.1	5.9	5.3	5.2	5.9	5.9	4.7
Interest rate. SMEs	%	..	..	..	..	..	..	11.8	10.3	9.3	9.3	8.4	8.3	7.7	5.4
Interest rate. large firms	%	..	..	..	..	..	..	4.7	4.0	3.8	4.0	3.7	3.8	3.7	3.1
Interest rate spread	% points	..	..	..	..	..	..	7.1	6.3	5.5	5.3	4.7	4.5	4.0	2.3

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Collateral. SMEs	% of SMEs needing collateral to obtain bank lending	44.0	..	49.8	..	..	..	72.8	..	68.1	..	59.9	..	..	..
Percentage of SME loan applications	SME loan applications/ total number of SMEs	32.9	..	32.4	..	..	..	26.4	..	24.6	..	26.2	..	..	..
Rejection rate	1-(SME loans authorised/ requested)	41.4	..	15.0	..	..	..	12.3	..	14.7	..	9.4	..	..	..
Utilization rate	SME loans used/ authorised	86.6	..	91.0	..	..	..	87.9	..	96.7	..	89.3	..	..	..
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	40.0	21.9	39.2	54.9	48.3
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	-100	-45.3	79	18.3	-12.0
Leasing and hire purchases	CLP billion	3.0	3.6	3.5	3.8	4.5	5.0	5.6	6.2	6.6	6.7	7.8	8.2	8.7	8.4
Factoring and invoicing	CLP billion	2.0	2.0	1.4	1.9	2.4	2.6	2.6	2.6	2.8	3.0	3.8	4.4	4.7	4.4
Other indicators															
Payment delays. B2B	Number of days	..	..	..	75.8	74.9	56.7	52.7	55.2	58.0	54.9	56.0	51.8	60.5	53.8
Bankruptcies. SMEs	Number	122	127	125	136	146	146	164	6	154	295	285	397	368	368
Bankruptcies. SMEs (growth rate)	% year-on-year growth rate	..	4.1	-1.6	8.8	7.4	0.0	12.3	-96.3	2 467	91.6	-3.4	39.0	15.36	0.00

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9. Colombia

Key facts on SME financing

Access to finance is one of the main conditions for the growth of micro, small and medium-sized companies. Financing allows them to make investments to increase their productivity, competitiveness, and consolidation in the market. However, when there are difficulties in accessing sources of formal financing, it is more difficult for MSMEs to make a choice between investing to modernise their operations and innovate, or face crisis situations.

During 2020, and as the COVID-19 pandemic intensified this situation got worse given difficulties in the development of markets and the impact of the pandemic on Colombian businesses (99% of which are micro, small and medium-sized companies). As a result of the pandemic, the Colombian government implemented lockdowns that led to a widespread decline in economic activity in most sectors.

Survey results from "*Gran Encuesta Pyme - GEP 2020-1"* for the first semester of 2020 from the National Association of Financial Institutions show a significant deterioration in entrepreneurs' perception about the evolution of their businesses and consumer demand during the first half of the year. This was a radical change from the recovery trend experienced in the pre-crisis years. The unfavorable perception is explained by the shock caused by Covid-19 and the subsequent measures implemented to contain it, with severe negative impacts on business activity and job creation.

Although the survey "*Gran Encuesta Pyme - GEP 2020-1"* is as comprehensive as possible (the sample size of 1 957 companies with coverage in 18 of the 32 departments in which the country is politically divided), the informal sector is difficult to capture. Despite the fact that there are few sources for the estimates of the informal sector, from the Household Survey[1] it is possible to affirm that informality constitutes about 60% of companies.

Given the impact of the COVID-19 pandemic, SMEs undertook actions to continue their operations and business obligations. Some of these actions were: (i) use of company's cash; (ii) renegotiation of contracts with suppliers; (iii) renegotiation of debts; (iv) negotiation with employees to advance vacation periods; and (v) negotiation of layoffs with employees.

Some of the economic measures implemented for SMEs by the financial system and the government were: longer grace periods and terms of existing credits; providing access to payroll and/or employee benefits subsidies; tax benefits from national or territorial entities. The impact of the COVID-19 pandemic on production levels and the economy as a whole, required the implementation of financial measures to support companies from the National Government. This support focused on rediscounting credit lines, through Bancóldex development bank, and the expansion of guarantee lines so that entrepreneurs who did not have guarantees or collateral could make credit applications backed by the National Guarantee Fund. The application of these measures to benefit business owners influenced the volume of credit operations requested. Thus, in the industrial sector, the percentage of credit applications to the formal financial system increased to 36% during the first half of 2020, in the commercial sector it increased by 38% and in the service sector it increased by 32%, compared to the figures presented in 2019.

However, despite the growth in the volume of credit operations requested, the approvals of these requests showed a decrease in the three macro sectors of the economy. In the industry sector, the approval rate fell from 89% registered in 2019 to 72% in 2020; in the commercial sector it declined from 91% in 2019 to 71% in 2020; and in the service sector it fell from 84% in 2019 to 68% in 2020, caused by the greater perception of risk on the part of the financial system. In addition, for the cut-off of the information presented (first semester of 2021), the support that the government established to boost the supply of credit had not yet come into operation.

Regarding the use of credit, most SMEs in the three sectors used it to finance working capital. The second most frequent use of debt was the consolidation of liabilities, and the third was the purchase or rental of machinery, particularly in companies from the industry sector.

The percentage of SMEs that accessed formal credit to satisfy their financing requirements declined from 42% in 2019 to 24% in 2020. The COVID-19 crisis intensified the already low participation of alternative sources (such as leasing or factoring) in the financing of SMEs.

In 2020 due to COVID-19 pandemic, Colombia had the largest drop in production. In the second quarter of 2020, Colombia's GDP fell 15.8% compared to the same period in 2019. Likewise, for the month of April there was a drop in employment of 5.4 million people, which implies a reduction of employment of 24.5% compared to the same period in 2019 according to the National Association of Financial Institutions.

The impact of the COVID-19 pandemic on production levels and the economy as a whole required the implementation of financial measures to support companies from the National Government. This support focused on rediscounting credit lines, through Bancóldex development bank, and the expansion of guarantee lines so that entrepreneurs who did not have guarantees or collateral could make credit applications backed by the National Guarantee Fund.

Table 9.1. Scoreboard for Colombia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	COP billion	25.61	28.59	26.58	29.12	39.97	46.76	51.6	55.23	58.17	62.09	64.88	68.50	63.9	68.0
Outstanding business loans, total	COP billion	78.4	94.7	95.9	113.8	134.8	152.8	171.3	197.2	226.3	243.2	251.8	253.6	261.2	272.4
Share of SME outstanding loans	% of total outstanding business loans	32.67	30.19	27.70	25.58	29.66	30.61	30.11	28.01	25.70	25.53	25.77	27.01	24.48	25
New business lending, total	COP billion	67.7	76.0	77.2	79.0	77.7	95.4	104.0	117.0	117.7	117.3	153.3	160.09	118.6	112.5
New business lending, SMEs	COP billion	13.2	13.5	15.22	16.91	21.09	23.53	23.57	24.69	25.53	25.3	34.11	35.48	29.68	25.44
Share of new SME lending	% of total new lending	19.50	17.76	19.71	21.39	27.13	24.67	22.65	21.10	21.70	21.57	22.25	22.05	25.03	22.6
Outstanding short-term loans, SMEs	COP billion	4.98	7.52	6.14	6.41	10	11.55	12.36	12.93	13.8	13.59	14.44	12.86	11.39	11.26
Outstanding long-term loans, SMEs	COP billion	20.63	21.07	20.44	22.71	29.97	35.22	39.24	42.3	44.37	48.5	50.44	55.63	52.62	56.77
Share of short-term SME lending	% of total SME lending	19.45	26.30	23.10	22.01	25.02	24.70	23.95	23.41	23.72	21.89	22.26	18.78	17.69	16.6
Government loan guarantees, SMEs	COP billion	0.56	1.39	1.82	1.94	5.46	6.19	7.14	7.51	7.72	10.52	11.53	9.40	11.48	15.20

Government guaranteed loans, SMEs	COP billion	2.23	2.59	2.98	3.16	7.26	9.12	10.81	11.96	12.69	15.37	16.51	15.22	16.27	23.66
Non-performing loans, total	% of all business loans	0.95	1.27	1.59	1.07	1.00	1.03	1.08	1.33	1.34	1.51	2.36	2.61	2.51	3.1
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	3.71	3.84	3.44	3.6
Interest rate, SMEs	%	20.09	23.13	20.43	18.66	14.34	14.68	13.24	13.54	14.69	16.87	15.37	13.03	13.34	12.3
Interest rate, large firms	%	12.61	14.74	9.41	7.16	8.90	8.61	7.54	8.02	8.66	11.02	9.16	6.32	6.05	5.3
Interest rate spread	% points	5.13	5.43	5.45	5.06	5.64	6.24	5.77	6.02	6.92	7.20	6.21	6.71	7.30	7.0
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	92.15	91.75	91.92	93.3
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	40	40	25	35
Rejection rate	1-(SME loans authorised/ requested)	2	4	9	5	3	4	7	3	7.5	4	8	7	26	30
Utilisation rate	SME loans used/ authorised	98	96	91	95	97	96	93	97	92.5	96	92	93	88	70
Non-bank finance															
Venture and growth capital	COP billion	..	..	..	..	..	..	..	..	1.83	2.91	4.23	5.61	5.70	..
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	..	..	..	..	..	..	..	..	59 .3	45 .5	32.69	1.57	..
Leasing and hire purchases	COP billion	..	..	..	..	..	..	..	..	33.34	39.45	41.98	50.17	..	..
Factoring and invoice discounting	COP billion	5.77	6.04	7.15	7.01	12.85	10.55	17.56	23.75	31.47	25.77	25.53	26.58	..	..
Other indicators															
Payment delays, B2B	Number of days	49	50	61	62	59	55	56	65	66	85	95	101	80.01	..
Bankruptcies, SMEs	Number		1	12	18	40	59	76	83	85	131	193	443	608	661
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..		1100	50	122.2	47.50	28.81	9.21	2.41	54.12	47.33	129.5	37.25	8.72

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

Note

[1] The Great Integrated Household Survey is a survey prepared by the National Department of Statistics of Colombia, which requests information on the conditions of employment of people (whether they work, what they work on, how much they earn, whether they have social security in health or whether they are looking for employment). In addition to the general characteristics of the population such as sex, age, marital status and educational level and it captures information about their sources of income.

10. Czech Republic

Key facts on SME financing

The approach of SMEs to the financing of their business activities can be assessed as favorable for established companies due to high bank liquidity. Banking and non-banking institutions, private individuals, venture capital funds offer a wide portfolio of financial products. Established entrepreneurs do not have a problem with access to bank loans, leasing and factoring. Alternative sources of financing include venture capital, angel investments, bond issuance, crowdfunding and state support. However, the Czech Republic is characterised by a weaker investment environment, which undermines the establishment of new companies and the financing of new SME projects. While crowdfunding has become a popular tool for obtaining the necessary financial resources, capital financing is underdeveloped compared to similarly sized EU economies. There is a lack of willingness to invest in the early stages of business development (pre-seed, seed, start-up and later stage venture). The market for angel investments is barely visible, fragmented. However, the situation for innovators in the idea phase or start-ups is more complicated. Investments in these entities appear to be high risk for investors and banks, mainly due to the absence of relevant corporate history, lack of collateral or lack of information to assess their credit risk or valuation of their intangible assets.

SMEs are very vulnerable, especially in terms of financing, and have a higher perception of financial risk due to more frequent rejections of loan applications. The situation in this area has significantly improved over the last few years. The 2019 EC survey states that the share of SMEs in the Czech Republic, which cite the access to finance as the most significant problem, decreased from 12% in 2011 to 8% in 2019, to increase again to 10% in 2020 as a result of the coronavirus pandemic. In terms of access to common methods of financing, the Czech Republic is above average in several indicators showing the quality of SMEs' access to finance. The most important direct sources of external financing for SMEs are credit lines or overdrafts (52%), bank loans (43%) and leasing (50%). So far, capital financing is relevant for only 1% of companies. In terms of the use of financing, between 2019 and 2020, investment in the development of new products or services remained almost constant (around 25%). Most sources of finance are intended to finance either fixed investments or inventories and working capital.

In 2020, there were roughly 1.18 million active enterprises in the Czech Republic. 99.85% of these firms were SMEs with less than 250 employees each. Micro-firms dominated the business landscape, comprising 96.4% of all SMEs in 2020. The total number of SME employees decreased by 42.8 thousand in 2020 compared to 2019, i.e. by 1.8% to a total of 2.35 million employees. Given the situation caused by the coronavirus epidemic, this decrease can be considered moderate.

Interest rates for SMEs decreased by 14.1% in 2020 compared to 2019. This decrease does not reach the level of the minimum rates from 2016 and 2017. The interest rate spread between SMEs and large firms increased by 0.43% to 1.13%. The recent development in interest rates was probably also due to the response by the Central National Bank to the COVID-19 crisis, by proposing a banking package containing a proposal to amend the Capital Requirements Regulation (CRR-COVID). The measures also include the application of a factor supporting SMEs.

Venture capital investments reached their lowest level in 2016. Since then, they gradually increased until 2019, when VC investments reached EUR 24.3 million and re-investments jumped to EUR 125.5 million. According to preliminary data, VC investments returned to pre-2019 levels in 2020. They reached EUR 14.2 million in VC, and reinvestments fell even more sharply, from EUR 125.5 million in 2019 to EUR 25.0 million in 2020.

Government support for SMEs and entrepreneurs primarily consists of measures in the areas of developmental and operational financing, export support, support of the energy sector, development of entrepreneurial skills and financial literacy of entrepreneurs, technical education and research, and development and innovation.

The SMEs Support Strategy in the Czech Republic for the period 2021-2027 (SME 2021+) aims to increase the productivity and competitiveness of SMEs, and at the same time to strengthen their international position, inter alia in the field of research and innovation or the use of advanced technologies and skills. The Strategy represents the key strategic document for the preparation of the European Union (EU) cohesion policies over the 2021–27 programming period in the area of enterprise development. This includes the Operational Programme Technologies and Applications for Competitiveness (OPTAC).

SME 2021+ includes several tools, such as government loan guarantees (National Development Bank – former Czech-Moravian Guarantee and Development Bank), financing and insuring schemes for exporting SMEs (Czech Export Bank and Export Guarantee and Insurance Corporation) and innovative businesses (INOSTART programme), as well as a programme to draw financial resources from the EU Structural Funds (Operational Programme Technologies and Applications for Competitiveness) which provides support to SMEs through grants, preferential loans and guarantees.

As of 21 April 2020, the Ministry of Industry and Trade had announced three calls for the COVID programme based on credit and guarantee instruments. Due to the emergence of COVID-19 and related preventive measures, the COVID II program was launched in the spring 2020 as part of the EXPANSION-guarantee program. Another program that tackles the effects of the pandemic is the COVID III program, designed for SMEs and large enterprises. Other loan programs in 2020 were the ENERG program and the ENERGY SAVINGS program. The goal of both programs is to reduce energy consumption

Within the COVID I program, the volume of loans provided was CZK 928 million. In the COVID II - guarantees program, the volume of guaranteed loans was CZK 14.6 billion. In the COVID Prague guarantees program, the volume of guaranteed loans was CZK 1.6 billion. COVID III program is intended for companies with up to 500 employees, without distinction of SMEs; the volume of guaranteed loans was CZK 18.1 billion.

Table 10.1. Scoreboard for the Czech Republic

Indicator	Unit	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt														
Outstanding business loans, SMEs	CZK billion	555.03	527.55	550.08	587.91	589.68	610.79	621.39	652.59	702.81	725.63	762.99	794.7	829,8
Outstanding business loans, total	CZK billion	850.76	784.07	783.54	831.21	840.59	871.58	890.23	935.36	994.86	1036.1	1097.39	1133.1	1135.1
Share of SME outstanding loans	% of total outstanding business loans	65.24	67.28	70.20	70.73	70.15	70.08	69.80	69.77	70.64	70.03	69.53	70.14	73,10
New business lending, total	CZK billion	866.11	780.87	667.98	599.09	694.94	500.50	544.73	607.59	510.58	457.94	461.84	521.11	590.21
New business lending, SMEs	CZK billion	207.24	147.74	123.40	124.12	129.83	86.66	97.76	118.28	100.46	101.24	97.92	92.27	119.82
Share of new SME lending	% of total new lending	23.93	18.92	18.47	20.72	18.68	17.31	17.95	19.46	19.68	22.11	21.20	17.71	20,30
Outstanding short-term loans, SMEs	CZK million	..	..	73 626	72 433	77 853	45 531	40 360	41 742	36 974	33 918	29 835	22 107	20 917
Outstanding long-term loans, SMEs	CZK million	..	..	49 772	51 684	51 977	41 129	57 404	76 475	63 490	67 325	68 090	70 166	98 904
Share of short-term SME lending	% of total SME lending	..	..	59.67	58.36	59.97	52.54	41.28	35.31	36.80	33.50	30.47	23.96	17,46
Government loan guarantees, SMEs	CZK million	3 529	6 369	6 593	472	1 534	3 251	4 010	6 913	3 530	4 014	6 485	9 786	22 423
Government guaranteed loans, SMEs	CZK million	5 094	9 550	10 070	630	2 215	4 616	5 771	9 947	5 055	5 758	9 287	13 534	30 431
Direct government loans, SMEs	CZK million	286	209	629	1 090	782	101	86	65	7	291	1 440	2 407	2 627
Non-performing loans, total	CZK million	35 340	61 904	70 166	67 876	61 480	62 032	58 694	52 677	50 307	43 225	38 596	35 871	46 615
Interest rate, SMEs	%	5.57	4.64	4.01	3.73	3.48	3.13	3.76	2.70	2.50	2.50	3.14	3.80	3,26
Interest rate, large firms	%	4.84	3.46	3.34	2.63	2.43	1.89	2.00	1.80	1.80	1.90	2.62	3.10	2,13
Interest rate spread	% points	0.73	1.18	0.67	1.10	1.05	1.24	1.76	0.90	0.70	0.60	0.52	0.70	1,13
Non-bank finance														
Venture and growth capital	EUR million	104.0	219.7	153.8	18.3	9.5	23.3	34.6	12.4	9.4	16.3	18.7	149.8	39,21
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	111.2	-30.0	-88.1	-48.1	145.4	48.3	-64.0	-24.6	73.9	14.8	800.1	-73,83
Other indicators														
Payment delays, B2B	Number of days	18.00	19.00	14.00	14.00	15.00	14.00	14.00	14.00	19.00	16.00	38.00	23.50	39,00
Bankruptcies, SMEs	Number	873	1 280	1 301	1263	1345	1379	1228	1001	904	769	649	680	609
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	46.62	1.64	-2.92	6.49	2.53	-10.95	-18.49	-9.69	-14.93	-15.60	4.78	-10,44

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

11. Denmark

Key facts on SME financing

In 2019, not counting non-employer enterprises, SMEs accounted for 98.7% of all enterprises and 39.1% of all full-time employees in Denmark.

Lending to SMEs from financial institutions declined from DKK 68 billion to 56 billion between 2019 and 2020. The 2020 level was, however, higher than in the years 2016-2018. The share of new SME lending compared to total new lending was 11.03% in 2020, slightly below the average of 11.68% in the period 2010-2020.

Survey data illustrates that credit conditions concerning corporate lending from banks to SMEs in Denmark almost consistently tightened between 2018 and 2021, after having relaxed between 2014 and 2018. In addition, the demand for new loans by new SME customers increased substantially between the first quarter of 2020 and the first quarter of 2021, while the demand by existing SME customers was stable.

Interest rates for SMEs as well as for large firms have steadily declined since 2008, but the interest rates for SMEs increased slightly in 2020, from 1.85% to 1.93%, resulting in a widening interest rate spread. However, with the exception of 2019, the 2020 interest rate spread of 0.90% is the lowest since 2007.

Venture and growth capital financing from Danish private equity firms decreased in 2019 and 2020, after reaching a record high of EUR 699 million in 2018. However, particularly the level of venture investments remained high in historical comparison despite the effects of COVID-19 in 2020.

Due to the effects of the COVID-19 pandemic, the average payment delays increased dramatically to 20 days in 2020, after having been at an all-time low of 2 days in 2017 and 3 days in 2018 and 2019. However, as a result of the extensive government support measures, the number of bankruptcies among SMEs decreased from 2 153 in 2019 to 1 841 in 2020.

The COVID-19 support measures have, among other things, included loan and guarantee schemes targeting SMEs. The loan schemes have allowed *Vækstfonden* (The Danish Growth Fund) to match the investments of professional investors with a loan of three times the amount of the investment. The guarantee schemes have allowed *Vækstfonden* and EKF (Denmark's Export Credit Agency) to cover 90% of the risk on new loans from commercial banks to SMEs.

In 2020, government loan guarantees increased from DKK 512 million to 1 948 million, and government guaranteed loans increased from DKK 1 246 million to 2 934 million.

Table 11.1. Scoreboard for Denmark

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, total	DKK billion	732	809	814	812	809	830	860	914	940	989	1 033	1 080	1 126	1 168
New business lending, total	DKK billion	332	385	318	313	292	241	303	474	519	508	521	570	597	507
New business lending, SMEs	DKK billion	41	35	28	35	34	39	37	55	73	51	52	49	68	56
Share of new SME lending	% of total new lending	12.29	9.15	8.96	11.21	11.70	16.25	12.07	11.51	14.10	10.12	10.08	8.60	11.36	11.03
New short-term loans, SMEs	DKK billion	26	26	22	23	24	20	22	34	35	31	29	27	24	26
New long-term loans, SMEs	DKK billion	14	9	6	23	10	19	15	21	38	21	23	22	44	30
Share of short-term SME lending	% of total SME lending	64.70	74.57	78.79	50.00	70.53	51.49	60.25	62.38	48.48	60.00	55.63	55.09	35.66	46.04
Government loan guarantees, SMEs	DKK million	210	178	209	769	1 192	1 222	783	658	668	620	514	529	512	1 948
Government guaranteed loans, SMEs	DKK million	..	..	..	..	17	61	286	746	1 076	1 257	1 377	1 225	1 246	2 934
Interest rate, SMEs	%	5.97	6.59	5.33	4.39	4.38	3.91	3.78	3.44	2.99	2.74	2.36	2.27	1.85	1.93
Interest rate, large firms	%	5.23	5.68	3.63	2.49	2.40	2.14	1.73	1.65	1.53	1.34	1.23	0.98	1.07	1.03
Interest rate spread	% points	0.75	0.91	1.70	1.90	1.97	1.77	2.04	1.79	1.45	1.40	1.12	1.29	0.78	0.90
Non-bank finance															
Venture and growth capital	EUR million	263	205	159	280	186	270	241	230	339	554	532	699	475	424
Venture and growth capital (growth rate)	%. Year-on-year growth rate	..	-22.34	-22.45	76.57	-33.49	45.13	-10.81	-4.73	47.66	63.33	-4.03	31.47	-32.03	-10.90
Other indicators															
Payment delays, B2B	Number of days	7.2	6.1	12.0	12.0	13.0	12.0	10.0	9.0	4.0	4.0	2.0	3.0	3.0	20.0
Bankruptcies, SMEs	Number	..	..	2 563	2 583	1 938	1 958	1 698	1 328	1 584	1 853	1 888	2 013	2 153	1 841
Bankruptcies, SMEs (growth rate)	%. Year-on-year growth rate	..	..	..	0.78	-24.97	1.03	-13.28	-21.79	19.28	16.98	1.89	6.62	6.95	-14.49

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12. Estonia

Key facts on SME financing

In 2019, Estonian SMEs employed 79% of the workforce and accounted for 79.5% of total value added. 91.9% of all firms were micro-enterprises, i.e. firms with less than 10 employees, employing 33% of the workforce and accounting for 29.2% of total value added in 2019.

Outstanding business loans to SMEs have been decreasing for 3 consecutive years. Even during the COVID-19 crisis, SME outstanding loans declined despite the provision of cheap guarantees and direct loans from the government. This can be explained by the increase in SME interest rates in 2020, as well as the provision of public support through non-debt channels such as employment support and the deferral of taxes and instalments. Furthermore, under the Estonian corporate income tax system all reinvested profits are tax-free. Thus, companies have a strong incentive to re-invest their profits, which may be an explanation for the low demand for loans. Loans under EUR 1 million, which are used as a proxy to describe SME loans, may have become unreliable to depict SME activities. This is because the high inflation rates in recent years may have pushed SMEs to contract larger loans.

The base interest rate on SME loans (up to EUR 1 million) decreased steadily from 4% in 2012 to slightly below 3% in 2016. Since then, interest rates have started increasing again, reaching 3.28% in 2018 and 4.08% in 2020. For larger loans, the interest rate also moved upward to 2.77%. In 2020, the interest rate spread reached a high for the last decade at 1.31%.

Venture and growth capital has been growing steadily in recent years. Estonia has a well-developed start-up community that has good potential for raising venture capital. 2020 was a record year, with companies raising EUR 453 million, a 72% year-on-year growth.

Leasing and hire purchases turnover declined sharply during the COVID-19 crisis, by about one-quarter on a year-on-year basis, due to the general slowdown of economic activity and investment decisions being postponed.

Table 12.1. Scoreboard for Estonia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	EUR billion	2.44	2.49	2.13	1.90	1.68	1.61	1.65	1.70	1.67	1.71	1.81	1.70	1.56	1.508
Outstanding business loans, total	EUR billion	6.80	7.20	6.86	6.46	5.95	6.15	6.25	6.44	6.80	7.34	6.93	7.17	7.18	7.518
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	26.1	23.7	21.7	20.06

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
New business lending, total	EUR billion	8.55	7.31	4.46	4.26	5.06	5.61	6.17	6.41	6.68	6.99	7.19	7.92	8.15	7.368
New business lending, SMEs	EUR billion	3.60	3.52	2.13	1.87	1.96	2.12	2.37	2.46	2.25	2.37	2.55	2.63	2.91	2.587
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	35.5	33.26	35.65	35.11
Short-term loans, SMEs	EUR million	480.5	475.1	377.1	317.8	325.9	302.3	317.4	333.4	300.8	314.8	320.1	299	263	199
Long-term loans, SMEs	EUR billion	1.96	2.01	1.75	1.58	1.36	1.31	1.34	1.37	1.37	1.39	1.49	1.40	1.30	1.308
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	17.7	17.63	16.86	13.22
Government loan guarantees, SMEs	EUR million	15	23	52	66	53	60	52	66	66	93	61	72	75	112.60
Government guaranteed loans, SMEs	EUR million	27	39	86	122	116	122	100	111	112	171	100	118	145	188.13
Direct Government loans,SMEs	EUR million														85.1
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	1.35	0.81	0.70	0.59
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	1.94	1.99	2.19	2.09
Interest rate, SMEs	%	6.11	6.71	5.34	5.06	4.92	4.02	3.41	3.36	3.04	2.96	2.99	3.28	3.85	4.08
Interest rate, large firms	%	5.68	6.13	4.21	3.90	3.76	3.05	2.86	2.68	2.05	2.08	2.12	2.13	2.56	2.77
Interest rate spread	% points	0.43	0.58	1.14	1.16	1.16	0.98	0.56	0.68	0.99	0.88	0.87	1.15	1.29	1.31
Non-bank finance															
Venture and growth capital	EUR million	..	4.74	4.51	17.8	5.53	16.6	10.9	68.7	96. 6	105.7	272.6	329	364	453
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	..	- 5.00	293.7	- 68.8	200.2	- 34.3	530	40.6	9.4	157.9	19.3	-19	71.9
Leasing and hire purchases	EUR million	891.2	709.6	222.8	281.3	519.4	649.6	545.7	537.2	543	676	718	811	729	545
Factoring and invoicing	EUR billion	1.29	1.41	0.99	0.91	1.13	1.92	1.98	2.09	2.239	2.09	2.29	3 034	3451	2582
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	5.5	..	6.4	..
Bankruptcies, SMEs	Number	202	423	1055	1028	623	495	459	428	376	335	343	273	271	341
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	109.4	149.4	- 2.56	- 39.4	- 20.5	- 7.27	- 6.75	- 12.1	- 10.9	2.39	-20.4	-1	25.8

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13. Finland

Key facts on SME financing

The Finnish economy had seen five years of continuous growth before the COVID-19 pandemic. The COVID-19 pandemic and the uncertainty in the global economy resulted in a recession in Finland as GDP declined 2.9% in 2020. The Finnish Government supported companies, investments and the availability of financing during the pandemic.

About 99.1% of all employer firms are SMEs in Finland (79 435 companies), employing 57% of the labour force. The SME share in employment goes up to 64% if non-employers are also included in the count. The vast majority of SMEs (76.3%) are micro-enterprises with less than 10 employees. The decline in the number of employer firms has continued in recent years, while the number of the self-employed has increased.

The volume of new lending to SMEs increased in 2020, almost approaching its pre-financial crisis (2008) level. New business lending to SMEs grew by 11.2% in 2020 in comparison to the previous year. Total new lending to all enterprises increased 14.8%. SMEs' strong demand for loans was supported by COVID-19 economic measures to prevent bankruptcies, because restrictions on mobility and business activity affected demand in Finland in 2020.

The average interest rate on small loans of up to EUR 1 million, which is used as proxy for the interest rate on loans to SMEs, decreased between 2011 and 2020. The average interest rate was 2.0% in 2020. The average interest rate charged on loans over EUR 1 million has remained at around 1.3% for two consecutive years. The credit spread between small and large business loans indicates a loosening of credit terms for SMEs compared to large enterprises. The interest rate spread was 0.69% in 2020, while it was 0.97% in 2018.

According to the Finnish Venture Capital Association (FVCA), a record-high figure of EUR 951 million was invested in start-ups and early-stage growth companies in Finland in 2020. The growth is seen as a continuation of long-term efforts which have led to increasingly high quality start-ups and stronger VC industry in Finland. Of the total sum, foreign investments accounted for EUR 543 million. Finnish Venture Capital (VC) funds invested EUR 223 million and business angels invested EUR 36 million. Finland had the most Venture Capital investments per GDP in 2018, 2019 and 2020.

Average payment delays surged to 17 days in 2020. There was a significant increase in payment delays following the COVID-19 pandemic and during the economic downturn in Finland.

Due to the COVID-19 pandemic, Business Finland and the Centres for Economic Development, Transport and the Environment (ELY Centres) distributed coronavirus subsidies to companies (including SMEs) for development activities. With these subsidies, companies were able to explore their development needs and implement their development projects. For example, companies have used the support for digitalisation.

In addition, the government also provided liquidity support to businesses. The business cost support is intended for firms whose turnover has fallen significantly (-30%) as a result of the COVID-19 pandemic.

The third application round for business cost support took place from 27 April to 23 June 2021, which is used to cover firm's fixed costs and wages. The aim of the cost support is to help businesses to withstand the challenges caused by the COVID-19 pandemic and to reduce the number of bankruptcies. SMEs can receive support even if they were in difficulties[1] before January 2020. However, they are granted support if the company is not in bankruptcy or reorganization proceedings at the time the support is granted and has not received rescue or restructuring aid. The fourth application round for business cost support took place from 17 August to 30 September 2021.

The number of bankruptcies decreased markedly by 19% in 2020 from the previous year. A part of the decline is explained by temporary amendment of the bankruptcy law (May 1st 2020), which prevented bankruptcies of those enterprises whose financial difficulties would most likely be temporary due the COVID-19 pandemic restrictions.

Table 13.1. Scoreboard for Finland

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, total	EUR billion	48.4	57.6	54.1	56.5	60.4	63.3	66.7	68.4	72.5	76.0	79.3	85.3	91.0	96.9
New business lending, total	EUR billion	42.7	54.4	50.9	54.4	37.4	34.9	39.5	35.5	34.6	35.9	36.4	35.2	35.6	40.9
New business lending, SMEs	EUR billion	11.6	11.9	9.9	8.3	7.9	7.7	7.3	6.7	8.1	8.6	8.9	9.1	8.7	9.6
Share of new SME lending	% of total new lending	27.11	21.85	19.56	15.25	21.11	22.23	18.55	18.99	23.37	23.87	24.54	25.85	24.39	23.63
Short-term loans, SMEs	EUR million	..	..	..	839	1615	1613	1312	1149	1301	1361	1374	1359	1124	1414
Long-term loans, SMEs	EUR million	..	..	..	3 314	6 287	6136	6018	5583	6789	7219	7561	7747	7566	8249
Share of short-term SME lending	% of total SME lending	..	..	..	20.20	20.44	20.82	17.90	17.07	16.08	15.86	15.38	14.92	12.93	14.63
Government loan guarantees, SMEs	EUR million	416	438	474	447	497	408	379	476	522	570	540	563	611	1100
Direct government loans, SMEs	EUR million	385	468	593	397	369	342	284	287	385	275	241	203	183	105
Non-performing loans, total	% of all business loans	..	..	..	..	..	..	..	..	1.96	1.47	1.27	3.72	3.75	3.91
Non-performing loans, total (amount)	EUR million	..	..	..	..	..	..	..	..	1 423	1 119	994	3 170	3416	3785
Interest rate, SMEs	%	5.39	5.58	3.02	2.66	3.23	2.86	2.81	2.74	2.39	2.23	2.14	2.21	2.13	2.02
Interest rate, large firms	%	4.83	5.08	2.24	1.93	2.59	2.07	1.91	1.92	1.46	1.33	1.35	1.24	1.33	1.33
Interest rate spread	% points	0.56	0.50	0.78	0.73	0.64	0.79	0.90	0.82	0.93	0.90	0.79	0.97	0.80	0.69
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	33	34	36	42	41	38	36	33	31	30	30
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	13.85	18.42	20.79	21.50	21.85	27.70	21.97	23.89	19.99	20.35	21.31	20.83

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Rejection rate	1-(SME loans authorised/ requested)	..	..	6.98	4.92	3.12	8.08	7.06	6.71	6.24	5.59	6.76	4.15	6.11	8.74
Non-bank finance															
Venture and growth capital	EUR million	189	218	146	351	148	185	173	168	190	219	203	338	640	371
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	15.34	-33.0	140.4	-57.8	25.0	-6.49	-2.89	13.10	15.26	-7.31	66.50	89.35	-42.0
Leasing and hire purchases	EUR million	..	..	1 067	1 361	1 658	1 765	1 658	1 858	..	..	..	..	..	..
Other indicators															
Payment delays, B2B	Number of days	6	5	7	7	7	7	6	6	5	5	5	5	2	17
Bankruptcies, SMEs	Number	2 254	2 612	3 275	2 864	2 947	2 961	3 131	2 986	2 574	2 408	2 168	2 546	2623	2135
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	15.9	25.4	-12.5	2.9	0.5	5.7	-4.6	-13.8	-6.4	-9.97	17.44	3.02	-18.6

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

Note

[1] A company in difficulty refers to a company in accordance with Article 2(18) of the General Block Exemption Regulation of the EU.

14. France

Key facts on SME financing

France has approximately 3.9 million small and medium-sized enterprises (SMEs), which account for 99.9% of the total business population.

Outstanding SME loans increased by more than 27.24% between 2019 and 2020, reaching EUR 336 440 million in 2020 as a result of government support measures. Since 2014, the interest rate spread has decreased from 0.8% to 0.3%. Furthermore, SMEs' access to bank lending remained high in 2020: around 86% of SME requests for cash credits were fully or almost fully granted and 96% of SME requests for investment loans were fully or almost fully served, a figure which has remained stable since the beginning of 2017. The rejection rate has continued to decline (2.38% in 2020).

Private equity investments in French firms decreased in 2020 to EUR 17.8 billion, a drop of 8% compared to 2019. 2 027 firms were financed via venture capital funds in 2020. The number of financing operations by business angels decreased by 20% in 2020 (336 versus 422 in 2019).

Funds raised by crowdfunding platforms soared in the 2018-2020 period, from EUR 402 million to EUR 1 020 million. In 2020, funds raised through crowdfunding financed 13 796 SMEs.

Factoring volumes decreased by 7.5% in 2020 to EUR 323.5 billion, after increasing continuously since 2009. This fall can be linked to the decline in NFCs' (non-financial corporations) turnover by 7.8% in 2020 compared to 2019, together with some sectoral aspects. Factoring remains the preferred method of short-term financing in the car industry and since this sector was particularly hit by the pandemic, the recession in this industry caused part of the fall in factoring volumes.

Payment delays reached 12.8 days in 2020, the highest since 2015. The increase started in 2020Q2 and a high level of uncertainty led to a sharp increase in Q3, up to 14.4 days, before receding rapidly in Q4. However, this fall was not enough to compensate for the rise of the previous quarters.

The number of SME bankruptcies collapsed by 38% in 2020, at around 31 000, thanks to the measures implemented by the Government to face the economic consequences of the pandemic.

In terms of government SME financing policies, a government loan guarantee scheme was put in place to respond to the cash needs of SMEs impacted by the COVID-19 crisis. The state guarantee covers 90% of the loan for all SMEs. In May 2021, 673 139 firms had obtained government-guaranteed loans, for a total amount of EUR 136.8 billion. The rejection rate was only 2.9%.

Moreover, several measures were put in place by the French government to strengthen firms' balance sheets in the context of economic downturn in 2020. First, the Economic and Social Development Fund was provided with EUR 1 billion and equity loans were created to support firms with less than 49 employees impacted by the pandemic. The French Government support for SMEs financing also took the form of a guarantee provided to investors that provide equity loans or bonds. Furthermore, a recovery label was created in order to mobilise the savings of the French.

Credit mediation continued to assist French enterprises via an online platform. The number of requests has skyrocketed in comparison with previous years, mostly due to the liquidity problems caused by the global health crisis. In 2020, credit mediation benefited 6 332 SMEs and unlocked a total of EUR 2.98 billion of credit.

Table 14.1. Scoreboard for France

Indicator	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt												
Outstanding business loans, SMEs	EUR Billion	199 590	210 186	213 930	216 473	219 505	224 774	233 279	243 926	254 074	264 399	336 440
Outstanding business loans, total	EUR Billion	974 126	1 012 381	1 009 868	1 026 203	1 036 865	1 079 436	1 131 289	1 195 722	1 262 083	1 339 620	1 510 342
Share of SME outstanding loans	% of total outstanding business loans	20.5	20.8	21.2	21.1	21.2	20.8	20.6	20.4	20.1	19.7	22.3
New business lending, total	EUR Billion	9 052	34 600	7 752	1 565	18 942	35 009	43 799	56 141	58 737	51 560	141 309
Outstanding short-term loans, SMEs	EUR Billion	38 085	40 329	41 069	42 779	43 249	43 481	43 852	44 701	44 859	44 454	99 998
Outstanding long-term loans, SMEs	EUR Billion	104 029	111 576	118 952	125 477	129 902	132 779	137 234	144 177	153 378	153 144	238 694
Share of short-term SME lending	% of total SME lending	26.8	26.5	25.7	25.4	25.0	24.7	24.2	23.7	22.6	22.5	29.5
Government loan guarantees, SMEs	EUR Billion	11 883	9 826	8 465	8 925	7 800	8 000	8 400	8 900	8 700	8 500	6 200
Government guaranteed loans, SMEs	EUR Billion	5 326	4 231	4 157	4 394	4 783	4 984	5 229	5 103	5 095	4 805	5 873
Non-performing loans, total	% of all business loans	4.6	4.0	4.1	4.3	4.1	4.0	3.9	3.6	3.3	2.5	2.4
Interest rate, SMEs	%	2.5	3.1	2.4	2.2	2.1	1.8	1.5	1.4	1.5	1.4	1.0
Interest rate, large firms	%	1.6	2.2	1.7	1.5	1.3	1.2	1.1	1.1	1.0	0.9	0.7
Interest rate spread	% points	0.9	0.9	0.7	0.7	0.8	0.6	0.4	0.3	0.4	0.5	0.3
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending			9.4	8.5	7.3	6.3	5.2	4.3	4.2	3.8	3.6
Percentage of SME loan applications	SME loan applications/ total number of SMEs			38.4	35.6	35.7	37.9	37.9	37.2	36.7	36.3	39.3
Rejection rate	1-(SME loans authorised/ requested)			11.12	8.00	6.61	7.55	6.21	5.14	4.36	2.55	2.38

Utilisation rate	SME loans used/ authorised	86.4	87.0	87.6	87.3	87.5	87.2	87.0	86.8	86.8	87.0	88.7
Non-bank Finance												
Venture and growth capital	EUR Billion	2 915	3 537	2 389	2 469	3 234	4 610	4 727	4 378	5 073	6 240	6 425
Venture and growth capital (growth rate)	%, Year-on-year growth rate	22.2	21.3	-32.5	3.3	31	42.5	2.5	-7.4	15.9	23.0	3.0
Leasing and hire purchases	EUR Billion	8 472	8 125	6 591	6 086	5 713	7 122	7 654	7 827	8 361	8 665	9 028
Factoring and invoice discounting	EUR Billion	20 654	22 457	22 596	24 798	25 568	27 968	31 042	36 101	37 592	39 813	35 020
Other indicators												
Payment delays, B2B	Number of days	12.0	12.2	11.8	12.1	12.2	13.3	11.9	11.1	10.9	11.3	12.8
Bankruptcies, SMEs	Number (thousands)	60 288	59 446	61 062	62 503	62 369	62 985	58 013	54 428	53 917	51 100	31 238
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	-4.5	-1.4	2.7	2.4	-0.2	1.0	-7.9	-6.2	-0.9	-6.1	-42.1

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

15. Georgia

Key facts on SME financing

As of 2020, 99.6% of active enterprises in Georgia were SMEs[1], which accounted for 59.3% of business sector employment, 40.8% of business sector turnover and 58.0% (GEL 25.2 million) of output in the business sector (GEL 43.5 million).

In recent years, credit to SMEs rose significantly, amounting to a staggering 407.5% increase from GEL 1 400 million in 2010 to GEL 7 105 million in 2020.[2] Throughout this period, total business loans grew by more than 298.9%, and the proportion of SME loans as a percentage of total business loans grew from 33.8% to 43%. During 2019-2020, real growth of SME loans amounted to 16.9%, while total business loans grew by 15.9%.

The average interest rate charged to SMEs in Georgia is high by OECD standards, but it has significantly declined over the last decade, from 17.5% in 2010 to 9.3% in 2020. Despite the pandemic-related challenges, due to the increasing efforts to support access to finance for SMEs. Between 2019 and 2020 the interest rate charged to SMEs declined by 0.6 percentage points. As for the interest rate spread between large enterprises and SMEs, it declined to 0.9% in 2020 from 1.2% in 2019 and 2.6% in 2010.

Although precise data on the availability and use of alternative financial instruments is lacking, available evidence strongly suggests that Georgian SMEs are very dependent on the banking sector for meeting their financing needs and that non-bank instruments still play a very marginal role. However, the rapid growth of micro-financing organisations should not be neglected.

According to the World Bank Group's Doing Business indicator, Georgia ranked 7th in 2020 “ease of doing business”. The Ease of Doing Business 2020 report shows that Georgia has increased public access to information and thus improved in building quality control in 2018/2019. Currently, the country has the lowest number of procedures required to start a business and register a property. Also, in getting credit indicator Georgia ranked 15th in Doing Business 2020.

Georgia facilitated the enforcement of contracts by introducing random and automatic assignment of cases to judges across courts. Most notably, the country improved its insolvency framework by making insolvency proceedings more accessible for debtors and creditors, improving provisions on the treatment of contracts during insolvency, and granting creditors greater participation in important decisions during the proceedings. According to the information from the Public Registry Agency, after a 35.95% growth in the number of liquidation procedures in 2019, the indicator saw a 29.33% decrease in 2020, reaching 147 cases total.

In 2020, due to Covid-19 global pandemic, the overall volume of non-performing SME loans exceeded GEL 974 million (143% increase from 2019), the highest level since 2010, and the share of non-performing SMEs loans is now at 9.8% (4.8% increase from the last year). Although, it needs to be noted, that in 2020 the total volume of non-performing loans increased by 126% (from 4.93% in 2019 to 9.75% in 2020) out of which, the contribution of SMEs non-performing loans was 40.6 percentage points, and other loans contribution was 85.9 percentage points. The lowest level of SME share of non-performing loans was in 2014 when it reached 4.2%.

The government of Georgia has prioritised SME development as the main source of private sector growth, job creation and innovation. For instance, the Innovation and Entrepreneurship Policy is one of the successful reforms the Georgian Government has conducted.. Through the budgetary support, in 2014, the Ministry of Economy and Sustainable Development of Georgia established two sister agencies, Georgia's Innovation and Technology Agency (GITA) and Enterprise Georgia, with the main objective of promoting SME development and strengthening SME competitiveness. Both agencies provide financial support to SMEs, as well as a broader range of services that includes access to special infrastructure, mentoring, trainings and various advisory services. In addition to the establishment of these two agencies, the government of Georgia has introduced several private sector development programmes, which include financial and technical assistance components to support SMEs at different stages of development.

The Covid-19 pandemic has delivered the largest economic shock the world economy has witnessed in decades. Response measures such as lockdowns and travel restrictions, have negatively affected consumption, investments, financial and commodity markets, global trade and tourism.

Like the rest of the world, Georgia's positive economic trajectory has also been interrupted. In 2020, the economy shrank by 6.8%. In 2021 strong economic recovery was observed in Georgian economy, in January-September economic growth amounted to 11.0 percent. The preliminary results of economic activity in 2021 are more positive than previously forecasted and Government of Georgia expects 10% economic growth in 2021. According to IMF projections, Georgia is projected to have the fastest economic recovery in the medium term among regional peers and European countries. Consequently, in 2021-2026 average annual growth is projected at 5.8% supported by infrastructure spending and sustained structural reforms to increase productivity and enhance private sector-led growth.

The Government's Anti-Crisis Economic Plan consisted of various emergency measures to support the economy and mitigate the effects of the pandemic. These measures included income tax payment deferrals, automatic VAT refund mechanism, granting businesses opportunity to restructure loans, providing commercial banks with long-term resources to solve liquidity problem, reshaping existing or developing new government programmes to support individual economic sectors based on their needs, and specific support measures in tourism, agriculture and construction sectors. Georgia has also facilitated contract enforcement by introducing random and automatic assignment of cases to judges across courts. Importantly, Georgia has improved its insolvency framework by making insolvency proceedings more accessible for debtors and creditors, improving provisions on the treatment of contracts during insolvency, and granting creditors greater participation in important decisions during the proceedings. According to information from the Public Registry Agency, after a 35.95% growth in the number of liquidation procedures in 2019, this indicator saw a 29.33% drop in 2020, reaching 147 cases in total.

Table 15.1. Scoreboard for Georgia

Indicators	Units	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt													
Business loans, SME	GEL million	..	1 400	1 548	1 738	2 051	2 422	3 621	3 992	5 176	6 620	8 121	9 987
Business loans, total	GEL million	3 097	4 145	4 821	5 344	6 080	7 268	9 575	10 500	12 000	14 687	19 070	23 242
Business loans, SMEs	% of total business loans	..	33.8%	32%	32%	33.7%	33.3%	38%	38%	43.1%	45.1%	42.6%	43.0%
Non-Performing Loans, total	GEL million	926	784	666	810	791	988	1 202	1 380	1 337	1 480	1 414	3 203
Non-performing loans, SMEs	GEL million	..	145	134	111	102	101	161	206	221	407	400	974
Non-performing loans, total	% of all business loans	..	16.1%	11%	12%	10.7%	10.6%	9.8%	10.1%	7.7%	6.6%	4.9%	8.4%
Non-performing loans, SMEs	% of total SME loans	..	10.3%	8.7%	6.4%	5.0%	4.2%	4.4%	5.2%	4.3%	6.1%	4.9%	9.8%
Interest rate, SME	%	..	17.5%	16%	15%	12.9%	11.6%	13%	10.2%	10.4%	10.5%	9.9%	9.3%
Interest rate, large firms	%	..	14.9%	15%	13%	11.4%	10.2%	10%	9.6%	9.3%	9.3%	8.7%	8.4%
Interest rate spread		..	2.6%	1.0%	2.3%	1.5%	1.4%	2.4%	0.6%	1.0%	1.2%	1.2%	0.9%
Collateral, SMEs	%	..	..	..	..	95.6	..	..	..	..	..	..	..
Rejection rate	%	..	..	..	..	4.6	..	..	..	..	..	..	..
Utilization rate	%	..	..	..	..	95.4	..	..	..	..	..	..	..
Other indicators													
Procedures of enterprises' liquidation (incl. bankruptcy)	Number	52	2 094	3 176	2 524	1 775	1 785	1 560	229	293	153	208	147
Procedures of enterprises' liquidation (incl. bankruptcy)	Year-on-year growth rate (%)	-14.75	3 926.9	51.67	-20.5	-29.68	0.56	-12.6	-85.3	28	-47.78	35.95	-29.33

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

Notes

[1] According to a new methodology introduced by the Georgian National Statistics Office in 2016 to gather statistics on the country's SMEs and in pursuant of the National Strategy of SME development.

[2] Figures are inflation-adjusted with 2010 as the base year.

16. Germany

Policy developments

The financing situation of medium-sized companies was still very good in the first two months of 2020.However, with the onset of the Corona pandemic at the end of the first quarter of 2020, companies were faced with dramatic revenue shortfalls.

In order to counteract the negative economic effects of the Corona crisis, the German government very quickly initiated extensive measures. With the “Corona Shield”, the federal government stabilized the economy, mobilized massive financial resources for employees, the self-employed and companies. A central pillar is the KfW Special Programme, which ensured companies quick access to urgently needed liquidity loans. The programme will run until the end of 2021.

As part of the Corona Shield, a package of measures for start-ups and SMEs have also made an important contribution to stabilising the market for equity capital in Germany. This package of measures is available in addition to the existing equity and venture capital financing instruments from the ERP Special Fund.

Now, even after the targeted measures to avert the economic consequences of the pandemic have or will come to an end, the task is to help the German economy emerge safely from the crisis. To this end, the differentiated range of support programmes funded by the ERP Special Fund is available and is being continuously refined.

Programmes

Credit-based financing for start-ups until the end of 2021

The ERP Special Fund provides for a differentiated and well-established system of promotional loan instruments for different start-up phases. The loan programmes – ERP-*Gründerkredit Startgeld* (ERP Start-Up Loan-Start-Up Money), *Gründerkredit Universell* (ERP Start-Up Loan-Universal) and ERP-*Kapital für Gründung* (ERP Capital for Start-Ups) – provide particularly low-interest loans with a long maturity for start-ups as well as business succession. In some of these programmes, banks providing the financing are relieved from a portion of the credit default risk. ERP-Capital for Start-Ups provides subordinated loans with favourable interest rates in order to strengthen the company's equity base and thereby to facilitate further external financing.

The COVID-19 pandemic has put many companies in economic distress. In many cases, corporate financing is facing major challenges. In order to cushion the effects of the pandemic, the large-volume KfW Special Programme for medium-sized and large companies was available from 23 March 2020 until end-December 2021. It provided access to liquidity loans for companies that were temporarily in difficulty due to the crisis. It was open to commercial enterprises of all sizes and to the liberal professions. The KfW Special Programme is based on the [ERP-Gründerkredit Universell] # ERP Start-up Loan - Universal and [KfW-Unternehmerkredit] # KfW Entrepreneur Loan programmes, the conditions of which have been modified and expanded. Working capital loans as well as investment loans are granted. A key element of success here is that the German Promotional Bank (KfW) exempts banks and savings banks from up to 90% of the credit default risk. This means that the state assumes this level of credit risk, making it easier for banks and savings banks to grant loans.

As a variant of the KfW Special programme, the KfW [KfW-Schnellkredit 2020] # Fast Loan 2020 has been available since 15 April 2020 with a 100% release from liability of the house banks. The aim is to support companies regardless of the number of employees and the self-employed through small-sized KfW loans with fast lending.

Credit-based financing post-Corona pandemic for start-ups from 2022

In order to provide the best possible support for SMEs in the post-pandemic period and in their transformation to a sustainable and digital economy, ERP funding will be restructured and further developed in the area of commercial SME financing from 2022. The core components are a simplification of the funding programmes and an improvement of the conditions. The re-organisation is intended to put almost all groups of companies in a better position, particularly with regard to interest rate reductions.

Equity and venture capital financing

KfW Capital

On the basis of a decision by the Bundestag, the Federal Ministry for Economic Affairs, the Ministry of Finance and the KfW drafted an overall concept for an organisationally independent, growth-oriented venture capital company; it started operations as “KfW Capital” in October 2018. KfW Capital plans to double the annual amount of funding to EUR 400 million from 2021 onwards. This takes place via investments in venture capital funds, particularly as part of the ERP-VC Fund Investments programme as well as of the ERP/Future Fund Growth Facility as a module of the ‘Zukunftsfonds’. KfW Capital aims to improve the quality of venture capital funding. The aim is to develop a product structure in which the individual financing phases are coordinated throughout the entire company lifecycle.

ERP-Financing-Instruments in cooperation with the European Investment Fund (EIF)

ERP Special Fund and EIF have been cooperating very successfully in the field of equity and mezzanine financing for over 15 years. This makes an important contribution to ensuring that innovative start-ups in Germany have access to capital. The financing instruments include the ERP/EIF Venture Capital Fund of Funds with a total fund volume of EUR 3.7 billion (including the European Angels Fund Germany with a volume of EUR 400 million); the ERP/EIF/Länder Mezzanine Fund of Funds with a total fund volume of EUR 600 million; and the co-financing of the GFF-EIF Growth Facility (total volume of up to EUR 3.5 billion).

Zukunftsfonds (Future Fund)

The *Zukunftsfonds*, set up by the Federal Government in 2021, is providing EUR 10 billion for a venture capital fund for forward-looking technologies (‘Future Fund’) to the KfW to foster the German venture capital market over the next 10 years. Taking into account the contributions from private and public-sector partners, this new Future Fund, with financial contributions from the ERP Special Fund, aims to mobilise at least EUR 30 billion in start-up funding. The overarching principle of the Future Fund is to broaden the German VC market by requiring a substantial private-sector investment contribution, also for the sake of market principles and in compliance with European competition and state-aid rules. The new fund addresses all development phases of start-up financing – with a special focus on start-ups going through the capital-intensive scale-up phase – with a set of closely interlinked modules, comprising both a qualitative and quantitative expansion of existing instruments and the development of new modules to increase start-up funding.

Within the Future Fund, the ERP/Future Fund Growth Facility will provide a total of EUR 2.5 billion to increase fund volumes and facilitate larger financing rounds for the period up to 2030. In the same vein, the new GFF-EIF Growth Facility, with a volume of up to EUR 3.5 billion, as well as the DeepTech Future Fund, have been established. A fund-of-funds for growth capital, for example, aims in particular to mobilise capital of institutional investors for start-ups. Further instruments and components of the Future Fund will be planned and implemented throughout 2022, such as a separately managed account module with a planned volume of up to EUR 2 billion and the expansion of the Venture Tech Growth Financing programme.

High-Tech Gründerfonds (HTGF)

The High-Tech *Gründerfonds* (HTGF) is an early-phase funding programme for highly innovative and technology-oriented companies whose operative business activities started less than three years ago. To be eligible for financing, projects must have shown promising research findings, be based on innovative technology, and have strong market prospects. In addition to providing capital, the fund ensures that the management of young start-ups receives the necessary help and support. An initial funding amount of up to EUR 1 million is provided, with a total of up to EUR 3 million usually being available per company. In the first phase of the fund (up to November 2011), a total of EUR 272 million was made available. The follow-up fund (HTGF II) provided total funding of EUR 304 million. A third fund, HTGF III, was launched in autumn 2017. In addition to the support from the Federal Ministry for Economic Affairs and KfW Capital, more than 30% of the EUR 319.5 million fund has been provided by 33 private investors – either well-established SMEs or large corporations. In 2021 preparations for a follow-up fund (HTGF IV) were started.

DeepTech Future Fonds

The DeepTech Future Fonds (DTFF) is a new high-tech (deep-tech) investment fund that is financed by the *Zukunftsfonds* (Future Fund) and the ERP Special Fund. It has been launched with the task of helping deep-tech companies with validated business models to achieve sustainable growth while retaining their independence. The DTFF will always invest together with private investors. Acting as an anchor investor, its goal is to guide deep-tech companies on their journey towards capital market readiness. Based on this long-term perspective, the fund aims to bolster Germany's profile as a hub of innovation and enhance its appeal for high-tech firms in the long term. Over the next ten years, the DTFF will be able to leverage a prospective total investment volume of up to EUR 1 billion. The fund will run for at least 25 years, with High-Tech *Gründerfonds* assuming responsibility for its management.

Coparion

Since 2018 *Coparion* has provided funding for young and innovative companies at the same commercial terms as its private-sector lead investors. The investment of *Coparion* is limited to EUR 15 million per company. *Coparion* is able to allocate the maximum amount over several financing rounds. As a result, the EUR 275 million fund enables innovative young companies to draw on funding worth at least EUR 550 million. This makes *Coparion* an important player in the German venture capital market. The fund's resources are provided by the ERP Special Fund, KfW Capital and the European Investment Bank (EIB). Currently *Coparion* has 44 companies in its portfolio.

Mikromezzaninfonds (Micro-Mezzanine Fund)

The Micro-Mezzanine Fund was launched in 2013 and provides dormant equity of up to EUR 50 000 for small companies and business starters and up to EUR 150 000 for companies within the special target group. The fund's special target group are companies that provide training, are operated by women or people with a migrant background, or were founded by people who were formerly unemployed. Social enterprises operating commercially are also eligible to apply for financing on the terms of the special target group, as are companies with a focus on environmentally-compatible production. Both the European Social Fund (ESF) and the ERP Special Fund finance the fund. The volume of the first fund was EUR 74.5 million. The current fund (MMF II) has a volume of EUR 153.2 million.

Venture Tech Growth Financing

At the end of 2018, the KfW programme Venture Tech Growth Financing (VTGF) commenced operations. As part of this programme, KfW can issue EUR 50 million of venture capital loans to innovative fast-growing tech companies each year. Until 2022, up to EUR 500 million in funding will be made available together with private-sector investors to start-ups in the growth phase. Beyond this period, the VTGF programme is to be expanded up to a volume of EUR 1.3 billion with contributions from the Future Fund.

INVEST–Zuschuss für Wagniskapital (INVEST – Grant for Venture Capital)

INVEST is a grant programme run by the Federal Ministry for Economic Affairs. It was set up in 2013 and further developed in 2017 to support private investors who want to acquire a stake in young and innovative companies. Under this programme, business angels who invest in innovative start-ups receive an acquisition grant worth 20% of the sum invested. In addition, natural persons can receive an exit grant if they sell their shares. The amount provided is equivalent to 25% of the capital gains from the sale and thus more or less covers the tax imposed on the profit from the sale. The shares must be held for a minimum of three years. Both grants are tax-free for the investor. Funding can be provided for a maximum of EUR 500 000 of investment per investor and per year. The maximum amount eligible for funding that can be invested in a single company per year is EUR 3 million.

17. Greece

Key facts on SME financing

94.6% of Greek businesses (680 038) are micro-enterprises employing less than 10 employees, 4.8% (34 701) are small enterprises, 0.5% (3 819) are medium-sized enterprises, and 0.1% (522) are large enterprises

During 2020 and during the first quarter of 2021, economic activity declined significantly due to the COVID-19 pandemic and measures to reduce it. Real GDP shrank by 8.2% in 2020, mainly due to declining service exports and private consumption. The decline in consumer demand also resulted in the depletion of SMEs' liquidity, which swiftly turned to different sources of finance. As a result, in 2020, new business lending to Greek SMEs increased 1.75 times in relation to 2019. The significant acceleration of bank lending to enterprises was also facilitated by the improvement of the conditions under which banks derived financial resources from the Eurosystem, as well as by the significant support provided by bank lending/co-financing schemes and guarantees offered by the Hellenic Development Bank.

However, despite the increase in new lending, outstanding credit to all businesses and to SMEs fell for the eighth year in a row, reaching EUR 66.6 billion in 2020. The continual decline of SME outstanding stock of loans coincided with a moderate economic recovery between 2014 and 2019. Nonetheless, in 2020 the decline in the outstanding stock of SME loans was driven by a significant removal of non-performing loans (NPLs) from Greek banks' balance sheets (from 36.1% of total loans in 2019 to 28.5% of total loans in 2020) through the introduction in late 2019 of the "Hercules" asset-protection scheme.

Interest rates for both SMEs and large firms fell for the eighth year in a row in 2020, reaching 3.94% and 2.83% respectively, but the spread between the two increased (1.11) compared to 0.85 in 2018. This explains the risk-averse approach of Greek banks against SMEs particularly during the pandemic. Credit conditions tightened significantly and access to finance continues to be a central problem for Greek SMEs, according to the most recent ECB Survey on Access to Finance of Enterprises (SAFE), with 18% of Greek SMEs citing access to finance as the most important problem they currently face, compared to an EU-28 average of 9%. Furthermore, Greece shows the highest percentage of SMEs reporting difficulties in accessing bank loans (22%) and the highest proportion of SMEs reporting fear of application rejections in the EU.

The proportion of Greek SMEs that required collateral when they applied for a loan to a bank continued to decrease, to 18.4% in 2020 compared to 20.7% in 2018. The rejection rate declined to 12.3% compared to 2018 (20.5%) but increased slightly compared to 2019 (11.4%).

In 2020, alternative sources of finance were hard hit in Greece. Factoring decreased to EUR 1.89 million compared to EUR 1.96 million in 2019, leasing and hire purchase activities also decreased in 2020, reaching EUR 3.3 billion compared to EUR 4.2 billion in 2017. Venture capital was also strongly hit compared to 2019, declining by 46.7% in 2020 and reaching EUR 78.8 million from EUR 148.3 million in 2019.

The percentage of SME non-performing loans related to all SME loans was 28.5% in 2020 and has declined for the fifth year in a row since 2016, when it had reached 43.2%. Such decline is explained by public programmes such as the Hercules Programme that assists commercial banks in securitising and removing NPLs from their balance sheets. Despite this, in 2020, almost 20% of all business loans were non-performing in Greece.

As a response to the COVID-19 pandemic, the Greek government put in place several measures to tackle the impact of the crisis on SMEs. One of the measures in place was the “COVID-19 guarantee Fund” providing a guarantee coverage of up to 80% per loan. During the first cycle, the guarantee rate was set at 80% per loan, while the maximum guarantee was set at 40% for a loan portfolio to SMEs and 30% for a loan portfolio to large companies. An additional budget of EUR 780 million was added on the second cycle of the COVID guarantee fund, so the total available funds of the two cycles amounted to EUR 1.78 billion. In the second cycle of the Fund the provision of the guarantee paid by the companies is fully subsidised. 75% to 90% of the new loans of the second cycle of the Guarantee Fund are addressed with priority to MSMEs.

Table 17.1. Scoreboard for Greece

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	EUR billion	..	..	..	44.9	41.6	39.1	48.1	48.1	46.9	48.4	44.7	41.1	35.2	32.0
Outstanding business loans, total	EUR billion	102	124	124	117	113	101	97	95	89	88	82	76.4	67.3	66.6
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	38.5	36.8	38.8	49.7	50.6	52.6	55.3	54.4	53.8	52.3	48.1
New business lending, total	EUR billion	..	36.5	36.3	20.7	29.4	21.8	24.3	14.9	6.9	5.8	7.3	11.4	7.9	16.2
New business lending, SMEs	EUR billion	..	12.5	13.0	4.4	5.2	4.1	3.7	2.3	1.2	1.1	1.1	1.2	1.3	3.5
Share of new SME lending	% of total new lending	..	34.2	35.6	21.4	17.8	18.9	15.0	15.6	17.0	18.4	15.5	10.18	16.05	31.8
Outstanding short-term loans, SMEs	EUR billion	..	..	..	..	..	..	..	18.1	17.6	18.8	17.0	15.1	13.4	9.5
Outstanding long-term loans, SMEs	EUR billion	..	..	..	..	..	..	..	30.1	29.3	29.6	27.7	25.9	21.7	22.5
Share of short-term SME lending	% of total SME lending	..	..	..	..	..	..	..	37.6	37.6	38.9	38.0	58.4	61.6	42.3
Government loan guarantees, SMEs	EUR billion	..	..	..	..	..	..	0.37	0.31	0.24	0.56	1.08	1.2	1.3	3.9
Non-performing loans, total	% of all business loans	4.60	4.30	6.70	8.70	14.2	23.4	31.8	29.4	31.0	30.3	30.5	28.6	25.5	19.1
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	..	..	41.2	44.1	43.2	42.5	38.1	36.1	28.5
Interest rate, SMEs	%	6.57	6.82	4.62	5.53	6.77	6.87	6.51	5.80	5.38	5.32	4.91	4.66	4.31	3.9
Interest rate, large firms	%	5.32	5.71	3.52	4.27	5.74	5.92	5.77	5.55	4.82	4.61	4.20	3.81	3.64	2.8
Interest rate spread	% points	1.25	1.11	1.10	1.26	1.03	0.95	0.74	0.25	0.56	0.71	0.71	0.85	0.67	1.1
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	51.4	40.5	49.4	46.7	45.9	46.2	49.2	39.8	25.7	20.7	18.5	18.4
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	37.9	39.6	30.8	29.9	21.4	25.5	18.8	21.5	17.5	23.0	23.9	31.3
Rejection rate	1-(SME loans authorised/ requested)	..	..	25.8	24.5	33.8	28.3	26.0	21.5	19.9	18.2	16.2	20.5	11.4	12.3

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	..	..	..	..	..	..	..	
Non-bank finance															
Venture and growth capital	EUR million	19.0	32.7	16.7	25.0	10.1	..	4.8	12.6	36.8	38.0	44.5	84.1	147.1	78.8
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	72	-49	50	-60	..	..	160	193	3	17	88.8	74.87	-46.86
Leasing and hire purchases	EUR billion	7.28	7.87	7.50	7.28	6.85	6.22	3.36	4.08	4.72	4.40	4.25	3.96	3.39	3.32
Factoring and invoice discounting	EUR billion	1.28	1.73	1.77	1.73	1.49	1.53	1.41	1.69	1.69	1.72	1.74	1.93	1.96	1.89
Other indicators															
Payment delays, B2B	Number of days	..	25	34	30	35	40	43	41	36	47	47.	33	17	..
Bankruptcies, SMEs	Number	513	359	355	355	445	415	392	330	189	108	123	114	63	..
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	-30	-1	0	25	-7	-6	-16	-43	-43	14	-7	-23.17	..

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

18. Hungary

Key facts on SME financing

According to the preliminary data of the Hungarian Central Statistical Office, at the end of 2019, 836 020 enterprises operated in Hungary, 97.72% of which (817 012 enterprises) qualified as SMEs. Based on the European Commission’s data on the business economy that ensures comparability between EU member states, the number of persons employed by Hungarian SMEs somewhat exceeds the EU average. Meanwhile the value added generated by these SMEs stands slightly below the EU average.

Hungary had a significantly lower economic downturn in 2020 (-5.0%) than the EU average (- 6.2%), partly due to the economic protection measures and industry's favourable performance in comparison to the rest of the EU.

Despite the coronavirus outbreak, investment rates remained high in Hungary at 27.5% as a percentage of GDP. The pick-up in investment performance was mainly driven by real estate (+12%), public administration (+33%), education (+31%) and, partly related to the epidemic, health (+45%) branches. The high level of investment can also be the result of conditional grants to enterprises based on the implementation of projects within a limited timeframe, which may have incentivised and accelerated investment decisions from SME owners.

The share of high-tech companies in exports is high in Hungary, providing a good basis for increasing the share of high value added activities.

The unemployment rate in Hungary (4.3%) was the 5th lowest in April among EU member states. There is a strong labour market with sufficient labour market reserve for restarting the economy.

SME loans (loans up to EUR 1 million) expanded by 13.2% in 2020. The average interest rate of forint SME loans experienced a slight increase, at 2.6% by the fourth quarter of 2020. The average interest rate of high-amount HUF loans increased to 2% by the end of 2020.

Despite the COVID-19 pandemic shock, venture activity experienced a strong increase throughout Europe and in Hungary in 2020 compared to the previous year. During 2020, EUR 226.3 million was invested into Hungarian companies through 236 transactions. There was a 15% increase in the total number of transactions, and 36% increase in the total invested amount compared to 2019. In 2020 the total amount of newly raised funds took a hit.

In case of Hungarian companies receiving investments, the two largest sectors by total invested amount were Financial and Insurance activities and ICT (Information and communications technology), which together accounted for 52% of total investment value and 41% of total number of investments. In 2020, the largest transactions (considering average deal size) occurred in the Financial and Insurance activities and Transportation, with average deal size of EUR 4.1 million and EUR 2.0 million respectively. The most significant difference between industry and market statistics were reported in the Financial and Insurance sector, showing a larger interest for companies operating in this sector by foreign investors. In this sector, the average deal size was EUR 4.1 million according to market statistics versus 1.4 million according to the industry statistics.

As a response to the COVID-19 crisis, the measures introduced by the Government (under the Economic Protection Action Plan) had the objective of preserving jobs and supporting businesses with liquidity problems. Since March 2020, the government mobilised in total HUF 9 500 billion through various measures to stimulate the economy, which could enter the economy by the end of 2021.

In 2020, it was decided to launch investment support programmes with an amount of nearly HUF 1 000 billion, which could lead to nearly HUF 2 000 billion development in the near future.

The Economic Relaunch Action Plan was designed to gradually ease conditions and relaunch economic activities in three phases. In the first phase, HUF 100 billion in Interest Free Restart Fast Loan were provided by the Hungarian Development Bank (MFB). The second phase focuses on strengthening higher education, and the third phase concentrates on enhancing green energy, circular economy construction and full digitisation of the economy.

Table 18.1. Scoreboard for Hungary

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	HUF Billion	5 280	5 823	5 379	4 783	4 797	5 014	5 064	4 831	4 942	4 411	4 674	4 691	5 122	5 626
Outstanding business loans, total	HUF Billion	8 466	9 613	8 959	8 770	8 825	7 892	7 648	7 761	7 355	7 073	7 545	8 562	8 715	9 836
Share of SME outstanding loans	% of total outstanding business loans	62.36	60.58	60.05	54.54	54.36	63.53	66.21	62.25	67.20	62.37	59.31	54.7	58.77	57.2
New business lending, SMEs	HUF Billion	3 851	4 384	3 660	3 531	3 585	3 870	4 662	4 302	3 665	4 187	4 443	3 743	4 670	4 738
Short-term loans, SMEs	HUF Billion	2 473	2 966	2 832	2 775	2 767	3 052	2 654	2 570	2 424	2 708	2 727	2 002	2 417	2 113
Long-term loans, SMEs	HUF Billion	1 377	1 418	828	756	818	818	2 008	1 732	1 241	1 478	1 274	1 741	2 252	2 624
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	68.16	53.48	51.77	44.61
Government loan guarantees, SMEs	HUF Billion	308.8	352.1	409.2	377.1	343.4	251.9	350.0	346.2	348.7	469.3	525.7	725.5	707.1	1 193
Government guaranteed loans, SMEs	HUF Billion	381.4	436.4	600.3	472.0	437.2	314.8	458.0	433.8	429.4	568.6	731.0	894.2	934.8	1 561
Non-performing loans, total (amount)	HUF Billion	..	..	..	832	1 155	1 272	1 124	961	697	577	526	472	334	336
Non-performing loans, total	% of all business loans	3.10	4.70	10.10	12.8	17.4	17.7	16.1	13.7	9.6	5.4	3.3	5.5	3.83	3.42
Non-performing loans, SMEs	% of all SME loans		5.40	8.90	12.8	15.9	20.5	18.6	20.7	13.7	6.3	4.4	3.5	6.18	1.39
Interest rate, SMEs	%	10.19	11.25	12.31	8.99	9.38	9.7	7.4	5.1	4.7	4.2	3.3	2.44	2.97	1.88
Interest rate, large firms	%	8.97	10.28	11.07	..	..	8.9	5.9	4.1	2.4	2.8	1.8	2.0	1.3	1.58
Interest rate spread	% points	1.22	0.97	1.24	..	..	0.80	1.50	1.00	2.30	1.40	1.50	0.44	1.67	0.30
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	..	..	..	71	64.5	60.1	53.4	..		
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	..	..	68.8	67	84.4	71.6	49.2	..		
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	81.5	..	..	..	..	..		
Non-bank finance															
Venture and growth capital	HUF Million ('000 000)	3 949	13 782	720	6 982	11 308	19 361	15 880	18 759	27 742	12 070	11 470	28 661	28 803	

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	249.00	-94.8	869.72	61.96	71.22	-18	18.13	47.89	-56.5	-4.97	149.88		
Leasing and hire purchases	HUF Million ('000 000)	..	..	..	..	..	..	..	..	..	490 531	483 259	538 370	677 449	734 320
Factoring and invoicing	HUF Million ('000 000)	..	..	..	..	..	..	..	..	..	46 472	107 852	66 718	55 208	41 448
Other indicators															
Payment delays, B2B	Number of days	16.30	19.00	19.00	15.00	22.00	20.00	..	17.40	17.40	4	-1	5	1	18
Bankruptcies, total	Number	153	168	212	232	279	301	376	644	488	377	322	401	370	225
Bankruptcies, total (growth rate)	%, Year-on-year growth rate	..	10.35	25.65	9.5	20.4	7.9	24.7	71.3	-24.2	-22.9	-14.4	24.34	-8	-39

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

19. Indonesia

Key facts on SME financing

Based on data published by the Ministry of Cooperatives and SMEs of the Republic of Indonesia, there were 64 194 056 SMEs in 2019, which made up 99.99% of the total business population and employed 96.9% of the total workforce. In this report, SMEs consist of micro, small and medium-sized enterprises.

Outstanding loans to all businesses declined by 3.2% year on year (y-o-y) in 2020 (IDR 6,069.39 trillion), with 20.43% of this amount (IDR 1 240.23 trillion) allocated to SMEs. Despite the decrease in 2020, outstanding loans in the past ten years (2011-20) still experienced growth with an average yearly growth rate of 13.38%.

In the last three years (2018-20), non-performing loans (NPLs) have been increasing both for SMEs (from 3.35% to 3.95%) and for total businesses (from 2.40% to 3.03%). The COVID-19 pandemic is believed to have contributed to this increase. Nevertheless, NPLs are still well managed and remain under 5%.

The share of short-term loans for SMEs over total short-term loans fell by 16.43% in the 2011-2020 period, from 25.4% in 2011 to 8.96% in 2020. While in 2011 the amount of short-term outstanding loans for SMEs was IDR 120 trillion, in 2020 it stood at IDR 131.66 trillion; this represents an increase of 9% in the 2011-20 period. However, long-term loans in the same period experienced much stronger growth, rising from IDR 354.9 trillion in 2011 to IDR 1 084 trillion in 2020, which corresponds to a compound growth rate of 205.44% and an annual average growth rate of 14.54%. The increasing trend in long-term loans illustrates lenders' higher trust in Indonesian SMEs.

In the period from 2011-2020, interest rates on loans declined for all business, by 3.8% for SMEs (from 14.53% to 10.69%) and 2.92% for large companies (from 12.28% to 9.36%). Although interest rates are declining in Indonesia, they are still very high compared to the average in other countries.

Venture capital financing shows a significant increase, reaching IDR13.40 trillion in 2020, a 208% increase compared to 2012. In the 2012-2020 period, the amount of financing grew positively, with an average growth rate of 16.73%.

Other non-bank finance indicators show a slight decline in 2020 compared to 2019. Leasing and hire purchases decreased by 13% in 2020. Factoring activities also exhibit a similar trend, decreasing by 24% in 2020.

Accessing finance is still challenging for most SMEs in Indonesia. Especially during the COVID-19 pandemic, many SMEs have been affected by financial problems. After successfully launching the People Business Credit Programme or *Kredit Usaha Rakyat* (KUR) in 2007, the Indonesian government launched the National Economy Recovery Program in 2020 to overcome the crisis caused by the COVID-19 pandemic, with total support for MSME and corporation financing amounting to IDR 173.17 trillion in 2020 and 186.81 trillion in 2021.

Table 19.1. Scoreboard for Indonesia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	IDR trillion	110.1	127.0	127.4	389.0	476.8	551.5	637.3	733.0	792.1	952.2	1 059	1 168	1 262	1 240
Outstanding business loans, total	IDR trillion	1 001.9	1 307.7	1 307.8	1 777.8	2 217.5	2 726.8	3 321.2	3 707.7	4 093.9	4 908.4	5 320.1	5 931.6	6 270.4	6 069.4
Share of SME outstanding loans	% of total outstanding business loans	10.99	9.71	10.20	21.86	21.46	20.19	19.15	19.74	19.32	19.38	19.90	19.68	20.12	20.43
Outstanding short-term loans, SMEs	IDR trillion	..	..	..	102.6	120.8	141.7	195.0	215.4	100.1	115.0	94.3	101.11	106.3	131.66
Outstanding long-term loans, SMEs	IDR trillion	..	..	..	286.1	354.9	408.7	440.9	516.5	623.8	729.0	901.0	1 038.1	1 120.4	1 084
Share of short-term SME lending	% of total SME lending	..	..	..	26.40	25.39	25.74	30.67	29.43	13.83	13.63	9.47	8.88	8.67	8.96
Government guaranteed loans, SMEs	IDR trillion	..	..	..	17.23	29	34.23	40.9	40.3	22.75	94.4	96.71	123.8	139.9	198.5
Direct government loans, SMEs	IDR trillion	..	0.04	0.41	1.07	1.15	1.25	1.43	1.15	1.56	1.25	0.41	0.04	1.72	1.99
Non-performing loans, total	% of all business loans	4.08	3.20	3.35	2.55	2.16	1.87	1.77	2.16	2.49	2.40	2.63	2.40	2.51	3.03
Non-performing loans, SMEs	% of all SME loans	4.80	3.87	4.22	3.97	3.43	3.23	3.19	4.00	4.20	3.35	3.89	3.35	3.36	3.95
Interest rate, SMEs	%	16.30	16.79	16.60	14.89	14.53	13.99	14.14	14.54	13.99	12.69	13.06	12.69	12.57	10.69
Interest rate, large firms	%	12	13	13	12.73	12.28	11.60	11.88	12.48	12.51	11.01	11.39	11.01	10.62	9.36
Interest rate spread	% points	4.14	3.30	3.79	2.16	2.25	2.39	2.26	2.06	1.48	1.68	1.67	1.68	1.95	1.32
Non-bank finance															
Venture and growth capital	IDR trillion	..	..	..	..	..	4.3	6.0	6.9	7.2	8.5	7.1	8.46	12.72	13.40
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	..	..	..	..	..	38.70	14.68	4.38	17.69	-16.26	18.93	50.40	5.29
Leasing and hire purchases	IDR trillion	36.5	50.7	46.5	53.7	76.6	105.1	117.4	111.0	105.4	97.7	104.8	112.20	106.93	92.64
Factoring and invoice discounting	IDR trillion	2.2	2.2	2.0	2.3	3.9	5.1	7.7	9.4	10.7	11.5	13.3	15.48	16.17	12.28

Note: This table contains data from both bank and non-bank sources. Due to availability, post-2016 data includes non-bank data. Another table that includes only non-bank data can be found in the "Non-bank sources of SME financing" part of the full profile. Data for venture and growth capital, leasing and hire purchases, factoring and invoice discounting are for all businesses, including large enterprises.

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

20. Ireland

Key Facts on SME Financing

Irish SMEs account for 99.8 percent of all active enterprises and to 68% of those employed.

Debt levels of Irish businesses are declining steadily, and have reduced 53% since 2010, from EUR 27.1 billion to EUR 12.8 billion in 2020.

Gross new lending to core SMEs was EUR 2.9 billion in 2020, representing a 20% annual decrease. This decline is likely driven by a demand-side challenge. Survey data from the SME Credit Demand Survey show that SMEs in Ireland are choosing less to access bank credit. In 2020 this is explained by the size of direct governmental support during the COVID-19 crisis, which included direct grants and payments to closed or impacted businesses, tax warehousing, the Employment Wage Subsidy Scheme (EWISS) within others.

Loan approval rates continue to be stable, with 85% of all applications for the period March – October 2020 (excluding "still pending") either being fully or partially approved.

The interest rate spread was 1.94, between large (2.23%) and small loans (4.17%), a slight decrease from 2019 levels.

The amount of venture capital raised by Irish SMEs increased in 2020, to EUR 820 million, marking an 11% increase on 2019 figures, this growth represents the same percentage increase as from 2018 to 2019 and is explained by base effects of the significant decrease from 2017 to 2018. Figures for Q1 2021 show continued increase in activity, with 74 companies receiving funding compared to 43 in the same quarter last year.

Significant progress has been made towards resolving SME NPLs in recent years and though there has been a slight increase in NPLs over the course of the COVID-19 crisis in general terms trends continue to move in a downward trajectory.

The Irish Government has implemented a range of measures to assist SMEs in dealing with the consequences of COVID-19 restrictions, and to ensure that SMEs continue to have access to sufficient liquidity. These include tax measures and loan schemes to assist SME, as well as direct support including the Employment Wage Subsidy Scheme (EWSS) and Covid Restriction Support Scheme (CRSS).

Ireland's National Promotional Bank, the Strategic Banking Corporation of Ireland has worked closely with the Department of Enterprise, Trade and Employment, the Department of Agriculture, Food and the Marine and the Department of Finance in the design of and implementation of a number of credit related support schemes including schemes aimed at SMEs affected by COVID-19 restrictions, such as;

- the COVID-19 Working Capital Scheme;
- the Future Growth Loan Scheme; and
- the COVID-19 Credit Guarantee Scheme

The overriding objective of these schemes is that credit is available at competitive prices for those firms that require it.

Credit Review was established in 2010 to assist SME or farm borrowers who have been refused bank credit, including a SBCI product. It helps SMEs 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. This is a strictly confidential process between the business, the Credit Review and the bank.

Table 20.1. Scoreboard for Ireland

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	EUR Billion	..	..	..	27.1	27.34	25.7	24.52	21.4	19.31	16.11	15.82	15.06	14.25	12..79
Outstanding business loans, total	EUR Billion	56.08	59.57	52.5	42.42	40.31	38.06	36.65	31.79	29.82	28	27.74	29.55	28.80	25.58
Share of SME outstanding loans	% of total outstanding	..	..	..	63.89	67.82	67.51	66.89	67.32	64.78	57.54	57.04	50.96	49.47	50.02
New business lending, SMEs	EUR Million	..	..	..	2 284	2 211	1 990	1 905	2 401	2 646	3 235	3 682	3 468	3618	2914
Outstanding short-term loans, SMEs	EUR Billion	17.26	15.02	10.93	6.05	3.81	3.06	3.02	2.39	1.79	2.03	2.52	2.45	2.52	2.43
Outstanding long-term loans, SMEs	EUR Billion	2.12	1.93	1.34	0.93	0.58	0.54	0.6	0.78	1.09	1	0.73	0.81	0.69	0.46
Share of short-term SME lending	% of total SME lending	89%	88%	89%	86%	87%	85%	83%	75%	61%	67%	77%	75%	80%	84%
Non-performing loans, total	% of all business loans	..	..	..	..							14	7.4	4.7	5.4
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	41	41	27	26	18.7	22.6	11.1	6.8	8
Interest rate, SMEs	%	6.23	6.67	3.98	3.88	4.68	4.34	4.3	4.78	4.77	4.65	4.28	4.3	4.2	4.17
Interest rate, large firms	%	5.95	6.19	3.22	2.86	3.33	2.81	2.76	2.96	2.37	2.18	2.24	2.15	2.47	2.23
Interest rate spread	% points	0.28	0.5	0.76	1.03	1.36	1.54	1.6	1.8	2.63	2.25	1.98	2.21	1.75	1.94
Collateral, SMEs	% of SMEs needing collateral	..	..	..	..	..	..	..	41	40	46	41	39	42	34
Percentage of SME loan applications	SME loan applications/ total SMEs	..	..	..	..	36	39	36	31	30	23	21	20	20	18
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	30	24	20	14	15	16	15	14	14	15
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	81	82	84	75	75	83	76	
Non-bank finance															
Venture and growth capital	EUR Million	226	243	288	310	274	269	285	401	522	888	994	738	820	925

Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	7.53	18.61	7.67	-11.54	-2	5.95	40.65	30.3	70.1	11.92	-25.75	11.1	12.8
Other indicators															
Bankruptcies, SMEs	Number	344	613	1 245	1 386	1 410	1 317	1 119	1 007	816	642	720	543	678	492
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	78.2	103.1	11.33	1.73	-6.6	-15.03	-10.01	-18.97	-21.32	12.15	-24.58	24.86	-27.43

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21. Israel

Key facts on SME financing

As of 2021, there were 625 267 businesses in Israel, 99.5% of which were SMEs (i.e. companies employing up to 100 workers). In an average year, 55 000-60 000 businesses are created and about 50 000 close down. In 2020, 51 436 new companies were established and 38 209 were closed. Removal of government support measures might result in many enterprises shutting down in the post-crisis period.

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 (formerly known as the Chief Science Office) focuses on leading technology-based start-ups and SMEs, the SMBA caters to all SMEs in Israel's main economic sectors through business management training and coaching, subsidized access to finance (for example, through the national loan guarantee program) and the work of the business development centres (MAOF centres).

2020 was a very challenging year for Israel's economy due to the COVID-19 crisis. In response, the local government tried to reduce the negative impact of the crisis through the provision of grants, government-guaranteed loans and other relief programs in order to prevent massive deterioration in the local economy.

Table 21.1. Scoreboard for Israel

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	ILS billion	169.3	171.2	161.6	173.8	177.7	187.0	186.7	211.9	244.6	259.6	266.1	281.8	273.7	280.1
Outstanding business loans, total	ILS billion	413.9	460.9	425.2	438.9	458.6	450.4	445.7	447.9	415.6	435.5	444.4	476.9	488.2	512.36
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	58.86	59.61	59.88	59.1	56.07	54.67
Government loan guarantees, SMEs	ILS million	27	17	121	164	116	116	215	232	257	184	144	166	220	4 170
Government guaranteed loans, SMEs	ILS million	170	109	757	1 028	890	1 057	1 951	2 112	2 340	1 838	1 618	1 618	1 887	21 951
Non-performing loans, total	% of all business loans	..	..	..	..	..	..	..	..	2.77	2.18	1.57	1.25	1.55	1.76
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	..	..	..	2.13	1.77	1.5	1.31	1.52	1.77
Interest rate, SMEs	%	..	..	..	..	..	..	..	..	3.96	3.83	4.02	4.06	4.02	3.81
Interest rate, large firms	%	..	..	..	..	..	..	..	..	2.95	2.97	3.05	2.98	2.88	2.45
Interest rate spread	% points	..	..	..	..	..	..	..	..	1.02	0.86	0.97	1.08	1.14	1.36
Non-bank finance															
Venture and growth capital	USD billion	1.76	2.08	1.12	1.22	2.08	1.88	2.95	3.77	4.75	5.10	4.86	6.35	8.30	..
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	18.0	-46.1	8.8	70.3	-9.5	28.0	41.8	26.4	12.2	7.3	30.7	30.7	..
Other indicators															
Payment delays, B2B	Number of days	..	..	..	..	..	..	..	..	..	57.2	53	28	28	..
Bankruptcies, SMEs	Number	..	..	2 061	2 834	3 737	5 000	5 610	5 322	5 175	7 900	..	..	..	..
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	..	..	37.51	31.86	33.8	12.2	-5.13	-2.76	52.66	..	..	..	..

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22. Italy

Key facts on SME financing

Small and medium-sized enterprises (SMEs) account for the vast majority of Italian firms, providing nearly 80% of the industrial and service labour force and generating about two-thirds of turnover and value added.

The impact of the pandemic led to disruptions in business activity and liquidity shortages. Credit markets were buttressed by the ECB's expansionary monetary policy measures, flanked by the financial support initiatives adopted by the Government. Lending increased at a sustained pace for large enterprises and, after many years of contraction, also for small companies.

Lending standards remained broadly relaxed in 2020. Business borrowing rates stood at low levels, and collateral requirements declined, partly as a result of the widespread recourse to public guarantee schemes.

Credit quality improved further, benefitting from the financial support measures adopted by the Government after the outbreak of the pandemic. The ratio of SME new non-performing loans to outstanding loans reached the lowest level in fifteen years. The stock of non-performing exposures dropped significantly, as a result of their further disposal during the pandemic.

Equity financing for SMEs, provided in the form of early stage and expansion capital, increased moderately, entirely driven by a sustained growth in the early stage segment; by contrast, resources devoted to large firms decreased markedly, after remaining virtually unchanged in the previous year.

Business-to-business payment delays, on a declining path after the sharp upswing recorded during the global financial crisis, started rising again at the outbreak of the health emergency; payment patterns returned close to pre-pandemic levels at the end of 2020.

Bankruptcies dropped for the sixth year in a row, down by more than 30% with respect to 2019: the sharp decline can be partly explained by the moratorium on insolvencies and the slowdown in court activity due to the pandemic containment measures.

The Government unleashed a broad policy effort to counter the unprecedented challenges faced by SMEs during the pandemic through a wide range of financial support measures. These initiatives, originally focused on liquidity relief, were progressively matched by broader recovery packages.

Credit guarantee schemes have traditionally played a crucial role in easing SME access to finance. During the pandemic the Central Guarantee Fund was further strengthened, by widening the range of potential beneficiaries, raising the coverage ratios of loans, increasing capital endowments and simplifying procedures. The State guarantee system was boosted by giving SACE, the Italian export credit agency whose tasks were redefined, the role of providing public guarantees to large firms; the initiative was also extended to SMEs that had exhausted their ability to access the Central Guarantee Fund.

Other provisions included the roll-out of a debt moratorium to help firms cope with temporary liquidity shortages due to the abrupt fall in production. This measure allowed SMEs to obtain the freezing of uncommitted credit facilities, an extension on maturing loans, and the suspension of instalment payments.

The emergency measures were later flanked by more selective initiatives, aimed at avoiding imbalances in the financial structure of firms. Measures aimed at encouraging a greater inflow of equity into the productive system envisaged a wide range of instruments to strengthen capitalisation and promote the recovery of economic activity.

Table 22.1. Scoreboard for Italy

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	EUR billion	187	191	193	210	206	204	196	192	188	175	170	166	160	168
Outstanding business loans, total	EUR billion	998	1067	1057	1122	1134	1118	1061	1025	1016	985	960	961	931	984
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	17.7	17.3	17.2	17.1
Short-term loans, SMEs	EUR billion	59	56	52	50	48	47	42	39	35	31	28	27	26	19
Long-term loans, SMEs	EUR billion	115	120	125	136	133	128	122	115	112	103	101	100	97	114
Total short and long-term loans, SMEs	EUR billion	174	177	177	186	181	175	164	155	147	134	130	127	123	133
Share of short-term loans, SMEs	% of total short and long-term SME loans	34.0	31.9	29.3	26.9	26.4	26.6	25.7	25.3	23.8	22.9	22.0	21.3	21.0	14.0
Direct government loans, SMEs	EUR million	337	373	255	276	272	252	390	597	392	418	431	671	540	1 187
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	17 462	19 314	19 376	124 387
Government loan guarantees, 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	12 260	13 731	13 342	105 921
Non-performing loans, SMEs	EUR million	..	22 866	27 953	35 247	38 042	43 814	48 384	53 726	56 199	54 959	50 614	47 422	45 583	42 468
Non-performing loans, SMEs	% of total SME loans	..	12.0	14.5	16.8	18.4	21.5	24.6	28.0	30.0	31.4	29.9	28.6	28.4	25.2
Interest rate, SMEs	%	6.3	6.3	3.6	3.7	5.0	5.6	5.4	4.4	3.8	3.2	3.1	3.1	3.4	2.4
Interest rate, large firms	%	5.7	4.9	2.2	2.2	3.3	3.8	3.4	2.6	2.1	1.8	1.8	1.8	1.7	1.6
Interest rate spread	%	0.6	1.4	1.4	1.5	1.7	1.8	2.0	1.8	1.7	1.4	1.3	1.3	1.7	0.8
Collateral, SMEs	%	54	54	52	53	55	54	56	56	57	58	58	57	57	53
Rejection rate	% of firms reporting that they had not obtained some or all of the credit requested	3.1	8.2	6.9	5.7	11.3	12.0	8.9	8.4	6.0	4.0	4.2	4.6	4.1	6.1
Utilisation rate	SME loans used / authorised	79.7	80.7	80.7	82.8	84.2	86.3	87.0	87.4	87.1	85.0	84.7	85.1	84.4	83.1
Non-bank finance															
Venture capital investments (early stage), SMEs	EUR million	66	115	98	89	82	135	82	43	74	103	133	324	270	355
Growth capital investments (expansion), SMEs	EUR million	295	440	260	263	500	504	438	230	170	155	161	125	143	133

Growth capital investments (expansion), total	EUR million	641	796	371	583	674	926	914	1179	333	710	337	816	896	354
Other indicators															
Payment delays, B2B (all firms)	Average number of days	..	20.4	21.3	17.3	16.2	17.5	17.3	16.1	15.0	13.4	12.3	12.2	12.4	13.4
Bankruptcies, total	Number	5 986	7 331	9 222	11 120	12 039	12 450	14 054	15 635	14 694	13 481	12 015	11 203	11 096	7.647
Bankruptcies, total	%, Year-on-year growth rate	..	22.5	25.8	20.6	8.3	3.4	12.9	11.2	-6.0	-8.3	-10.9	-6.8	-1.0	-31.1
Incidence of insolvency, total	per 10 000 enterprises	11.5	13.7	17.0	20.3	21.6	22.0	25.0	27.9	26.4	24.1	21.5	20.0	19.7	13.4

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23. Japan

Key facts on SME financing

Japanese SMEs accounted for 99.7% of all businesses and employed 32 million individuals, or approximately 68.8% of the private sector labour force, in 2016.

Lending to SMEs declined every year between 2007 and 2012, reaching a total decrease of 6.6% over that period. In 2013, outstanding SME loans rose by 1.5%, and have continued to increase since then: JPY 286.6 trillion in 2019 and JPY 314.9 trillion in 2020.

Average interest rates on new short-term loans in Japan have been very low and continuously declined between 2007 and in 2017, more than halving from 1.64% to 0.61%, as a result of easing monetary policy. Long-term interest rates on new loans followed a broadly similar pattern, declining from 1.7% in 2007 to 0.76% in 2020.

Japanese venture capital investments peaked in FY 2007 at JPY 193 billion, before decreasing by 29.5% and 36% in FY 2008 and 2009 respectively. Since 2009, VC investments have been inconsistent. Since 2014 VC investments increased and reached JPY 289 billion in 2019, which was the highest value since 2007.The amount of investment in 2020 declined by 22.4 %, amounting to JPY 224 billion. One of the possible reasons behind this drop is that some of the VC funds could not make their investment decisions during the first half of 2020 because of the effects of the COVID-19 crisis. This might be resolved in the second half of the year by using online communication methods.

Leasing volumes to SMEs plummeted in the aftermath of the global financial crisis, dropping by almost 40% between 2007 and 2009. Subsequently, with the recovery of domestic capital investment demand, the volumes have been on an upward trend and recovered to 2.7 trillion in 2019. In 2020, leasing volumes fell to JPY 2.3 trillion due to a sharp drop in capital investment demand for machine tools and industrial machinery by Japanese companies as a result of the COVID-19 crisis.

SME bankruptcies, which account for more than 99% of all bankruptcies in Japan, decreased between 2007 and 2020. In 2020, the number of cases was below 8 000 for the first time in 30 years.

Total non-performing business loans have continuously declined since 2013, after having experienced erratic movement over the 2007-12 period. In 2019, total NPLs amounted to JPY 10 326 billion.

The Japanese Government offers financial support for SMEs in the form of a credit guarantee programme and direct loans. In March 2018, the total amount of outstanding SME loans was approximately JPY 267 trillion (provided by domestically licensed banks and credit associations); the outstanding amount of the credit guarantee programme was JPY 22.2 trillion (covering 1.3 million SMEs); and the outstanding amount of the direct loan programme was JPY 21.2 trillion, (covering 1 million of Japan’s 3.81 million SMEs). In 2020, as a response to the COVID-19 crisis, government-affiliated and private financial institutions offered interest-free and unsecured loans of up to 5 years, and provided JPY 100 trillion yen in business scale and JPY 12.5 trillion in budget.

Table 23.1. Scoreboard for Japan

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	JPY trillion	260.8	259.1	253.1	248.3	245.6	243.6	247.2	251.7	258.4	265.6	275.4	281.4	286.6	314.9
Outstanding business loans, total	JPY trillion	374.5	385.0	379.3	366.1	366.9	370.4	369.7	387.2	395.2	405.1	415.5	426.6	435.03	482.15
Share of SME outstanding loans	% of total outstanding business loans	69.64	67.31	66.72	67.82	66.94	65.76	66.87	65.00	65.38	65.57	66.29	65.96	65.88	65.31
Value of CGCs loan guarantees (Government loan guarantees, SMEs)	JPY trillion	29.4	33.9	35.9	35.1	34.4	32.1	29.8	27.7	25.8	23.9	22.2	21.08	20.8	40.5
Non-performing loans, total (amount)	JPY trillion	17.1	17.1	16.8	16.6	17.2	17.3	15.3	13.9	12.8	11.8	10.5	10.3	10.3	..
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	2.52	2.41	2.37	..
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	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	1.00	1.00	1.05	1.00
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	0.61	0.60	0.60	0.47
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	0.80	0.76	0.72	0.76
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	0.58	0.60	0.60	0.48
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	0.90	0.85	0.85	0.78
Non-bank finance															
Venture capital investments (all stages total)	JPY billion	193	136	87	113	124	102	181	117	130	152	197	277	289	224.
Venture capital investments (all stages total)	%, year-on-year growth rate	..	-29.53	-36.03	29.89	9.73	-17.74	77.45	-35.36	11.11	16.92	30	41	4	-22.49.
Venture capital (seed and early stage)	% (share of all stages)	..	..	36.80	32.50	44.30	57.80	64.50	57.20	62.80	68.30	67.80	71.40	73.7	72.1.
Venture capital (expansion and later stage)	% (share of all stages)	..	..	63.20	67.50	55.70	42.20	35.50	42.80	37.20	31.70	32.20	28.60	26.3	27.9.
Leasing, SMEs	JPY billion	3 471	2 822	2 100	2 139	2 231	2 284	2 645	2 363	2 604	2 566	2 570	2664	2700	2329
Other indicators															
Bankruptcies, SMEs	Thousands	14.0	15.5	15.4	13.2	12.7	12.1	10.8	9.7	8.8	8.4	8.4	8.2	8.4	7.8
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	-0.50	-1.93	1.74	-7.27
Bankruptcies, total	Thousands	14.1	15.6	15.5	13.3	12.7	12.1	10.9	9.7	8.8	8.4	8.4	8.2	8.4	7.8
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	-0.49	-2.02	1.80	-7.28

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

24. Kazakhstan

Key facts on SME financing

In 2020, SMEs made up 96.4% of all businesses in Kazakhstan and accounted for 38.6% of total employment and 31.6% of national GDP.

SME lending was on the rise in Kazakhstan between 2014 and 2017, contrary to the period from 2017 to 2019 when the SME loan portfolio showed a negative trend. In 2020, the SME loan portfolio increased by 19.3% and new lending to SMEs increased by 46%. The share of SME loans out of total business loans also rose to 32.5%. The most recent growth in SME lending is associated with the anti-crisis measures taken by the government of Kazakhstan to support SMEs during the COVID-19 pandemic period.

Interest rates for SMEs have fluctuated over the reference period, growing steadily from a record low of 11.5% in 2014 to 14% in 2016. In 2020, the SME average interest rate was 12.7%, while for large enterprises it was 11.2%. It should be noted that the increase of the interest rate in 2014 is explained by the devaluation of the national currency, as well as the increase in the base rate made by the National Bank.

Among non-bank sources of finance, leasing has the largest market and is steadily growing. In 2020, leasing and hire purchases were almost 8 times higher compared to volumes in 2010. The development of leasing is due to several reasons. Firstly, the growing need for industrial, transport and agricultural enterprises to update and expand the fleet of machinery and equipment. Secondly, many enterprises have problems with providing banks with collateral to access loans, while leasing companies are more flexible in their collateral policy. Thirdly, the procedure for making lease payments is one of the biggest advantages of leasing. The agreement may optimally take into account the interests of all parties, since the size and period of payments are determined on the basis of a joint agreement.

Non-performing loans (NPL) with arrears of more than 90 days decreased to 7.6% of the total for all business loans and to 11.9% of the total for SME loans. Commercial banks fulfil the requirement of the National Bank of Kazakhstan that sets the maximum rate of NPLs at 10% of the total loan portfolio.

An important role in keeping up SMEs' access to credit is played by the state, which places funds in commercial banks to provide concessional lending to SMEs during shortages of liquidity in the market. The largest placement of state funds for SME lending took place in 2018. Prior to this, the government provided KZT 200 billion in 2014-2016 to support SMEs in the manufacturing industry at an interest rate of 6% per annum, which are issued by banks on a revolving basis. Despite the fact that the largest part of the funds was allocated in 2014-2016, these funds are still used for lending to SMEs on a revolving basis. In addition, the State allocates new funds under new SME supporting State programmes.

Since 2010, the government, through "Damu" Entrepreneurship Development Fund, has provided interest rate subsidies and loan guarantees for SMEs under the "Business Roadmap" Programme. A new financial instrument in Kazakhstan, loan guarantees are becoming popular very quickly, escalating from just 3 guarantees in 2010 to over 13 000 guarantees at the end of 2020 (15 900 guarantees for the period 2010-2020). In 2020, the Government made changes in the "Business Road Map" programme and included a portfolio guarantee tool for banks.

Table 24.1. Scoreboard for Kazakhstan

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	KZT billion	1 508	1 571	1 708	1 389	1 341	1 412	1 283	1 788	2 060	3 105	2 789	2 364	2 109	2 515
Outstanding business loans, total	KZT billion	5 220	5 605	5 879	5 892	6 849	7 534	8 110	8 532	9 027	9 234	8 568	8 348	7 771	7 742
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	32.55	28.32	27.14	32.49
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	7 615	9 412	9 720	9 757
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	1 524	1 737	1 670	2 439
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	20.02	18.46	17.18	25.00
Short-term loans, SMEs	KZT billion	296	298	236	206	219	277	199	392	390	826	411	388	335	345
Long-term loans, SMEs	KZT billion	1 211	1 273	1 472	1 183	1 122	1 135	1 084	1 395	1 670	2 279	2 377	1 976	1 774	1 780
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	14.75	16.43	15.87	16.25
Government loan guarantees, SMEs	KZT million	..	..	..	339	2 060	3 854	3 336	7 284	11 021	11 952	17 016	21 728	33 789	103 112
Government guaranteed loans, SMEs	KZT million	..	..	..	677	4 238	10 991	7 090	15 423	26 964	26 903	42 783	51 216	89 054	265 817
Direct government loans, SMEs	KZT billion	5.5	125.2	257.4	132.9	82.7	78.2	85.8	188.4	236.9	247.3	230.5	272.9	239.5	207 588
Non-performing loans, total	% of all business loans	..	..	..	..	..	29.80	31.15	23.55	7.95	6.72	9.31	7.38	8.13	7.55
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	22.33	22.40	11.74	12.69	8.79	9.58	9.33	14.58	11.90
Interest rate, SMEs	%	14.28	15.67	14.01	13.34	12.49	12.10	12.46	11.48	12.95	14.01	13.66	12.71	12.66	12.72
Interest rate, large firms	%	12.77	14.88	14.04	12.72	11.08	10.58	10.07	10.01	13.47	14.49	12.39	11.22	11.32	11.17
Interest rate spread	% points	1.51	0.79	-0.03	0.62	1.41	1.52	2.39	1.47	-0.52	-0.48	1.27	1.49	1.34	1.54
Non-bank finance															
Leasing and hire purchases	KZT billion	..	..	..	60.4	80.1	84.5	106.8	129.0	126.6	167.0	176.5	277.6	347.4	479.3
Factoring and invoicing	KZT million	..	..	..	..	..	7 889	15 125	33 160	37 655	..	..	..	..	..
Other indicators															
Bankruptcies, total	Number	0	2	3	8	36	77	125	143	257	516	1 978	3 493	1 654	2 763
Bankruptcies, total (growth rate)	%, year-on-year growth rate	..	..	50.00	166.67	350.00	113.89	62.34	14.40	79.72	100.78	283.33	76.59	-52.65	64.05

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

25. Korea

Key facts on SME financing

In the course of responding to the COVID-19 crisis, SME loans increased significantly. From 2015 to 2019, the average annual increase in new SME loans was about KRW 46.5 trillion, but from 2019 to 2020, SME loans increased by about KRW 89.6 trillion. During the same period, loans to large corporations also showed a steep increase; thus, the share of SME outstanding loans decreased slightly.

Short-term loans as a share of total loans steadily declined between 2007 (75%) and 2018 (50%). However, since 2018, the proportion of short-term loans has shown a slight upward trend. As real estate prices rose from 2019, the value of collateral held by companies increased. As a result, additional collateral loan capacity was created. However, since facility loan only occurs when new facilities are purchased or built, short-term working capital loans have increased instead.

The government has also actively provided support to respond to the COVID-19 crisis, resulting in a sharp increase in the amount of loans covered by government guarantees compared to the past. While from 2015 to 2019 the increase in government-guaranteed loans averaged only about KRW 2 trillion per year, from 2019 to 2020 they increased by about KRW 11.2 trillion. This is more than five times the average annual increase in the past. The total amount of corporate loans also increased sharply during the same period, so the ratio of government-guaranteed loans to total loans did not increase significantly.

Looking at direct government loans, figures from 2020 also show a steep increase. From 2015 to 2019, the growth rate of direct government loans was only about KRW 0.1 trillion per year on average, while it was about KRW 1.9 trillion from 2019 to 2020. This is more than 10 times the average annual increase in the past.

The trend in the ratio of non-performing loans among all corporate loans continues to decline. Similarly, the share of non-performing loans in total SME loans has also declined. In particular, non-performing loans also dropped in 2020, when the supply shock and demand shock of the economy continued due to COVID-19 pandemic. The reason behind this decline is not a recovery of companies' sales or profits, but rather because a loan principal and interest repayment deferral policy has been implemented.

Interest rates on corporate loans fell sharply in 2020. This is due to accommodative monetary policy to respond to the economic shock caused by COVID-19, rather than a decline in corporate default rates. The Bank of Korea's base interest rate, which was 1.75% at the end of 2018, fell to 0.5% in mid-2020, when the Republic of Korea was directly hit by the COVID-19 pandemic.

As new start-up activities contracted due to the COVID-19 outbreak, the growth rate of venture and growth capital was greatly reduced. While in 2018, venture and growth capital registered a growth rate of about 44%, in 2019 the growth rate was approximately 25%; in 2020 the growth in venture and growth capital registered a steep decline, with only 0.6% y-o-y growth.

Table 25.1. Scoreboard for Korea

Indicators	Units	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt													
Outstanding business loans, SMEs	KRW trillion	443	441	455	462	489	522	561	610	655	696	747	836
Outstanding business loans, total	KRW trillion	531	541	586	618	654	706	756	776	817	857	906	1 020
Share of SME outstanding loans	% of total business loans	83.5	81.5	77.7	74.7	74.7	74.0	74.2	78.6	80.2	81.2	82.4	82.0
Outstanding Short-term loans, total; loans for operation	KRW trillion	373	372	388	395	405	419	426	414	419	429	462	528
Outstanding Long-term loans, total; loans for equipment	KRW trillion	158	169	197	223	249	287	330	362	398	428	444	492
Share of short-term loans; loans for operation	KRW trillion	70.3	68.7	66.3	63.9	61.9	59.3	56.3	53.4	51.3	50.1	51.0	51.8
Government loan guarantees, SMEs	KRW trillion	56	56	55	57	59	60	61	63	66	67	69	80
Government guaranteed loans, SMEs	% of SME business loans	12.7	12.7	12.2	12.3	12.2	11.5	10.9	10.3	10.0	9.7	9.2	9.6
Direct government loans, SMEs	KRW billion	4 812	3 098	2 957	3 149	3 715	3 270	3 902	4 551	4 666	4 415	4 358	6 290
Non-performing loans, total	% of all business loans	1.6	2.6	1.73	1.66	2.39	2.09	2.56	2.06	1.76	1.88	1.45	1.17
Non-performing loans, SMEs	% of all SME loans	1.8	3.11	2.17	1.96	2.11	1.94	1.64	1.3	1.11	1.10	0.94	0.79
Interest rate, SMEs	%	6.18	6.52	6.36	5.93	5.11	4.69	3.95	3.63	3.62	3.82	3.71	3.06
Interest rate, large firms	%	5.62	5.98	5.81	5.50	4.87	4.51	3.79	3.40	3.31	3.45	3.38	2.83
Interest rate spread	%	0.56	0.54	0.55	0.43	0.24	0.18	0.16	0.24	0.31	0.37	0.33	0.23
Rejection rate	%, 1-(SME loans authorised/ requested)	..	..	..	..	..	6.90	3.70	12.20	12.90	15.50	10.40	16.1
Non-bank finance													
Venture and growth capital	KRW billions	867	1 091	1 261	1 233	1 385	1 639	2 086	2 150	2 380	3 425	4 278	4 305
Venture and growth capital (growth rate)	%	19.7	25.8	15.6	-2.2	12.3	18.4	27.2	3.1	10.7	43.9	24.9	0.63
Leasing and hire purchases	KRW trillions	14.4	20.4	21.6	20.6	22.6	25.5	28.3	29.5	32.9	34.7	36.1	39.0
Other indicators													
Payment delays, SMEs	Number of days past due date	9.9	12.1	11.7	9.1	9.7	10.0	9.2	13.3	8.9	7.4	8.4	8.5
Bankruptcies, total	Number	1 998	1 570	1 359	1 228	1 001	841	720	555	494	469	414	292
Bankruptcies, growth rate	Year-on-year growth rate, %	-26.9	-21.4	-13.4	-9.6	-18.5	-16.0	-14.4	-22.9	-11.0	-5.1	-11.7	-29.5

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

26. Latvia

Key facts on SME financing

In the run-up to the COVID-19 pandemic Latvia experienced stable economic growth, with growth rates exceeding the EU average. From 2011 to 2019, GDP grew by 3.3% per year on average. In 2019, the growth of the economy became more moderate. GDP grew by 2% in 2019. In 2020, the COVID-19 pandemic had a significant impact on the global and Latvian economies. In the 2nd quarter, GDP in Latvia decreased by 8.9% compared to the same period in 2019. However, this appears to be a comparatively mild decline, as in EU-27 GDP contracted by 13.9% over the same period. In Q3 and Q4 of 2020, the economic decline slightly slowed down. Overall, in 2020, GDP decreased by 3.6%, compared to 2019. The development of the economy in the medium term depends on the situation in the external environment and the pace of reform implementation. The further development of the Latvian economy will be closely related to export opportunities; therefore, the largest risk to Latvia's growth is related to the development of the global economy, especially the evolution of the COVID-19 pandemic. Also, the further development of the EU's common economic space is vitally important. Latvia's medium-term economic benefits will be mainly based on macro-economic stability (as a result of which Latvia's credit ratings have improved), the efficiency of the planned EU support programmes, and improvements in the business environment.

In Latvia, 99.8% of economically active merchants and commercial companies are SMEs, 92.1% of which are micro-enterprises.

SME loans dominate the banking sector’s lending to non-financial corporations (NFCs). As SMEs play an important role in the domestic economy, SME loans represented 73% of total loans to domestic NFCs in 2020. The outstanding amount of banking sector loans to SMEs decreased in 2020 by 7%; however the total banking's sector loan portfolio to NFCs decreased even further, by 8.5%. To a large extent, this is attributed to structural changes in the Latvian banking sector (for instance, the withdrawal of the credit institution's licence). Excluding one-off effects, the SMEs loan stock slightly declined (-3.2% year-on-year). In 2020, the new lending (flow) to SMEs was noticeably lower than in 2019 (by 20.5%), despite the increase of total new business lending to NFCs by 5.8%.

In 2019, venture and growth capital experienced a 33.7% y-o-y growth rate caused by the increase of finance allocated to equity. The high allocation to equity is explained by significant higher investment returns compared to the previous year. In light of the quantitative easing strategy, pursued by the European Central Bank (ECB), which took place in a low interest rate environment, market actors and investors have been searching for higher yields, including in riskier areas such as venture capital. The availability of cheap capital, low interest rates and the relative narrowing of classic investment opportunities increased investor tolerance above medium levels, thus stimulating alternative investment opportunities. However, in 2020 venture and growth capital decline by 6.29% year on year, reflecting the uncertainties and instabilities caused by the COVID-19 pandemic and its impact on the economy.

As a response to the COVID-19 crisis, the state promoted access to funding (through its micro-lending, start-up, and loans programme) for firms lacking the financial credibility (collateral, net worth, cash flow and credit history) that is necessary to access funding from commercial banks or private investors.

Currently, state support programmes are introduced via the JSC Development Finance Institution Altum (ALTUM), a state-owned development finance institution offering aid and financial tools to various target groups. ALTUM develops and implements state aid programmes to compensate for market shortcomings that cannot be resolved by private financial institutions. In response to the COVID-19 outbreak, in 2020, ALTUM introduced several support programmes through working capital loans, other loans and credit guarantees.

Table 26.1. Scoreboard for Latvia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	4 482	4 110	3 922	3 648
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	5 887	5 591	5 481	5 017
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	76.1	73.52	71.57	72.71
New business lending, total	EUR million	..	..	..	..	1 708	1 914	1 965	1 268	1 346	1 795	1 347	1 312	1 558	1 650
New business lending, SMEs	EUR million	..	..	..	..	1 506	1 625	1 613	1 020	947	1 399	974	1 012	1 075	855
Share of new SME lending	% of total new lending	..	..	..	..	88.20	84.90	82.08	80.47	70.39	77.95	72.3	77.19	69.01	51.81
Outstanding 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	1 287	1 229	1 179	975
Outstanding 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	3 195	2 894	2 743	2 673
Share of short-term SME lending	% of total SME lending	34.4	37.2	39.9	39	38.1	38.2	34.3	31.8	35.1	27.7	28.7	29.8	30.1	26.7
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	3.1	2.5	4.4	2.5
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	3.8	3.3	3.8	2.3
Interest rate, SMEs	%	8.3	8.9	7.9	7.1	5.8	4.5	4.5	4.7	4.5	4.4	3.8	3.8	4.0	4.4
Interest rate, large firms	%	6.6	7.1	5.2	4.3	4	3.6	3.8	3.3	3.1	2.5	2.6	2.7	2.9	2.9
Interest rate spread	% points	1.7	1.8	2.7	2.8	1.8	0.9	0.7	1.4	1.4	1.9	1.2	1.1	1.1	1.5
Non-bank finance															
Venture and growth capital	EUR million	..	..	..	..	..	..	..	37.95	51.98	79.37	101	118	157.5	147.6
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	..	..	..	..	..	..	..	36.97	52.69	27.76	16.45	33.38	-6.29
Leasing and hire purchases	EUR million	1 576	1 594	1 145	841	810	867	875	864	932	939	1033.9	1102.5	1074.67	944.13

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Factoring and invoice discounting	EUR million	227.24	301.90	149.13	60.68	90.96	96.15	108.01	114.47	151.81	165.99	152.64	173.42	161.78	136.98
Other indicators															
Bankruptcies, SMEs	Number	..	1 292	2 202	2 714	898	884	820	959	803	731	590	592	560	374
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	..	70.43	23.25	-66.91	-1.56	-7.24	16.95	-16.37	-8.85	-19.29	0.34	-5.41	-33.21*

Note: * The reduction of SME's bankruptcies is justified that due to the rapid spread of Covid-19 on 12th of March 2020 the government had declared a state of emergency which lasted until 10th of June 2020. On 9th of November 2020 repeatedly the government had declared a state of emergency which lasted until the 6th of April 2021. During this period creditors were prohibited from submitting an application for insolvency proceedings of a legal person.

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

27. Lithuania

Key facts on SME financing

SMEs account for 99.5% of all enterprises operating in Lithuania, the majority of them (83.7%) being micro-enterprises. Most SMEs (73.0%) have chosen the legal form of private limited liability company and are primarily engaged in wholesale or retail trade activities (more than one-fourth of all SMEs). The share of employees working in SMEs is around 71%, while the share of gross value added generated by SMEs is close to 65%.

Equity capital and liabilities to non-banks (e.g. loans, trade payables) are the main sources of funding for SMEs. As of 2020, equity capital financed around 45 % of SME assets, while liabilities financed 55%.

As a result of a decrease and structural changes in large NFCs' (non-financial corporations) loan portfolios, the share of SME loans over total business loans increased by 17%. Since 2019 and amounted to 59% of the total.

SME non-bank financing has varied over time. For example, up until 2017, the use of credit unions or crowd-funding was much lower than now: between 2017 and 2020, the credit union loan portfolio increased by two times and the crowd-funding market evolved from EUR 1 million to around EUR 40 million. However, according to the annual survey of non-financial enterprises conducted by the Bank of Lithuania, only 10% of enterprises are in need of alternative financing instruments (e.g. private capital or risk funds, crowdfunding, etc.). However, an increase in non-bank funding may be the result of tighter lending conditions. For example, the results of the same survey indicate that the share of rejected loans for micro-enterprises increased in 2018 and remained elevated until 2020, reaching around 60%.

The government supports SMEs by ensuring that they benefit from favourable conditions to obtain the necessary financing to start and develop their business. Loans with preferential rates are granted under the EU Entrepreneurship Promotion Fund. Moreover, when a company does not have sufficient collateral, it can apply to the state-controlled enterprise *UAB Investicijų ir verslo garantijos* (Investment and Business Guarantee Enterprise, INVEGA), which provides various options of loan guarantees, factoring, leasing and export credit repayments. INVEGA also provides an option for different preferential loans through alternative financing or crowdfunding and loans with preferential rates from the different Venture Capital funding services. In addition, municipalities provide different support schemes to SMEs; for example, when starting a business, entrepreneurs can expect support to cover their set-up costs, part of the interest payments, as well as other supports.

Table 27.1. Scoreboard for Lithuania

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	EUR million	..	..	..	..	..	..	..	3 143	3 231	3 404	3 723	3 920	3 670	4 390
Outstanding business loans, total	EUR million	8 409	9 864	7 978	6 816	6 906	7 047	6 828	7 530	7 610	8 310	8 830	9 250	8 700	7 400
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	..	..	..	..	41.74	42.44	40.91	42.13	42.38	42.18	59.41
New business lending, total	EUR million	7 759	9 452	7 252	4 868	3 792	3 220	3 236	3 128	4 275	4 248	4 639	4 021	3 606	3 953
Government guaranteed loans, SMEs	EUR million									148.4	218.8	241.6	224.5	188.6	257.7
Non-performing loans, total (NFCs)	% of all business loans	..	..	..	..	..	..	..	10.31	8.39	6.25	5.04	4.05	2.95	3.52
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	..	..	17.54	14.11	11.18	8.59	6.60	4.83	4.88
Interest rate, SMEs	%	6.13	6.72	5.06	4.64	5.04	4.04	3.45	3.27	3.13	2.76	2.80	3.29	3.30	3.17
Interest rate, large firms	%	5.70	6.27	4.32	3.90	4.17	3.24	2.74	2.66	2.35	2.18	2.16	2.56	2.91	2.81
Interest rate spread	% points	0.43	0.45	0.74	0.74	0.87	0.80	0.71	0.61	0.78	0.58	0.64	0.73	0.39	0.36
Colalteral, SMEs	% of SMEs needing collateral to obtain bank lending							69.80	62.10	69.00	64.50	64.40	67.70	69.90	61.20
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	15.4	30.8	11.5	21.3	14.3	19.4	22.5	43.2	43.8	43.49
Non-bank finance															
Leasing and hire purchases	EUR million	..	..	..	1 756	1 547	1 452	1 527	1 521	1 660	2 111	2 463	2 950	3 000	2 810
Factoring and invoice discounting	EUR million	..	..	..	151	200	231	348	359	407	434	517	464	453	220
Other indicators															
Payment delays, B2B	Number of days	..	..	..	..	..	..	..	..	..	27	26	30	25	64
Bankruptcies, SMEs	Number	594	925	1 787	1 614	1 254	1 391	1 537	1 672	1 974	2 727	2 972	2 078	1601	789
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	55.72	93.19	-9.68	-22.30	10.93	10.50	8.78	18.06	38.15	8.95	–30.02	-22.95	-50.72

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

28. Luxembourg

Key facts on SME financing

According to the latest available data, SMEs accounted for 99.5% of all non-financial firms in Luxembourg in 2018. SMEs employed approximately 66% of the labour force and generated 63% of the economy's total value added.

New loans to all enterprises decreased in 2020 compared to 2019, marking the lowest level since data are recorded. New loans to SMEs (defined as loans below EUR 1 million) decreased in 2020 too, but at a slower pace than loans to all enterprises. Therefore, the share of new SME lending increased to 14%, which is higher than the 12.1% of 2019 but below the peak of 16.1% in 2011.

Over the period 2007-2020, the average interest rates for SMEs remained systematically higher than the average interest rate for large firms. In 2020, the interest rate for SMEs was 1.57%, compared to 1.10% for large firms. In absolute terms, this means an interest rate spread of 0.47 percentage points. In relative terms, interests payed by SMEs are 43.0% higher than interest payed by large firms in 2020.

Alternative forms of financing such as venture capital may hold high potential for SMEs seeking finance. In 2020, nearly EUR 220 million of venture capital were invested in Luxembourgish firms. The largest part of all venture capital funding is invested in firms active in the Information and Communication Technology industry (EUR 88.3 million).

In 2021, Orbital Ventures, a public-private partnership was set up to make strides in the space economy with an endowment of EUR 70 million. The Fund invests in early-stage companies and focuses on space technologies including communications, cryptography, rockets and satellites.

The numbers of bankruptcies among all firms in Luxembourg stood at 1 198 in 2020, decreasing from 1 262 in 2019, the peak for the reference period.

Table 28.1. Scoreboard for Luxembourg

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	87809	80 264	95 633	84 091	62 083
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	9 698	10 440	10 184	8 682
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	10.70	12.08	10.92	12.11	13.98
Non-performing loans, total	% of all business loans	0.12	0.18	0.44	0.48	0.64	0.59	0.52	0.41	0.40	0.27	0.38	0.40	0.42	0.57
Interest rate, SMEs	%	5.51	5.72	2.81	2.71	2.68	2.22	2.05	2.08	1.88	1.75	1.76	1.73	1.65	1.57
Interest rate, large firms	%	4.96	4.97	2.59	2.30	2.62	1.86	1.64	1.47	1.42	1.20	1.21	1.26	1.12	1.10
Interest rate spread	% points	0.54	0.75	0.21	0.41	0.06	0.35	0.41	0.62	0.46	0.55	0.55	0.47	0.53	0.47
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	18.20	..	25.80	16.40	23.00	26.15	18.93	32.28	27.02	22.68
Non-bank finance															
Venture and growth capital	EUR thousand	103 343	298 650	49 021	132 917	281 484	86 212	31 090	128 472	144 368	196 346	59 145	113 098	173 872	199 386
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	188.99	-83.59	171.14	111.77	-69.37	-55.23	230.97	13.00	34.10	-69.88	91.22	53.74	14.67
Factoring and invoice discounting	EUR million	..	..	349	321	180	299	407	339	..	..	..	..	..	..
Other indicators															
Bankruptcies, SMEs	Number	659	574	693	918	978	1 050	1 049	850	873	961	904	1 191	1 262	1 198
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	-12.90	20.73	32.47	6.54	7.36	-0.10	-18.97	2.71	10.08	-5.93	31.75	5.96	-5.07

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

29. Malaysia

Key facts on SME financing

SMEs are the backbone of the Malaysian economy, accounting for 97.2% of total business establishments, generating 38.2% of GDP and providing employment for 7.3 million people. In the last few decades, a comprehensive financing ecosystem has been put in place to provide diversified funding options for SMEs from both public and private institutions. This has enabled Malaysian SMEs to continue to have access to diversified sources of financing to address their needs at various stages of development.

However, 2020 was a year like no other. The COVID-19 pandemic plunged the world into a public health crisis that saw many losing their lives, and the livelihoods of many more were disrupted as entire economies were forced to a near standstill. Malaysia was not spared as the economy recorded a significant contraction especially in the second quarter of the year. Amid these challenges, the Central Bank of Malaysia (BNM) took swift and broad-ranging measures to cushion shocks to the financial system and the economy. In doing so, BNM co-ordinated closely with the Government and the financial sector to preserve both lives and livelihoods. A top priority was to mitigate the impact of the economic contraction and promote conditions for a sustainable economic recovery. BNM reduced the Overnight Policy Rate to the lowest level in Malaysian history and implemented measures to ensure adequate liquidity and orderly market conditions. Debt relief measures and funding programmes for SMEs were rolled out at an unprecedented scale to help affected borrowers and businesses to alleviate cash flow constraints and to maintain credit flows to the economy.

Financial institutions continued to play a key role in providing assistance to SMEs by approving a total MYR 66.8 billion in new business lending for SMEs in 2020.

Guarantee schemes perform a pivotal role in helping viable SMEs that lack collateral and track record to obtain financing. In 2020, the Credit Guarantee Corporation Malaysia Berhad (CGC) recorded an approval value of MYR 5.922 billion, which is higher than the 2019 approval value (MYR 3.968 billion). This is evidenced by the double-digit growth of 24.4% in the number of SME accounts approved, from 10 827 in 2019 to 13 472 in 2020.

The entrepreneurship development agenda has been given greater importance with the establishment of a dedicated ministry, known as the Ministry of Entrepreneur Development and Cooperatives (MEDAC). Subsequently, the National SME Development Council (NSDC) is now officially known as the National Entrepreneur and SME Development Council (NESDC), with a greater emphasis on entrepreneurship development.

2020 saw SMEs struggling to face the challenges related to the COVID-19 pandemic. The Malaysian Government responded to the coronavirus threat by introducing the PRIHATIN Economic Stimulus Package and PENJANA Recovery Plan, which require SMEs to reassess and rethink the way business is conducted, in line with the “new normal”.

Table 29.1. Scoreboard for Malaysia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	MYR billion	128.0	138.9	141.6	141.2	165.3	187.6	211.0	243.7	274.4	299.8	315.7	320.1	278.4	305.1
Outstanding business loans, total	MYR billion	290.7	328.3	343.1	375.3	422.0	465.1	499.8	545.9	588.1	616.0	623.8	659.4	675.0	680.6
Share of SME outstanding loans	% of total outstanding business loans	44.00	42.30	41.30	37.60	39.17	40.34	42.22	44.64	46.66	48.66	50.60	48.55	41.24	44.82
New business lending, total	MYR billion	163.1	129.0	104.9	141.1	171.4	169.5	178.8	196.4	179.3	178.7	200.0	224.9	237.6	224.7
New business lending, SMEs	MYR billion	63.2	58.9	50.9	62.2	75.2	84.7	78.3	77.7	72.0	74.6	70.7	69.6	71.2	66.8
Share of new SME lending	% of total new lending	38.77	45.70	48.50	44.06	43.90	49.94	43.78	39.57	40.12	41.77	35.33	30.97	29.96	29.71
Share of short-term SME loans outstanding	% of total SME lending	..	..	..	..	..	..	28.73	26.52	24.18	23.61	24.10	23.90	23.83	20.58
Share of long-term SME loans outstanding	% of total SME loans	..	..	..	..	..	..	71.27	73.48	75.82	76.39	75.90			
Guarantee and Financing Schemes	No. of accounts (in thousands)	13.00	10.37	14.07	7.67	7.50	2.15	2.37	6.84	8.23	7.57	8.64	8.99	10.8	13.5
Guarantee and Financing Schemes	MYR million	4 567	3 014	3 112	2 495	2 861	1 066	1 546	3 175	3 356	4 224	3 380	3 682	3 968	5 922
Impaired financing, total (amount)	MYR billion	..	20.2	18.1	23.6	21.3	18.4	17.7	17.9	18.9	20.5	20.8	21.4	23.7	23.4
Impaired financing, total	% of all business loans	..	6.16	5.29	6.28	5.05	3.97	3.55	3.27	3.21	3.32	3.33	3.25	3.51	3.44
Impaired financing, SMEs (amount)	MYR billion	..	9.9	8.9	10.6	9.6	8.5	8.2	8.6	8.9	8.9	10.1	10.2	10.3	9.8
Impaired financing, SMEs	% of all SME loans	..	7.12	6.28	7.50	5.78	4.53	3.89	3.51	3.24	2.96	3.19	3.21	3.70	3.21
Interest rate, SMEs	%	..	6.39	5.50	5.69	5.74	5.72	6.06	7.18	7.81	6.60	7.00	7.71	7.86	5.78
Interest rate, large firms	%	..	6.08	5.08	5.00	4.92	4.79	3.79	5.41	5.11	5.06	4.82	4.69	4.30	4.40
Interest rate spread	% points	..	0.31	0.42	0.69	0.82	0.94	2.28	1.77	2.69	1.54	2.17	3.03	3.56	1.38
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	..	..	49.11	51.85	46.08	41.56	43.58	47.49	46.00	51.77
Non-bank finance															
Total investment as at end of the period	MYR billion	1.78	1.93	2.59	3.39	3.59	2.76	3.43	3.25	2.22	2.92	2.45	3.11	2.96	
Total investment as at end of the period	%, 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	16.05	26.99	-4.98	
Leasing and Factoring	MYR million	..	..	..	..	721	918	1 099	1 170	1 086	834	1 280			

Note: Malaysia uses the term "Impaired financing" instead of “non-performing loans” and “Total investment as at end of the period” instead of “Venture and growth capital”

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

30. Mexico

Key facts on SME financing

In Mexico, before the pandemic, there were over 4.86 million micro, small, and medium-sized enterprises (SMEs), 96.6% of which were micro-enterprises, which generated 14.6% of national GDP and employed nearly 50% of the workforce.

As a result of the lockdown measures due to the Covid-19 pandemic in 2020, many businesses were forced to interrupt their activities, even closing definitely. Despite the disruption, some business found economic opportunities to reconvert their activities and adapt them to the new circumstances. However, despite some businesses adapting to new consumer behaviour, it was registered a net reduction of 8.06% of the total SME population between May 2019 and September 2020. Currently, with the post-COVID policy measures implemented to reactivate the economy, Mexico has 4.47 million SMEs, of which 94.1% are micro-enterprises. However, establishments born in 2020 have an average of 2 employees, while closed establishments during the same year had an average of 3 people employed.

In 2020, the average interest rates varied according to the loan amount and the size of the borrowing company. For large companies, the average interest rate was approximately 6.26%; for SMEs, it was 11.72%. The average interest rates showed a downward trend related to the expansionary monetary policy stance of the Bank of Mexico, as a measure to mitigate the economic impact of the COVID-19 pandemic. However, from the second half of 2021, the central bank turned its monetary policy stance in the opposite direction and approved several increases of the policy rate to curb inflationary pressures.

In recent years, the Mexican government has developed a range of initiatives to support entrepreneurs and strengthen the SME access to finance. These initiatives have included programmes to promote youth and women's entrepreneurship. Furthermore, the government has put in place several measures to help SMEs face the economic impact of the COVID-19 pandemic.

Guarantee funds have also been used to develop more specific programmes. For example, government initiatives have been developed to support the provision of credit to companies that previously could not access external finance, such as construction companies, travel agencies, real estate development, rural tourism companies, small taxpayers and government SME providers[1]. Also, in the midst of the COVID-19 pandemic, the government implemented additional programs to support SMEs in strategic sectors such as retail trade, manufacturing, lodging services, food and beverage preparation, restaurants and the dough and tortilla industry, to contribute to economic reactivation.

Finally, the increase in competition among financial intermediaries has generated a significant improvement in credit conditions, resulting in longer loan maturities and lower interest rate spreads.

Table 30.1. Scoreboard for Mexico

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	MXN billion	…	…	199.0	220.9	256.8	310.9	423.6	481.7	548.1	738.1	821.3	440.8	434.0	404.9
Outstanding business loans, total	MXN billion	…	…	975.1	1054.3	1218.7	1299.5	1424.7	1518.7	1758.3	2059.6	2357.5	2279.5	2350.4	2257.4
Share of SME outstanding loans	% of total outstanding business loans			20.4	21.0	21.1	23.9	29.7	31.7	31.2	35.8	34.8	19.3	18.5	17.9
New business lending, total	MXN billion	…	…	…	79.3	164.4	80.8	125.3	93.9	239.6	301.3	4301.7	4805.7	5287.2	5566.6
New business lending, SMEs	MXN billion	…	…	…	21.9	35.9	54.1	112.6	58.2	66.4	190.0	904.4	808.1	789.5	653.1
Share of new SME lending	% of total new lending			…	21.7	17.9	40.1	47.3	38.2	21.7	38.7	17.4	14.4	13.0	10.5
Outstanding short-term loans, SMEs	MXN billion	11.1	41.3	39.1	30.8	30.0	36.9	34.3	12.5	17.7	21.7	32.1	23.8	…	…
Outstanding long-term loans, SMEs	MXN billion	10.8	22.4	38.5	36.6	44.2	60.1	80.9	89.0	90.1	107.1	99.1	115.3	…	…
Share of short-term SME lending	% of total SME lending	50.6	64.8	50.4	45.7	40.4	38	29.8	12.3	16.4	16.8	24.5	17.1	…	…
Government loan guarantees, SMEs	MXN billion	0.8	1.1	1.9	2.3	3.0	3.0	3.7	4.3	3.2	2.7	1.9	4.0	0.8	1.4
Government guaranteed loans, SMEs	MXN billion	21.9	63.8	77.7	67.4	74.3	96.9	115.1	101.6	107.8	128.8	131.2	139.1	34.0	18.6
Direct government loans, SMEs	MXN billion	…	…	29.5	30.8	53.3	63.0	88.1	135.4	183.8	111.1	6.5	6.8	5.7	5.3
Non-performing loans, total	% of all business loans			1.9	1.9	2.2	2.1	3.6	3.2	3.1	1.8	1.7	1.7	1.8	1.9
Interest rate, SMEs	%	19.9	16.2	12.1	11.9	11.4	11.2	9.9	9.2	9.1	11.0	17.0	17.7	13.9	11.7
Interest rate, large firms	%	7.4	8.0	8.1	7.9	7.7	7.6	6.6	6.0	6.0	8.1	10.6	11.8	8.3	6.3
Interest rate spread	% points	12.4	8.3	3.9	4.0	3.8	3.6	3.4	3.2	3.1	2.9	6.4	5.9	5.5	5.5
Non-bank finance															
Venture and growth capital	USD billion	4.1	2.1	1.5	4.5	2.1	4.2	1.9	7.2	12.2	5.0	4.1	3.2	0.4	1.3
Venture and growth capital (growth rate)	%, Year-on-year growth rate	…	-49.6	-25.3	189.4	-54.0	102.3	-53.9	276.2	69.5	-58.8	-17.7	-23.9	-89.5	208.4

Note: Venture capital data were updated for previous years by AMEXCAP (association for the private equity industry in Mexico).

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

Note

[1] Government SME providers are those SME that supply the federal government with goods or services. Small taxpayers are related to the Tax Incorporation Regime (RIF), a new scheme of optional taxation introduced in the Tax Reform approved in 2013 for individuals who perform business activities with income of less than two million pesos per year.

31. The Netherlands

Key facts on SME financing

The recovery of the Dutch economy halted in 2020 with GDP showing a year-on-year negative growth rate of -3.7%, and unemployment increasing by 0.7 percentage points to 3.9%, though still close to the lowest figure since 2009. The negative growth rate and the increasing unemployment rate can be explained by the COVID-19 crisis and the consequent measures aimed to prevent the spreading of the corona virus.

New lending to SMEs stood at EUR 18.1 billion in 2020. This represents an increase compared to 2019, when it stood at EUR 17.1 billion. Total outstanding business loans decreased slightly, from EUR 320.5 billion in 2019 to EUR 308.9 billion in 2020.

Bank loans continue to be the main source of external financing for SMEs in the Netherlands. However, according to a 2019 policy brief by the Netherlands Bureau for Economic Policy Analysis (CPB), Dutch SMEs had used bank finance less often than their European counterparts. On the other hand, the percentage of requested loans that were fully authorised rose from 74% in 2015 to 84% in 2018. The interest rate for SMEs (2-250 employees) is higher than for large firms by 1.6 percentage points (respectively 3.3% and 1.7%). The interest rate for large firms decreased by 120 basis points in 2020.

Total venture and growth capital investments in the Netherlands have shown, with a few exceptions, steady growth and in 2020 accelerated growth. In 2017, VC investments amounted to EUR 930 million, in 2018 EUR 1093 million, in 2019 EUR 1 224 million, and in 2020 the highest point so far with EUR 17 04 million. Since 2014, total private equity investments have not dipped below the EUR 700 million mark.

The average number of days before receiving a B2B payment was 25 days in 2020, with the average contractual term being 27 days. The average number of days of delay to receive a B2B payment therefore is -2 days, a decrease by 22 days compared to 2019. In 2019 a very high number of B2B payment days of delay was reported. The average number in 2020 is more in line with the average number in 2018, improving it by 3 days. The number of bankruptcies decreased in 2020, with a year-on-year decrease of 15.8%. The number of bankruptcies is at a lower level than in 2018.

Several programmes are in place to support SMEs' access to finance. These include different guarantee schemes, such as the Guarantee Scheme for SMEs (BMKB), or Qredits, a microcredit institution which introduced SME loans of various sizes in 2013. Furthermore, the Netherlands created a National Promotional Institution (NPI) named Invest-NL in 2019, whose aim is to help SMEs through financing or the development of a viable business case.

Because of the COVID-19 crisis and the consequent measures to prevent the spreading of the virus, since March 2020 the Dutch government has put in place several new programmes to address the issue of SME insolvencies due to over-leveraging. For example, next to an allowance for wage costs (NOW) and an allowance for fixed costs (TVL), corona or "c" versions of the national guarantee schemes have been introduced, such as the BMKB-C and the Guarantee Scheme Small Credits Corona (KKC). Moreover, Qredits and regional development agencies (ROMs) have provided bridge loans.

Table 31.1. Scoreboard for the Netherlands

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	EUR billion	..	..	..	..	..	..	143.3	136.0	130.4	124.1	125.9	127.1	124.5	121.0
Outstanding business loans, total	EUR billion	258.0	304.8	313.5	313.9	342.1	349.1	346.5	330.5	370.2	349.1	328.3	325.3	320.5	308.9
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	..	..	..	41.4	41.1	35.2	35.6	38.3	39.1	38.8	39.2
New business lending, total	EUR billion	..	..	..	123.0	124.9	110.0	97.3	83.7	146.7	122.7	129.8	130.6	122.8	119.4
New business lending, SMEs	EUR billion	..	..	..	10.2	19.5	18.7	18.8	18.0	18.2	16.0	20.9	18.2	17.06	18.1
Share of new SME lending	% of total new lending	..	..	..	8.3	15.6	17.0	19.3	21.5	12.4	13.0	16.1	13.9	13.8	15.2
Outstanding short-term loans, SMEs	EUR billion	..	..	..	..	..	..	30.1	26.8	23.1	19.8	17.9	16.6	15.2	11.5
Outstanding long-term loans, SMEs	EUR billion	..	..	..	..	..	..	113.3	108.2	107.3	104.3	107.9	110.0	109.3	109.4
Share of short-term SME lending	% of total SME lending	..	..	..	..	..	..	21.0	19.8	17.7	15.9	14.3	13.1	12.2	9.5
Government loan guarantees, SMEs	EUR million	..	400.0	370.0	945.0	1040.0	590.0	415.0	473.0	523.0	710.0	646.0	643.0	586	1485
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	..	10.0	10.8	9.5	8.1	8.8	9.2	9.6	8.7
Interest rate, SMEs	%	5.4	5.7	4.5	6.0	6.4	5.1	4.3	4.1	4.4	3.7	2.9	4.1	3.7	3.3.
Interest rate, large firms	%	..	..	..	..	3.5	3.6	3.4	2.8	2.4	3.2	2.5	2.1	2.9	1.7
Interest rate spread	% points	..	..	..	..	2.9	1.5	0.9	1.3	2.0	0.5	0.4	2.0	0.8	1.6
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	47.0	45.0	44.0	47.0	50.0	43.0	29.0	34.0	40.0	59.0	55	54
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	29.0	22.0	18.0	22.0	21.0	21.0	16.0	14.0	18.0	12.8	11.4	10.4
Rejection rate	1-(SME loans authorised/ requested)	..	..	31.0	10.0	13.0	28.0	28.0	27.0	7.0	18.0	17.0	16.0	16.0	21.0
Utilisation rate	SME loans used/ authorised	..	..	72.0	75.0	70.0	50.0	54.0	44.0	89.0	73.0	83.0	84.0	84.0	79.0
Non-bank finance															
Venture and growth capital	EUR million	498.0	691.0	526.5	291.2	612.8	417.5	398.6	681.1	788.3	727.7	930.2	1093.205	1224.128	1704.660

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	38.7	-23.8	-44.7	110.4	-31.8	-4.53	70.86	15.7	-7.68	27.8	17.52	11.98	39,25
Leasing and hire purchases[1]	% of SMEs	..	..	..	..	..	..	..	..	9.0	16.0	12.0	21.0	23.0	20.0
Factoring and invoice discounting	% of SMEs	..	..	..	..	..	..	..	..	..	..	..	2.0	3.0	1.0
Other indicators															
Payment delays, B2B	Number of days	13.2	13.9	16.0	17.0	18.0	18.0	17.0	16.0	6.0	5.0	5.0	1.0	20.0	- 2.0
Bankruptcies, SMEs	Number	3 589	3 842	6 942	6 162	6 117	7 349	8 376	6 645	5 271	4 399	3 291	3 144	3209	2703
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	7.0	80.7	-11.2	-0.7	20.1	14.0	-20.7	-20.7	-16.5	-25.2	-4.5	2.07	-15.77

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

32. New Zealand

Key facts on SME financing

Despite ongoing uncertainty and the challenges brought in by COVID-19, New Zealand was recognized by the World Bank as the number one country in the world for ease of doing business for the 12th year in a row. This is based on a number of indicators from ‘starting a business’ through to ‘reducing insolvency’ and ‘protecting minority investors’.

SME’s, when defined as businesses with 0-49 employees, made up 99% of New Zealand businesses in 2020. This is consistent with historic levels. At times in this profile it is noted that the definition of SME varies depending on the source the data is available from.

Total lending to businesses decreased to NZD 116.3 billion in 2020, down from NZD 120.5 billion in 2019. Lending to SME’s also decreased, to NZD 70.8 billion from NZD 72.6 billion in 2019. SME lending decreased by a lesser proportion than total lending, meaning the share of SME lending to total business loans increased by 0.7%, from 60.2% to 60.9%.

As a small open economy, New Zealand was exposed to considerable uncertainty in 2020. Fiscal and monetary support, along with successful public health measures and border closures, helped prevent many business failures and a larger rise in unemployment.

The Reserve Bank of New Zealand adjusted policies to enable banks to continue lending to sound borrowers. The Official Cash Rate was cut to a record low of 0.25%, and central and local government bonds were purchased in large scales. Funding was also provided to banks when markets were volatile to ensure banks remained able to support customers.

The Business Finance Guarantee scheme was launched to help SMEs access credit for cash flow, capital assets, and projects relating to the impacts of COVID-19. 2 205 entities received support loans, totalling NZD 1.279 billion. It should be noted that the definition of an SME differs in this case, to refer to firms with a revenue of either less than NZD 50 million, or less than NZD 200 million (depending on the loan provider), regardless of the number of employees.

Non-performing loans for all businesses remained stable at 0.6%, with no change from 2019. In contrast non-performing loans for SMEs increased on the previous year from 0.7% to 1%.

Interest rates for SMEs continue to follow their fairly consistent downward trend, decreasing by 0.6% from 2019 to 2020, from 9.0% to 8.4%.

Debt finance rejection rates increased substantially to 15.1%, up 5.2 percentage points from 9.9% in 2019. The data for rejection rates in New Zealand only includes businesses with 6 - 49 employees. Smaller and micro-businesses with less collateral may be likely to experience high rates of rejection, which is not represented in the data available.

Despite some initial concerns, seed and early stage capital market growth remained strong, with NZD 158 million invested in 2020. This was a 23% increase on the previous year. This year the venture and growth capital is also reported for the first time, defined as total investment in mature/later stage ventures and expansion. NZD 37.6 million was invested in 2020, a decrease of 62% on the previous year. It should be noted that there is considerable volatility in the figures reported for this indicator. These figures put the total figure for seed, early stage, venture and growth capital at NZD 195.6 million.

New Zealand has seven licensed peer to peer lenders and six licensed crowdfunding providers, which also provided SME financing over the year.

Bankruptcies continued on their downward trend, declining by 16.5% to a new low of 1 102 bankruptcies in 2020. This figure only includes personal insolvencies and not corporate liquidations. However, it should be noted that many SME owners rely on their personal assets to finance their business.

The downward trend is generally attributed to a multitude of factors, including the general buoyancy of the New Zealand economy over the last decade. More recently, this may be due to both banks and Inland Revenue (which instigates about three quarters of liquidation applications), giving businesses more leeway than in the past due to COVID-19. Another factor keeping liquidation at bay is that many business owners shifted to online sales following the first lockdown so they were better prepared for the latest one. Court applications to liquidate failing businesses have since picked up in 2021, with the 453 filed to the end of October already surpassing applications for the whole of last year.

Payment delays for business-to-business transactions decreased to 5.9 days in 2020 from 6.6 days in 2019. SME payment delays also decreased from 6.0 days in 2019 to 5.1 days in 2020. This has occurred alongside the governments continued promotion of e-Invoicing, intended to facilitate faster payment stimulating cash flow through the economy.

A substantial number of policy responses to COVID-19 were implemented to support SMEs, including the Wage Subsidy Scheme, Business Finance Guarantee Scheme, Small Business Cash flow Loan Scheme, Carry back tax loss scheme and deferred tax payments.

The Wage Subsidy Scheme was a critical scheme for small business, totalling more than NZD14 billion and helping to retain 1.8 million jobs. Although not directly related to access to finance, it was nevertheless very important to the overall financial sustainability of companies, as well as bolstering domestic demand.

Table 32.1. Scoreboard for New Zealand

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	NZD billion	..	..	31.6	32.4	32.1	30.9	32.4	34.2	36.5	60.4	64.6	68.2	72.6	70.8
Outstanding business loans, total	NZD billion	80.0	87.6	80.4	78.9	79.9	83.0	85.4	89.0	95.0	101.6	107.7	113.0	120.5	116.3
Share of SME outstanding loans	% of total outstanding business loans	..	..	39.3	41.1	40.2	37.2	37.9	38.4	38.4	59.4	60.0	60.4	60.2	60.9
Non-performing loans, total	% of all business loans	..	..	1.7	2.1	1.8	1.5	1.1	0.8	0.6	0.5	0.5	0.5	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	1.1	0.9	0.6	0.7	1.0
Interest rate, SMEs	%	12.2	11.2	9.8	10.1	10.0	9.6	9.5	10.3	9.4	9.2	9.3	9.4	9.0	8.4
Interest rate, large firms	%	9.0	8.2	5.7	6.3	6.1	6.0	5.4	6.0	5.4	4.6	..	..	..	..
Interest rate spread	% points	3.2	3.0	4.1	3.8	4.0	3.5	4.2	4.3	4.0	4.6	..	..	..	..
Rejection rate	% (SME loans rejected/ requested)	6.9	11.6	18.4	20.9	11.4	14.6	9.4	8.4	10.6	4.8	11.7	9.0	9.9	15.1
Non-bank finance															
Venture and growth capital (seed and early stage)	NZD million	29.5	32.6	43.2	53.1	34.8	29.9	53.1	56.4	61.2	69.0	87.0	111.3	128.7	158.0
Venture and growth capital (seed and early stage) (growth rate)	%, year-on-year growth rate	..	10.3	32.8	22.8	34.5	14.1	77.6	6.3	8.5	12.6	26.2	28.0	15.6	22.8
Other indicators															
Payment delays, B2B	number of days	..	..	..	..	15.7	13.5	12.7	10.4	7.1	5.9	5.8	5.9	6.6	
Bankruptcies, total	number	3 585	2 504	2 564	3 054	2 714	2 417	2 188	1 921	1 979	1 996	1 863	1 486	1 319	1,102
Bankruptcies, total (growth rate)	%, year-on-year growth rate	..	-30.2	2.4	19.1	-11.1	-10.9	-9.5	-12.2	3.0	0.9	-6.7	-20.2	11.2	-16.5

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

33. People’s Republic of China

Key facts on SME financing

In China, there were over 140 million SMEs and self-employed in 2020. Overall, SMEs contribute over 60% of total GDP, 50% of tax income, 79% of job creation and 68% of exports. In 2020, there were about 2.52 million new companies, and the number of newly registered enterprises reached 22 000 per day.

Outstanding business loans for micro and small businesses (MSEs) increased to CNY 36 900 billion in 2019, up by 10.17% from 2018. The share of loans for MSEs remains stable, between 42.97% and 42.85% over the period 2017-19. The ratio of short-term loans to total loans for SMEs decreased from 41.62% to 40.76 % over the period 2018-20.

In 2020, interest rates for SMEs and large firms were 4.84% and 5.06%, down respectively 0.02 and 0.05 percentage points compared to 2019. The interest rate gap between SMEs and large enterprises remains negative, with the difference declining from 0.25 to 0.22 percentage points in 2019-2020. The negative interest rate spread between SMEs and large firms is driven by the support from the Chinese government to reduce the cost of SME loans, including interest rates and bank charges. In 2020, the People's Bank of China reduced re-financing rates and set up special low-cost re-financing funds multiple times to support SMEs. Inclusive finance loans to SMEs significantly increased and the comprehensive financing cost of loans declined steadily. In 2019, the 1-year interest rate in the shadow banking sector ranged from 12.23%-13.81%, with a spread of about 7.4%-8.9% compared to formal bank loans. In 2020, the shadow banking assets reached CNY 59.2 trillion, a slight increase of CNY 200 billion. However, the share of SME loans in shadow banking is difficult to estimate.

In 2020, the rejection rate of loan applications by SMEs was 3.79%, down 0.26 percentage points compared to 2019. On average, only 57.94% of SMEs tried to apply for a bank loan. The utilisation rate of SME bank loans was 84.55%.

In 2020, SMEs obtained CNY 222.6 billion from STAR Market, CNY 249.2 billion from the Shenzhen SME Board, CNY 176.9 billion from Shenzhen Venture Board, and CNY 33.9 billion from NEEQ. Venture capital, leasing and factoring, online lending and crowdfunding continue to remain important sources of SME financing.

The bankruptcy rate for SMEs was 4.06% in 2020 according to survey data, up 31.39% from the previous year. In recent years, the Chinese government has simplified the cancellation process of companies to unblock the channels for market exit. The number of companies that closed their business and cancelled their registration increased from 1.81 million in 2018 to 3.30 million in 2020. The ratio of cancellation cases to new company registrations was about 1 to 2.43 in 2020. However, survey data also show that bankruptcy rates have increased as SMEs were greatly affected by the COVID-19 pandemic.

In 2020, the National Financing Guarantee Fund supported 45.6 million SMEs, totalling CNY 70.91 billion. The National Guide Fund for Venture Investment in Emerging Industries accounts for an aggregate investment of over CNY 85 billion. Special Funds for SME Development account for over CNY 5.04 billion in total.

Facing the huge challenge of COVID-19, the Chinese government promptly proposed a series of emergency policies to financing SMEs in earlier stage of the pandemic. Such immediate policy responses included lowering the deposit reserve ratio, arranging special re-financing funds, and allowing SMEs to delay the payment of overdue bank loan instalments.

Table 33.1. Scoreboard for the People's Republic of China

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	RMB billion	..	..	13 616	17 139	21 168	25 356	28 585	33 302	35 300	40 517	46 477	..	..	..
Outstanding business loans, total	RMB billion	..	..	24 940	30 292	35 017	39 283	44 019	52 162	53 895	62 578	71 545	78 728	86 123	..
Share of SME outstanding loans	% of total outstanding business loans	..	..	54.60	56.58	60.45	64.55	64.94	63.84	65.50	64.75	64.96	..	..	..
Outstanding business loans, Small and Micro Enterprises	RMB billion											30 744	33 492	36 900	..
Share of outstanding loans, Small and Micro Enterprises	% of total outstanding business loans											42.97	42.54	42.85	..
Share of short-term loans	% of total outstanding business loans							42.12	43.12	42.4	40.35	38.06	35.77	34.35	32.86
Share of short-term SME lending	% of total SME lending	..	..	..	..	..	..	56.10	49.24	47.56	54.69	40.97	41.62	39.09	40.76
Direct government loans, SMEs	RMB billion	..	..	..	..	1 550	1 813	2 082	2 470	2 820	..	..	..	..	..
Non-performing loans, total	% of all business loans	..	..	..	..	1.26	1.21	1.25	1.49	2.04	2.07	2.05	2.29	2.24	..
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	1.75	1.65	1.66	1.97	2.59	2.60	2.58	3.16	3.09	..
Interest rate, SMEs	%	..	..	..	..	..	..	8.39	7.51	5.23	4.77	5.78	5.17	4.86	4.84
Interest rate, large firms	%	..	..	..	..	..	..	7.72	7.47	5.26	4.89	5.40	5.07	5.11	5.06
Interest rate spread	% points	..	...	..	..	..	..	0.67	0.04	-0.03	-0.12	0.38	0.10	-0.25	-0.22
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	51.59	52.98	54.52	54.76	55.67	52.05	50.28	50.38	..	..
Collateral, Small and Micro Enterprises	% of Small and Micro Enterprises needing collateral to obtain bank lending							55.83	56.96	58.00	54.21	52.38	52.5	53.2	..
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	..	..	..	69.88	63.06	53.09	58.36	54.79	57.94
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	..	..	6.19	11.97	11.72	6.13	4.07	3.69	4.05	3.79
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	93.51	94.75	94.48	94.03	89.91	86.26	84.32	84.55
Non-bank finance															
Venture and growth capital (stock)	RMB billion	111	146	161	241	320	331	264	293	336	377	411	476.9	563.6	..
Venture and growth capital (stock, growth rate)	%, Year-on-year growth rate	..	30.80	10.26	49.93	32.88	3.59	-20.34	11.15	14.59	12.02	9.16	16.03	18.18	..

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Venture and growth capital (incremental)	RMB billion	..	..	..	..	..	25.11	27.90	37.44	46.56	50.55	84.53	52.72	86.68	..
Venture and growth capital (incremental, growth rate)	%, Year-on-year growth rate	..	..	..	..	..	..	11.11	34.20	24.36	8.60	67.22	-37.63	64.42	..
Leasing and hire purchases	RMB billion	24	155	370	700	930	1 550	2 100	3 200	4 440	5 330	6 060	6 650	6654	6504
Factoring and invoice discounting	EUR billion		55.0	67.3	154.6	274.9	343.8	378.1	406.1	352.9	301.6	405.5	411.5	403504	433162
Other indicators															
Payment delays, B2B	Number of days	..	..	..	..	..	..	95.91	72.31	64.44	65.21	44.00	38.00		
Bankruptcies, SMEs	Percentage of all SMEs	..	..	..	..	..	..	8	7	5	5	4	3	3.09	4.06
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	..	..	..	..	..	..	-4.36	-24.59	-13.37	-21.78	-22.97	8.42	31.39

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

34. Peru

Key facts on SME financing

In 2020, 99.5% of Peruvian enterprises were SMEs (including micro-enterprises, which employ fewer than ten persons), and they employed 89.4% of the private sector's workforce. Compared to 2019, according to data from the National Tax Administration Bureau, the size of the SME sector decreased by 25.1% in 2020 (in terms of number of SMEs), a significant drop compared to recent years. Among these formal enterprises, only 9.4% had access to the formal financial system in 2020, increasing from 5.5% in 2019. This increase is due to the credit programmes implemented by the Government of Peru in order to face the liquidity crisis suffered by companies due to the COVID-19 pandemic.

The Central Reserve Bank of Peru (CRB) forecast an annual growth of 10.7% in 2021, thanks to a better performance of internal private consumption. It is also expected that the terms of trade will experience a slight improvement, from 8.2% to 13.0%, due to an increase in export prices. In addition, the CRB expects to maintain its interest rate low (0.25%) to foster the economic recovery, taking into account that the inflation rate is stable at around 3.0% and that the output gap is negative.

Outstanding business loans grew by 24.4% in 2020. Based on preliminary data, outstanding SME loans amounted to 32.7% of all outstanding business loans in 2020 (driven by the increase in new SME lending, which grew by 18.5%), which is higher than the share observed in 2019 (24.4%). The increase in new lending corresponds to the efforts of the Peruvian government to establish extraordinary measures that targeted specifically SMEs, for instance through the Business Support Fund for MSMEs (FAE-MYPE) and the Business Support Programme for micro and small businesses (PAE-MYPE). In other programmes, such as *Reactiva Peru*, 98.6% of beneficiaries were SMEs.

About 2.9% of all outstanding business loans were non-performing, which is slightly lower than in 2019 (3.2%). Non-performing loans in the SME sector experienced a significant improvement, declining from 10.9% in 2019 to 6.6% in 2020. This decline is explained by the government implementing debt moratoria.

The interest rate spread between SME loans and large-company loans fell from 19.4 to 15.8 percentage points in 2020, according to the Central Reserve Bank, which is nonetheless high by international standards. The high interest rate spread reflects banks' significantly higher operating costs and credit risk associated with SME operations. SMEs, particularly those operating in the retail portfolio, tend to have a low degree of organisation, operate in the local market and mostly lack financial information regarding their activities. Around 57.9% of SMEs do not keep a record of their cash flows and 80% do not prepare a financing plan for their activities.

The main financial institutions that grant loans to SMEs are private banks with 93.7% of outstanding loans, urban credit unions with 4.2% of outstanding loans, and other types of financial institutions with the remaining 2.1%.

Table 34.1. Scoreboard for Peru

Indicator	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt												
Outstanding business loans, SMEs. As of June 30	PEN Billion	17.18	19.75	23.23	26.62	30.14	32.44	32.46	34.11	35.56	36.48	61.92
Outstanding business loans, total. As of June 30	PEN Billion	65.99	75.04	81.49	97.20	112.21	127.37	130.02	134.62	147.30	149.53	189.21
Share of SME outstanding loans	% of total outstanding business loans	26.04	26.31	28.50	27.39	26.86	25.47	24.97	25.34	24.14	24.39	32.73
New business lending, total	Number of lending				264 129	244 850	249 880	226 035	219 435	244 928	241 292	281 590
New business lending, SMEs	Number of lending				241 949	224 537	228 624	207 603	201 133	225 421	222 626	263 860
Share of new SME lending	% of total new lending				91.6	91.7	91.5	91.8	91.7	92.0	92.3	93.7
Government loan guarantees, SMEs	PEN Billion	..	..	..	..	..	..	400	..	..	..	..
Direct government loans, SMEs	PEN Billion	30.98	49.06	59.57	219.92	365.33	369.45	389.18	320.85	399.83	367.95	387.01
Non-performing loans, total	% of all business loans	2.20	1.78	1.65	1.96	2.14	2.37	2.46	3.33	3.40	3.15	2.93
Non-performing loans, SMEs	% of all SME loans	7.83	6.33	5.19	6.30	7.11	8.42	9.03	8.69	10.53	10.94	6.63
Interest rate, SMEs	%	27.63	27.09	25.96	24.66	23.41	25.59	26.37	26.57	26.31	25.28	20.23
Interest rate, large firms	%	4.98	6.03	6.60	6.49	6.37	6.29	6.86	6.75	6.00	5.93	4.39
Interest rate spread	% points	22.65	21.06	19.35	18.17	17.04	19.30	19.52	19.82	20.31	19.35	15.84
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	38.52	51.02	43.26	48.39		43.40	
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	5.06	5.77	4.63	5.93		4.00	
Utilisation rate	SME loans used/ authorised	..	..	..	..	94.94	94.23	95.37	94.07		96.00	
Non-bank finance												
Leasing and hire purchases	PEN Billion	3 374	3 846	4 301	3 978	4 128	3 966	3 530	3 440	3 110	3 000	3 204
Factoring and invoice discounting	PEN Billion	768.98	754.27	719.99	779.45	809.13	819.41	835.50	833.89	1006.19	947.14	724.63
Other indicators												
Bankruptcies, all businesses	Number	162 948	168 261	233 287	152 758	225 384	242 842	259 443	362 091	199 303	183 442	859 595

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

35. Poland

Key facts on SME financing

The COVID-19 pandemic has unleashed an unprecedented health and economic crisis. Nonetheless, the fall in national GDP has proved to be relatively small: -1.7% and -2.7% in the third and fourth quarters of 2020, compared to respective quarters in 2019. Moreover, Poland started 2021 on a strong economic footing, and it is expected that the negative impact of the pandemic on economic activity will be temporary. Overall, real GDP growth is projected to reach 4.8% in 2021 and 5.2% in 2022.

In 2020, the government launched a number of tools to support domestic entrepreneurs. The "Anti-crisis Shield" included the so-called Financial Shields in the form of financial subsidies for SMEs and in the form of the preferential financing for large companies, which were worth a combined total of PLN 71.37 billion (July 2021). Bank Gospodarstwa Krajowego provided support worth PLN 93.84 billion (July 2021) in the form of accessible guarantees, such as *de minimis* guarantees (the maximum amount of this guarantee was lifted from 60% to 80%) and liquidity guarantees (a new measure to improve the financial liquidity of medium-sized and large companies). The Anti-crisis Shield also covered other measures such as social insurance exemptions, subsidies to the remuneration of employees and idle- time benefits. The government support under the Anti-crisis Shield has amounted in total to over PLN 236 billion as of July 2021. These measures have significantly mitigated the effects of the crisis in the non-financial corporate sector.

In 2019, there were 2 211.6 thousand non-financial enterprises in Poland, which is 2.9% more than the previous year. SMEs dominate the business landscape in Poland, constituting nearly 99.9% of all firms. Micro-enterprises (less than 10 people employed) alone account for 97% of all companies in the country.

In 2020, the banking sector has remained stable. As a result of the reforms implemented after the 2008-2009 global financial crisis, the Polish banking system has generally become more resilient to shocks, due to stronger capital and liquidity buffers. In 2020, decreasing debt growth was observed among both large companies and SMEs. The biggest decline was observed in corporate loans, which to a large extent were replaced by the fiscal support provided by the government. At the end of 2020, the proportion of firms that did not experience liquidity problems reached a historical high, primarily as a consequence of the state aid liquidity measures under the Financial Shields.

The stock of outstanding business loans and SME loans slightly declined in 2020, which could be driven by a decline in credit demand and an increase in repayment rates. From March to the end of August 2020, a substantial increase in the value of corporate deposits was observed, explaining current lower demand for loans. Furthermore, at the end of 2020, over 94.5% of companies declared timely settlement of credit liabilities. There has also been a rather sustained upward trend in the volume of SME long-term loans. The share of non-performing loans (both total and SME) increased slightly in 2020, but remained visibly below the 2010 peaks reached after the financial crisis. The average interest rate, both for SMEs and large companies, declined in 2020. Similarly, the interest rate spread also fell to 0.14 percentage points. This decline can be explained by the important government support through the *de minimis* Guarantee Fund.

Venture and growth capital investments expanded in 2020 by almost 22% compared to 2019. In 2020, the financial results of the Warsaw Stock Exchange Group were among the best in its 30-year history. Seven companies were newly listed on the main stock market (including two transfers from the junior market, New Connect) and 14 companies were newly listed on New Connect.

Table 35.1. Scoreboard for Poland

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	PLN Billion	..	125.31	127.22	127.00	159.02	164.81	163.93	175.63	185.78	193.63	206.57	208.48	208.68	199.94
Outstanding business loans, total	PLN Billion	..	233.28	222.08	219.69	264.51	272.25	277.96	300.92	327.27	344.93	366.02	388.25	395.60	376.73
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	56.44	53.70	52.75	53.07
Outstanding short-term loans, SMEs	PLN Billion	..	31.93	31.25	31.52	38.45	39.88	37.37	40.46	41.60	42.81	43.93	39.30	42.20	31.24
Outstanding long-term loans, SMEs	PLN Billion	..	90.18	93.24	93.73	116.22	122.23	123.43	130.25	138.33	145.05	156.36	161.89	158.13	160.56
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	21.93	19.53	21.06	16.29
Government loan guarantees, SMEs	PLN Billion	..	..	..	..	..	..	7.00	9.65	8.90	9.36	9.91	10.17	11.56	23.58
Government guaranteed loans, SMEs	PLN Billion	..	..	..	..	..	..	12.24	17.43	15.86	16.43	17.80	18.17	20.71	33.70
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	8.28	8.70	8.43	9.00
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	10.04	11.32	11.16	12.18
Interest rate, SMEs	%	..	5.37	3.82	4.31	4.57	4.86	3.85	3.52	3.00	2.86	2.95	3.43	3.77	3.07
Interest rate, large firms	%	..	5.62	4.28	4.00	4.45	4.74	3.83	3.40	2.90	2.77	2.76	2.92	3.07	2.93
Interest rate spread	% points	..	-0.25	-0.46	0.31	0.12	0.12	0.02	0.12	0.10	0.09	0.19	0.51	0.70	0.14
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	..	..	..	..	..	38.92	30.33	..	..	..
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	..	..	..	..	78.55	80.12	..	..	..
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	..	..	..	..	..	37.20	31.78	..	..	..

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	..	..	..	66.44	61.83	..	..	..
Non-bank finance															
Venture and growth capital	EUR Million	147.5	96.4	70.7	112.7	197.5	127.1	198.2	89.3	140.3	190.7	195.8	350.4	193.7	235.8
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	-34.65	-26.70	59.44	75.28	-35.62	55.93	-54.96	57.07	35.97	2.69	78.93	-44.72	21.72
Leasing and hire purchases	PLN Billion	27.11	24.09	21.43	23.92	27.79	26.90	30.42	34.29	37.83	51.01	58.19	66.44	61.49	50.19
Factoring and invoice discounting	PLN Billion	30.34	45.51	53.16	88.61	95.33	113.06	129.59	152.68	171.64	192.74	222.49	269.63	315.02	311.34

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

36. Portugal

Key facts on SME financing

In 2019, SMEs comprised 99.7% of enterprises in Portugal, employed 71.8% of the labour force and were responsible for 57.7% of turnover and 82.8% of investment volumes.

In 2020, the total stock of business loans further increased by 10.4% year-on-year, below the increase in SME lending (12.3%). The share of SME loans in total business loans has been around 80% for the last five years.

The increase in SME lending was more pronounced for short-term SME loans, with an increase by 26% year-on-year. This runs contrary to the trend observed over the past decade when short-term loans declined by 64% and the share of long-term loans rose to more than 80% of total outstanding business loans.

The share of government-guaranteed loans in total SME loans grew significantly, from 5.4% in 2009 to 23% in 2020, demonstrating the sustained public efforts to support SMEs' access to finance. In 2020, this instrument registered an increase of 92% compared to the previous year, largely due to the government's intervention to mitigate the impacts of the COVID-19 crisis on SME financing.

The average interest rate for SME loans decreased to 2.48% in 2020, marking the sixth consecutive year of decline, after the 2012 peak of 7.6%. The interest rate spread between SMEs and large firms increased from 1.84 to 2.16 percentage points between 2009 and 2012, and decreased since then, to 0.78 percentage point in 2020, pointing to an improvement in SME financing conditions.

Trends in venture capital have been uneven. After a continuous decline in venture capital investments since 2007, there were signs of recovery since 2012. Total venture capital investments in 2014 increased to EUR 107 million, +312% compared to their 2011 value. Nevertheless in 2016, the amount of venture capital invested dropped again to EUR 18 million, an 82% decrease from 2015, but recovered in the last four years, and in 2020, total venture capital investments reached EUR 42 million, an increase of 133% compared to 2016.

Payment delays rose from 35 days in 2009 to 41 days in 2011, and then almost halved again from 40 days in 2012 to 12 days in 2020, decreasing steadily in the last five years.

Following four years of continuous increase (2009-12) in the number of bankruptcies, 2020 closed with a decline of 2.3% compared to 2019, with 2 502 bankruptcies, despite the impact of the COVID-19 crisis on the economy. This decline in part can be explained by government measures that have allowed companies to avoid filing for bankruptcy during the COVID-19 crisis.

SME access to finance has been a major priority for the government. In this context, several credit lines have been made available to facilitate access to credit for SMEs. For example, the government programmes "SME Invest/Growth" and *Capitalizar* have offered credit lines since 2008. As of 2020, about 245 247 projects were eligible for these credit lines and EUR 21.6 billion were provided to 106 238 SMEs, supporting about 1.3 million jobs.

On the equity side, several venture capital funds and business-angel co-investment vehicles have been implemented, totalling EUR 270 million for venture capital investments in the start-up and expansion phases (2017-2021). To reinforce the entrepreneurial ecosystem, the government created in 2018 a venture capital fund with the European Investment Fund (EIF), totalling EUR 100 million, the "Portugal Tech".

The Portuguese Government approved a strategic programme, called *Capitalizar*, to support the capitalisation of Portuguese companies, relaunch investment and facilitate SMEs' access to funding, mainly through:

- Financial instruments of direct or indirect participation in companies;
- Special financing instruments of quasi-equity capital;
- Tax measures to encourage firm capitalisation.

In order to mitigate the effects of the COVID-19 crisis on the economy, the Portuguese government launched a set of measures aimed at SMEs, of which the following have an impact on their financing:

- A set of credit lines backed by public guarantees; these credit lines aim to support the working capital needs of SME, as result of the effects of the COVID-19 crisis;
- A moratorium regime with regard to the fulfilment of obligations arising from credit agreements;
- A grant programme to support lost funds due to loss of billing, within the scope of the COVID-19 pandemic;
- Direct loans;
- An exceptional and temporary regime for compliance with tax obligations and social contributions, within the scope of the pandemic.

Table 36.1. Scoreboard for Portugal

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
								Debt							
Outstanding business loans, SMEs	EUR billion			90.2	88.2	87.0	79.7	73.9	70.3	65.8	61.3	57.4	54.1	52.5	58.9
Outstanding business loans, total	EUR billion	102	115.8	117.8	114.6	113.8	105.3	99.3	86.5	82.2	77.3	73.1	69.5	67.0	73.9
Share of SME outstanding loans	% of total outstanding business loans			76.61	76.96	76.45	75.68	74.41	81.30	80.13	79.36	78.53	77.69	78.35	79.73
New business lending, total	EUR billion	64.3	61.8	46.3	45.6	45	45.6	49.1	41.2	33.8	29.8	28.8	31.6	32.7	33.5
New business lending, SMEs	EUR billion	28.9	26.4	23.1	9	14.2	12.5	11.9	11.9	11.9	11.3	10.9	11.2	11.8	11.8
Share of new SME lending	% of total new lending	44.9	42.78	49.97	19.72	31.63	27.52	24.16	28.79	35.2	37.88	37.74	35.55	36.11	35.28
Short-term loans, SMEs	EUR billion	..	..	24.7	22.7	21.3	15.3	13.4	11.5	9.5	9.5	8.9	7.3	6.5	8.1
Long-term loans, SMEs	EUR billion	..	..	65.6	65.5	65.7	64.4	60.5	58.7	56.3	51.9	48.5	46.8	46.0	50.8
Share of short-term SME lending	% of total SME lending	..	27.34	27.34	25.77	24.47	19.21	18.13	16.37	14.51	15.43	15.53	13.50	12.38	13.89

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Government guaranteed loans, SMEs	EUR billion	..	..	5	6.8	6.1	6.0	5.8	5.5	5.6	5.7	6.1	6.2	6.3	13.6
Non-performing loans, total	% of all business loans	1.50	2.20	3.90	4.10	6.00	9.40	11.80	14.20	15.20	15.00	12.70	7.80	4.60	3.32
Non-performing loans, SMEs	% of all SME loans			4.67	5.00	7.33	11.76	14.82	16.50	17.89	17.62	14.65	8.83	5.15	3.87
Interest rate, SMEs	%	7.05	7.64	5.72	5.45	7.41	7.59	6.82	5.97	4.6	3.83	3.42	3.13	2.93	2.48
Interest rate, large firms	%	5.29	5.92	3.84	3.91	5.4	5.43	4.97	4.37	3.25	2.69	2.14	1.93	1.85	1.70
Interest rate spread	% points	1.76	1.72	1.87	2.25	2.01	2.16	1.85	1.6	1.35	1.14	1.28	1.2	1.08	0.78
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	76.25	81.16	82.63	82.15	83.09	80.14	81.84	79.60	80.98	83.13	86.95	89.88
Non-bank finance															
Venture and growth capital	EUR million	129	92	70	74	26	53	106	106	102	18	29	30	69	42
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	-28.7	-23.9	5.7	-64.9	103.9	100.0	0.0	-3.8	-82.4	61.1	3.5	130.0	-39.1
Leasing and hire purchases	EUR billion	..	..	5.3	5.2	3.4	3	2.7	2.4	2.3	2.3	2.2	2.2	1.9	1.9
Factoring and invoice discounting	EUR million	..	..	621	733	402	338	376	476	547	441	418	930	855	513
Other indicators															
Payment delays, B2B	Number of days	39.9	33	35	37	41	40	35	33	21	20	20	12	18	12
Bankruptcies, SMEs	Number	2 612	3 528	3 815	4 091	4 746	6 688	6 030	4 019	4 714	3 620	3 099	2 694	2 560	2502
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	35.1	8.1	7.2	16.0	40.9	-9.8	-33.4	17.3	-23.2	-14.4	-13.1	-5.0	-2.3

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37. Serbia

Key facts on SME financing

SMEs dominate the Serbian business economy, accounting for 99% of all enterprises. In 2020, SMEs employed more than 65% of the labour force and accounted for 59.2% of total gross value added and 66.4% of turnover. Sector-specific data indicates that most SMEs belong to the trade sector (23.9%), followed by the manufacturing sector (15.1%), professional, scientific and innovative activities (13.7%), and transportation and storage (9.7%).

Despite the unprecedented crisis caused by the COVID-19 pandemic, preliminary results from the 2020 SME lending conditions survey conducted by the National Bank of Serbia indicate that SME financing conditions did not deteriorate and, in some aspects, even improved. Timely and effective measures adopted by the National Bank of Serbia and the Serbian government diminished the negative effects of this crisis.

The National Bank of Serbia adopted the first measures to support the domestic economy even before the state of emergency was declared (15 March 2020) by cutting the key policy rate by 50 base points, to 1.75%, in order to maintain favourable financing conditions. Since March 2020, the key policy rate was cut by an additional 75 base points, to 1.0%.

In addition, the Serbian Government was one of the first in the world to adopt the Economic Measures Programme to mitigate the negative effects of the COVID-19 pandemic and support the Serbian economy. The priorities were to help economic entities in distress and to preserve jobs and wages.

The total value of economic measures in 2020 is estimated at around 13% of GDP. The support package consisted of nine measures, classified into four categories. These categories are tax policy measures, direct assistance to the private sector, liquidity preservation (e.g. financial support to the corporate sector through the Development Fund and corporate support guarantee scheme), and other measures (moratorium on dividend payments until the end of the year and one-off assistance to all Serbian citizens of age).

According to the preliminary results from the 2020 SME lending conditions survey conducted by the National Bank of Serbia in 2020, the stock of SME loans in 2020 increased by 14.8% year-on-year to EUR 8.2 billion. The increase is in part explained by the deferral of principle and interest payments on loans, which was one of the measures adopted with the goal to fight the negative economic effects of the pandemic.

New bank lending to SMEs in 2020 amounted to EUR 4.9 billion (19% lower y-o-y basis). The share of new SMEs loans among total corporate loans likewise decreased by 1.5 percentage points to 43.1% in 2020. This decline in new SME lending is explained by sizeable public support though non-debt channels such as: deferred payment of income tax advances, deferred payment of payroll taxes and social contributions in the private sector (during the state of emergency) with subsequent repayment of liabilities in instalments (starting from 2021 at the earliest), as well as direct support in the form of payment of three minimum wages to entrepreneurs and SMEs. The share of outstanding SME loans in total corporate loans increased to 33.3% (from 31.9% in 2019). Long-term loans increased as well and amounted to 87.6% of total SMEs loans.

Lending conditions measured by interest rate levels continue to improve. Interest rates for SME loans in/or indexed to foreign currencies decreased to 3.7% in 2020 (from 4.0% in 2019 and 4.3% in 2018). However, the interest rate spread between large companies and SMEs increased slightly to 1.6 percentage points (from 1.5 percentage points in 2019). On the Serbian dinar-denominated loans side, interest rates were 0,6 percentage points lower compared to the previous year (4,2% compared with 4,8%) and the interest rate spread between large companies and SMEs was 1.6 percentage points.

The rejection rate (the percentage of SME loan applications that are rejected) was 19.3% in 2020 (6.5% in 2019), while the utilisation rate (the percentage of used SME loans among all SME loans that were approved) was 96.1% in 2020 (98.2% in 2019). At the same time, the share of loans requiring collateral (excluding bills of exchange) was 50.5% in 2020 (50.7% in 2019).

The share of non-performing loans (NPLs) in total SMEs loans stood on a similar level as the previous year: 4.6% in 2020 compared to 4.7% in 2019. On the other hand, NPLs for the whole corporate sector decreased to 2.8% in 2020 from 3.2% in 2019.

Table 37.1. Scoreboard for Serbia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	EUR Million	2 858	3 994	3 966	4 202	4 320	4 352	4 061	4 779	5 340	5 552	5 802	6 488	7 140	8 194
Outstanding business loans, total	EUR Million	13 598	19 044	19 268	19 777	20 028	20 460	19 154	18 724	18 677	18 362	19 150	20 847	22 394	24 622
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	28.59	30.24	30.30	31.12	32	33.3
New business lending, total	EUR Million	..	..	..	..	8 862	9 043	7 093	6 765	8 461	10 130	10 966	12 339	13 629	11 425
New business lending, SMEs	EUR Million	2 027	3 409	3 015	3 190	3 323	2 771	2 302	2 717	3 332	4 038	4 688	5 478	6 087	4 927
Share of new SME lending	% of total new lending	..	..	..	..	37.49	30.64	32.45	40.16	39.38	39.86	42.75	44.53	45	43.1
Outstanding short-term loans, SMEs	EUR Million	1 000	1 265	1 356	1 436	1 308	1 257	1 386	1 405	1 348	1 380	1 451	1 480	1 347	1 013
Outstanding long-term loans, SMEs	EUR Million	1 858	2 729	2 610	2 766	3 012	3 096	2 675	3 374	3 993	4 172	4 350	5 008	5 793	7 181
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	25.24	24.86	25.01	22.81	19	12.4
Government guaranteed loans, SMEs	EUR Million	0	0	298	523	390	569	342	750	126	13	14	15	14	357
Non-performing loans, total	% of all business loans	..	14.56	19.84	20.70	22.33	19.19	24.52	24.64	21.71	17.22	10.41	5.05	3.17	2.8

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Non-performing loans, SMEs	% of all SME loans	6.72	10.56	18.86	21.00	22.64	26.15	28.05	27.08	26.69	20.16	9.91	6.9	4.65	4.6
Interest rate, SMEs	%	10.69	10.90	10.57	10.06	9.72	8.15	8.03	7.25	6.31	5.69	4.58	4.3	3.98	3.7
Interest rate, large firms	%	6.32	8.04	7.23	7.36	7.88	6.60	6.34	5.18	3.87	3.13	2.78	2.2	2.56	2.1
Interest rate spread	% points	4.37	2.85	3.35	2.70	1.85	1.55	1.70	2.07	2.44	2.56	1.79	2.1	1.5	1.6
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	31.62	38.78	43.14	44.51	45.59	53.00	55.06	53.13	53.79	42.70	53.85	50.7	50.7	50.5
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	..	..	..	14.94	16.46	16.89	15.46	..	..
Rejection rate	1-(SME loans authorised/ requested)	18.66	17.25	28.42	27.13	15.77	32.02	32.18	25.15	24.52	28.18	28.32	17.09	6.51	19.3
Utilisation rate	SME loans used/ authorised	71.75	81.66	88.20	67.76	83.83	86.11	87.92	86.47	87.86	88.05	90.58	94.99	98.24	96.1

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38. Slovak Republic

Key facts on SME financing

SMEs dominate the Slovak economy, accounting for 99.6% of the business population (excluding self-employed individuals). The number of SMEs increased by 0.2% in 2020, with micro-enterprises accounting for a considerable portion of this growth, growing by 1.2% year-on-year.

Credit conditions and access to finance for SMEs improved in 2020, which was reflected not only in an increase in the volume of existing and new bank loans but also in a decline of the average interest rate. The financial instruments to support SMEs introduced during the pandemic have made a significant contribution to maintaining a relatively low rate of non-performing loans (NPLs). The amount of outstanding business loans has been growing since 2013, increasing by 6.2% over the last year, from EUR 15 255 million in 2019 to EUR 16 208 million in 2020. In the same year, more than half of SME outstanding loans (59.6%) were long-term, while short-term loans accounted for 40.4% (EUR 6 547 million).

Favourable credit conditions and the availability of supporting financial instruments during the COVID-19 crisis increased interest in bank financing for all size categories of enterprises. The volume of new SME lending increased year-on-year by 30.6% to EUR 4 201 million, while the share of SME loans in total new lending increased by 2.8 percentage points to 37.3%.

The share of NPLs among all SME loans was higher (4.6%) than the share of NPLs among all business loans (3.4%) in 2020. In the year-on-year comparison, the share of NPLs among SMEs increased only negligibly – by 0.05 percentage points.

Interest rates on SME loans fell from 3.8% in 2012 to 2.6% in 2020. The drop in the average SME interest rate over these years has made finance available to more SMEs. Interest rates for self-employed entrepreneurs reached 4.5% in 2020, 0.8 percentage points lower than in the previous year. These figures indicate that financing conditions for SMEs have been gradually improving over the reference period.

For the period of 2007-2013, the amount of venture and capital investments gradually recovered. After 2017 the volume of venture and growth capital experienced a significant decline as a result of the end of funding support under the JEREMIE initiative. In 2020, the amount of venture capital investments increased year-on-year by 23.5%, totalling EUR 37.85 million. The majority of investments focused on established SMEs – to expand production capacities, to develop market potential or to further develop products and services. Compared to SME bank financing, the amount of venture capital is still negligible.

The payment discipline of enterprises has improved, as the average business-to-business (B2B) payment delay decreased to 14 days in 2020.

SME bankruptcies totalled 177 over the year. Despite the declining trend and the significant year-on-year drop in 2020 (-26%), the number of SME bankruptcies for 2020 remains higher than the pre-crisis bankruptcy levels of 2008.

The government has continued to implement several policies that seek to improve SMEs' access to finance and introduced new instruments to support SME financing during the COVID-19 crisis. In 2020, the volume of SME government loan guarantees, guaranteed loans and SME government direct loans increased significantly due to the launch of new financial instruments intended to minimise the adverse effects of the pandemic and to support SMEs. The total volume of SME government loan guarantees increased from EUR 31.7 million in 2019 to EUR 407.3 million in 2020. As a result of the increase in bank guarantees, there was also a significant increase in the volume of guaranteed loans – from EUR 152.5 million in 2019 to EUR 774.4 million in 2020. The volume of SME government direct loans provided by the state banks and the Slovak Business Agency grew less rapidly – by 20.1% to EUR 245.1 million.

Table 38.1. Scoreboard for the Slovak Republic

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs (1)	EUR billion	9.1	12.1	12	12	10.6	11	10.7	11.9	13.2	13.5	14.6	15.1	15.3	16.2
Outstanding business loans, SMEs (2)	EUR billion	..	..	..	..	..	5.9	6.7	6.9	7.4	8.7	8.9	9.2	9.7	10.7
Outstanding business loans, total	EUR billion	13.9	15.7	15.2	15.2	16.1	15.5	15.1	14.8	16.1	16.9	18.1	18.9	19.6	20.0
Share of SME outstanding loans (1)	% of total outstanding business loans	65.7	77.12	79.39	79.39	65.77	71.11	71.07	80.22	81.7	79.81	80.46	79.81	77.77	80.95
New business lending, total	EUR billion	8.49	9.44	7.56	9.12	10.69	11.69	11.88	12.5	11.78	8.67	9.50	10.72	9.31	11.26
New business lending, SMEs (2)	EUR billion	..	..	..	..	..	2.36	2.63	2.6	3.09	3.13	3.17	3.46	3.22	4.20
Share of new SME lending	% of total new lending	..	..	..	..	..	20.2	22.16	20.83	26.2	36.14	33.37	32.29	34.54	37.30
Outstanding short-term loans, SMEs	EUR million	4 609	4 797	4 981	4 987	4 188	4 481	4 532	5 385	5 766	5 394	5 695	5 683	5 926	6 547
Outstanding long-term loans, SMEs	EUR million	4 527	7 295	7 051	7 059	6 412	6 557	6 202	6 517	7 404	8 129	8 832	9 437	9 329	9 661
Share of short-term SME lending	% of total SME lending	50.45	39.67	41.4	41.4	39.51	40.6	42.22	45.24	43.78	39.89	39.21	37.59	38.84	40.39
Government loan guarantees, SMEs	EUR million	82	99	81	70	84	87	38	26	60	46	32	39	32	407
Government guaranteed loans, SMEs	EUR million	115	157	143	139	167	136	157	186	244	184	88	145	153	774
Direct government loans, SMEs	EUR million	117	160	139	146	168	209	152	159	172	177	120	132	204	245
Non-performing loans, total	% of all business loans	..	..	6.8	8.4	8.3	7.9	8.3	8.6	7.4	6.5	5	4.12	3.70	3.44
Non-performing loans, SMEs(2)	% of all SME loans	..	..	..	..	..	10.4	9.9	10.3	9	8.1	6.65	5.68	4.55	4.60
Interest rate, SMEs	%	5.5	4.6	3	3.2	3.2	3.8	3.6	3.8	3.4	3.1	3.0	3.0	2.9	2.6
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	100	100	100	100	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	22	17	22	28
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	20	..	15	..	13	5	13	10	12	8

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Non-bank finance															
Venture and growth capital	EUR million	7	8	14.4	11.4	11.5	7	9	9	12.7	17.1	2.9	5.4	30,65	37.85
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	14.3	80	-20.8	0.9	-39.1	28.6	-0.3	41.7	34.4	-83	85.57	467.6	23.49
Other indicators															
Payment delays, B2B	Number of days	20	8	13	17	20	21	19	17	4	2	6	0	2	14
Bankruptcies, SMEs	Number	169	251	276	344	363	339	377	409	350	273	285	252	241	177
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	48.5	10	24.6	5.5	-6.6	11.2	8.5	-14.4	-22	4.4	-11.6	-4.37	-26.6

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.

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39. Slovenia

Key facts on SME financing

Slovenian SMEs employ 73.2% of the workforce in the business economy (486 458 people) and produce 65.3% of the value added (EUR 15.8 billion). Micro firms account for more than one third of all employment in the business economy, while the shares of large firms in both employment and value added are below the OECD average, in line with the small size of the economy.

Firms manufacturing coke and petroleum are all SMEs. Otherwise, SMEs dominate mostly the services sector in terms of employment. Relative to the OECD average, the employment share of SMEs is significantly higher in the ICT sector and in the manufacture of machinery. On the other hand, employment in textiles and apparel and in electrical equipment manufacturing is relatively more concentrated in large companies.

In 2020, due to the COVID-19 pandemic, 60% of SMEs in Slovenia applied for government support, such as refunds for the furlough scheme. However, despite the public support deployed as a response to the pandemic, Slovenian SMEs experienced a decline in value added by 6.2% and in employment by 0.6%. The most significant contractions were experienced by the food and accommodation services sector followed by the administrative and support services sector.

SME lending more than halved between 2011 and 2020, decreasing from EUR 9.8 billion in 2011 to EUR 4.69 billion in 2020. Between 2019 and 2020, new SME lending increased by 23% (inflation adjusted terms) driven by an increase of approved credit lines and loan renegotiations and restructuring that followed a legislative moratorium to tackle the effects of the pandemic.

Despite a further decrease of business loans from 2015 to 2020, the trend in outstanding SME loans reversed and started to rise during this period reaching EUR 4.7 billion in 2020. As a result, the share of SME outstanding loans in total business loans rose to 51.59% in 2020.

Interest rates for SMEs declined from 6% in 2011 to 2.5% in 2020. The interest rate spread between bank loans to large enterprises and to SMEs fluctuated between 1.42% and 1.36% over the 2007-2013 period, and reached 0.73% in 2020.

Due to loan restructuring and write-offs, SME non-performing loans started to decline in 2015 and reached 5% in 2020.

Table 39.1. Scoreboard for Slovenia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Outstanding business loans, SMEs	EUR billion	7.30	8.12	7.86	9.67	9.79	9.53	5.70	4.31	4.12	4.35	4.61	4.71	4.80	4.74
Outstanding business loans, total	EUR billion	16.80	19.94	19.86	20.83	20.09	18.64	14.14	11.21	10.04	9.31	9.31	9.18	9.29	9.09
Share of SME outstanding loans	% of total outstandin g business loans	43.45	40.71	39.59	46.43	48.75	51.14	40.29	38.47	41.01	46.79	49.52	51.33	51.69	52.13
New business lending, total	EUR billion				15.29	18.57	13.71	9.42	8.60	6.98	6.07	5.22	5.65	5.32	6.25
New business lending, SMEs	EUR billion				5.89	7.21	5.79	3.64	3.61	2.86	2.86	2.91	2.94	2.26	3.16
Share of new SME lending	% of total new lending				59.36	57.93	63.06	56.34	54.99	58.07	56.90	63.55	58.54	53.16	51.91
Outstanding short-term loans, SMEs	EUR billion	2.09	2.53	2.15	2.76	3.09	3.19	1.74	0.79	0.61	0.78	0.80	0.83	0.72	0.63
Outstanding long-term loans, SMEs	EUR billion	5.21	5.59	5.71	6.91	6.70	6.34	3.96	3.53	3.51	3.58	3.82	3.88	4.08	4.11
Share of short-term SME lending	% of total SME lending	28.62	31.19	27.33	28.54	31.55	33.47	30.51	18.22	14.70	17.87	17.26	17.72	14.94	13.37
Government loan guarantees, SMEs	EUR million	3.28	22.22	45.20	32.93	19.15	3.07	1012	552.1	0.00	520	710	0.00	0.00	155.9
Non-performing loans, total	% of all business loans	2.52	3.60	6.66	11.16	17.44	22.86	20.31	17.51	15.24	16.82	12.91	8.41	4.46	3.85
Non-performing loans, SMEs	% of SME loans	3.77	5.68	8.93	14.68	22.25	28.37	27.57	25.88	24.48	22.10	15.87	9.73	5.54	4.64
Interest rate, SMEs	%	7.07	7.46	6.95	5.82	6.01	5.89	5.84	5.19	3.73	3.00	2.77	2.60	2.48	2.53
Interest rate, large firms	%	5.55	6.07	4.61	5.02	5.17	4.87	4.52	4.19	2.92	2.19	2.26	2.05	1.64	1.79
Interest rate spread	% points	1.52	1.39	2.33	0.79	0.83	1.02	1.32	1.00	0.81	0.81	0.51	0.55	0.84	0.73

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

40. South Africa

Key facts on SME financing

Of the estimated 2.6 million micro, small and medium enterprises (SMEs) in South Africa, about 37% are considered formal. Of the total, 54% are micro-enterprises and 15% are located in rural areas. The owners include individuals who have identified a business opportunity as well as those conducting some sort of business because of necessity, and for whom no alternative sources of income are available. Two out of three SME owners run their own enterprises and do not have any employees, while 32% provide between one and ten jobs. While growth in the number of SMEs over the last ten years has been lower than economic growth, the contribution by these SMEs towards South Africa's gross value-added (which is equal to GDP before taxes and subsidies) increased from 18% in 2010 to 40% in 2020.[1]

Overall, only 34% of the businesses use formal financial accounts in the business' name. This blend between consumer and commercial credit makes one type of credit indistinguishable from the other. This causes several challenges such as: violations of company law and accounting standards; decline of owners' ability to borrow; impact on owners' credit profile and history; take-up of unsuitable products designed for a different purpose; and increase in the risk of excessive personal indebtedness. Borrowing by SMEs is mainly driven by the entrepreneurs' growth ambitions and prospects, which are partially led by macroeconomic conditions in the country.

According to the South African Reserve Bank (SARB) data on bank statistics, total SME credit exposure to banks was ZAR 631 billion at the end of 2020, which accounts for 25% of total business loans. It is unlikely that the level of funding for SMEs will improve notably without considering other factors crucial to ensuring their success and sustainability, including market access, business and management skills, and financial education. A broader developmental support should be considered, especially to promote the formalisation of SMEs.

SME non-performing loans in the banking sector have declined since 2010, falling from 5.2% to 4.9% in 2020, albeit an increase from 3.1% in 2019 at the back of the global COVID-19 pandemic.

Government funding for SMEs is provided through grants, direct loans and guarantees by development finance institutions (DFIs). While accurate data on this has been difficult to obtain, there are indications of growth in direct government lending to SMEs. Credit guarantees are also in use in South Africa.

The South African Government is also exploring the possibility of developing a business case for the introduction of a movable collateral registry and credit information database. Both initiatives aim to make lending less risky and should therefore make bank financing more widely available. These initiatives will be complemented by another initiative focused on a redesigned partial credit guarantee scheme.

In the fourth quarter of 2019 the South African economy slipped into a recession and was already struggling when it confronted the COVID-19 pandemic in March 2020. The COVID-19 pandemic resulted in the South African government declaring a state of national disaster that led to an introduction of regulations aimed at curbing the spread of the virus. This was followed by the implementation of a strict 21-day nationwide lockdown on 27 March [h]2020. During the lockdown many businesses, including SMEs and informal enterprises, were prohibited from operating and only a few essential businesses remained operational, albeit under strict health and safety protocols. This reduced consumer demand for goods and forced businesses around the country to lay-off employees, cut salaries, restructure their debt, downsize their businesses or shut down. When the initial hard lockdown was lifted many businesses still remained in a state of partial or full lockdown, particularly those in the tourism, hospitality, beverages and entertainment sectors. The coronavirus pandemic led to the implementation of measures to support SMEs.

- For SMEs to access debt relief from the Department of Small Business, some qualifying criteria were put in place. These conditions include that a business must have been registered with the Companies and Intellectual Property Commission (CIPC) and it must be registered and compliant with the South Africa Revenue Service (SARS) and the Unemployment Insurance Fund (UIF). This situation resulted in the re-emergence of the issue of formality vs informality in the South African context. In mid-May the SARB/NT launched the SME loan guarantee scheme of ZAR 200 billion in partnership with all South African commercial banks.
- The Department of Small Business Development (DSBD) also launched a debt relief fund for SMEs directly, or indirectly, negatively impacted by the COVID-19 pandemic. The debt relief finance provides preferential financing (at interest rates of prime less 5%) for salaries, rent and municipal accounts. SMEs can access the resources after registering on the national SME database and they must have also have been registered with the CIPC by the end of February 2020 in order to qualify. Companies must be 100% South African-owned and registered and complainant with SARS and UIF. SMEs can register and apply online.
- The DSBD further launched the Township and Rural Entrepreneurship Programme (TREP) offering ZAR 740 million in loans and grants targeted at informal businesses and formal micro-enterprises operating in townships and villages in the following sectors: (a) bakeries and confectionaries, (b) clothing and textiles, (c) automotive after-parts support, (d) fruit and vegetable traders, and (e) spaza shops.

Table 40.1. Scoreboard for South Africa

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	617 846	645 803	611 293	630 709
Outstanding business loans, total	ZAR billion	..	1 441	1 276	1 373	1 481	1 648	1 791	1 965	2 323	2 377	2 239	2 262	2 406	2 506
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	27.59	27.33	25.40	25.17
Government loan guarantees, SMEs	ZAR million	8	99	226	201	439	227	105	105	223	243	298	..	..	..
Direct government loans, SMEs	ZAR million	..	4 829	4 909	5 915	6 900	7 383	7 269	8 748	10 565	10 898	11 481	..	..	..
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	1.29	1.51	1.41	2.18
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	2.53	2.87	3.07	4.93
Non-bank finance															
Venture and growth capital	ZAR million	468	551	242	194	211	288	183	273	372	933	968	1067	1230	1387
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	17.74	-56.08	-19.83	8.76	36.49	-36.46	49.18	36.26	150.8	3.75	10.23	15.28	12.76
Other indicators															
Bankruptcies, SMEs	Number	3 151	3 300	4 133	3 992	3 559	2 716	2 374	2 064	1 962	1 934	1 868	1845	2042	2035
Bankruptcies, SMEs (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	-3.41	-1.23	10.68	-0.34

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

41. Spain

Key facts on SME financing

The COVID-19 pandemic has triggered a global health, social and economic crisis unprecedented in modern times. As a result, the government established a series of measures in order to contain the spread of the virus. The introduction of significant restrictions on the mobility of people and the activity of certain sectors caused GDP to contract by 10.8% in the whole of 2020. In the first quarter of 2021, GDP was still 9.4% below the level registered at the end of 2019.

National authorities in fiscal, monetary, regulatory and prudential policy have had to gradually adjust to the evolution of the pandemic in order to tackle its impact on the private sector. As a result, financing conditions for companies in Spain have remained relatively favourable during this crisis and the cost of new loans has remained historically low. For instance, new business lending grew by 2.6% in 2020, reaching EUR 357 billion, and new SME lending remained stable, reaching EUR 173 billion.

In 2020, total outstanding business loans grew by 8.3% and reached EUR 471 billion, while outstanding SME loans experienced a greater increase (10%) to total EUR 241 billion. As a result, SME loans currently account for a greater share (51.2%) of total loans compared to large companies.

In 2020, 4.51% of loans in Spain were non-performing (NPLs). This level is the lowest since 2008 and is the result of the governmental action in reducing non-performing loans that began in 2013.

This improvement in financing conditions is reflected in the decline of the share of SMEs needing collateral, which stood at 20.8% in 2020, the lowest level in the observed period. Similarly, there has been an upward trend in the percentage of SME loan applications, which reached 42.4% in 2020. This evolution is compatible with the reduction in the loan rejection rate to 3.85% registered in the survey on the access to finance of SMEs in the Euro area (SAFE survey).

The volume of private capital investment in Spain reached EUR 4 billion for a total of 765 investments in 2020. The sectors that received the largest volumes of investment were Communications (28%), IT (25.4%) and Consumer Products (10%).

The number of bankruptcies stood at 3 394 in 2020, which represents a decrease of 9.3% compared to the previous year. This decline can largely be ascribed to public support mechanisms such as ICO (*Instituto de Crédito Oficial*) loans and the ERTE furlough scheme.

Table 41.1. Scoreboard for Spain

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	EUR billion	..	..	..	..	..	..	..	293	258	247	263	229	219	241
Outstanding business loans, total	EUR Billion)	893	952	915	896	840	708	609	545	518	493	477	446	435	471
Share of SME outstanding loans	% of total outstanding	..	..	..	..	..	..	..	53.79	49.85	50.10	55.14	51.35	50.34	51.17

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	business loans														
New business lending, total	EUR Billion)	991	929	868	665	527	485	393	357	393	323	339	347	348	357
New business lending, SMEs	EUR Billion	394	357	263	210	174	146	134	147	165	170	184	175	174	173
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	54.28	50.43	50	48.5
Outstanding short-term loans, SMEs	EUR	379	346	246	196	166	139	126	135	154	153	163	157	156	129
Outstanding long-term loans, SMEs	EUR	15	11	17	14	8	7	9	11	12	17	21	18	17	44
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	88.59	89.71	90.2	74.6
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	3 110	..	..	..
Government guaranteed loans, SMEs	EUR Million	5 210	7 053	5 906	7 236	7 502	4 974	2 064	938	273	109	42	30	..	..
Direct government loans, SMEs	EUR Million	10 103	12 384	19 916	23 740	26 221	23 599	23 648	22 588	21 481	20 734	20 525	20 601	19 962	29 352
Non-performing loans, total	% of all business loans	..	..	..	5.81	7.84	10.43	13.62	12.51	10.12	9.11	7.79	5.81	4.79	4.51
Interest rate, SMEs	%	5.96	5.51	3.63	3.78	4.95	4.91	4.79	3.86	3.01	2.44	2.15	1.89	1.71	1.71
Interest rate, large firms	%	5.33	4.30	2.16	2.57	3.36	2.61	2.69	1.99	1.97	1.56	1.56	1.69	1.15	1.39
Interest rate spread	% points	0.63	1.21	1.47	1.21	1.59	2.30	2.10	1.87	1.04	0.88	0.59	0.20	0.56	0.32
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	35.19	34.36	31.45	30.00	31.22	28.24	25.89	26.04	24.05	23.39	20.79
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	28.14	28.60	33.87	42.44
Rejection rate	1-(SME loans authorised/ requested)	..	..	22.74	15.87	12.83	18.47	12.85	9.77	7.87	6.95	4.75	5.95	4.38	3.85
Non-bank finance															
Venture and growth capital	EUR Million	..	3 336	3 596	3 600	2 675	2 145	1 473	2 247	1 902	1 886	2 446	2 984	4 196	4 008
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	..	7.79	0.11	-25.69	-19.81	-31.33	52.5	-15.4	-0.8	29.7	22	40.6	-4.4
Other indicators															
Payment delays, B2B	Number of days	5	3	13	10	4	8	8	15	12	7	5	2	0	
Bankruptcies, SMEs	Number	894	2 550	4 463	4 187	4912.0	6627.0	7517.0	5096	3927	3305	3 310	3 346	3 744	3 394
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	185.23	75.02	-6.18	17.32	34.91	13.43	-32.21	-22.94	-15.84	0.15	-1.81	-11.8	-9.32

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

42. Sweden

Key facts on SME financing

Nearly 99% of limited liability companies with employees are SMEs. In 2019, they accounted for 60% of total employment and 47% of GDP (non-employer firms excluded).

The stock of SME debts (long and short term) was in total SEK 1 514 billion in 2019, up by 7% from 2018. SME debt as a share of total outstanding debt was 40%.

Inflation has been close to the Swedish central bank´s ("Riksbanken") target of 2% since the start of 2017. Riksbanken assesses that conditions are good for inflation to remain close to the target going forward. Therefore, in line with the assessment in October, Riksbanken decided to raise the repo rate from -0.25% to 0.00%.

Private equity fund investments in Swedish companies in the venture and growth stages were EUR 1 467 million in 2020, an increase of almost 250% on the previous year.

Almi is a state-owned corporation with the mission to complement the private market and ensure that services are accessible nationwide. Almi offers loans to companies with growth potential and assists them in their business development. This applies to businesses in the start-up phase as well as established companies. Almi Invest provides venture capital for early-stage, emerging companies with high growth potential and a scalable business concept. Although Almi is not limited by strict eligibility requirements in favour of certain sectors or business phases, its focus is on SMEs with high growth potential. Almi's lending was SEK 2 292 million in 2019 and increased to SEK 3 930 million in 2020.

The Swedish National Export Credits Guarantee Board issued guarantees totalling SEK 2.9 billion to SMEs in 2020, an increase of 7.4% compared to the previous year.

In 2020, bankruptcies among SMEs totalled 3 494, a decrease by 4.3% from the previous year.

The Swedish parliament adopted a proposal to address the structure of public financing for innovation and sustainable growth in June 2016. The aim was to clarify and simplify the system for state venture capital (VC) financing, but also to improve the efficiency of public resources and contribute to the development and renewal of Swedish industries. A key feature was the establishment of a new joint stock company, Saminvest AB, a fund that invests in privately managed VC firms focusing on development-stage companies. In 2018, Saminvest AB invested in 6 VC funds, which in turn made 56 investments in growth-oriented firms.

Table 42.1. Scoreboard for Sweden

Indicator	Unit	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt														
Outstanding business loans, SMEs	SEK Billion	..	..	..	..	930	964	1 003	1 073	1 173	1 290	1 413	1514	..
Outstanding business loans, total	SEK Billion	..	..	..	..	2 683	2 722	2 812	2 901	2 962	3 189	3 831	3754	..
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	..	34.66	35.39	35.67	36.99	39.60	40.46	36.89	40.33	..
Outstanding short-term loans, SMEs	SEK Billion	..	..	..	..	211	217	249	262	316	339	355	397	..
Outstanding long-term loans, SMEs	SEK Billion	..	..	..	..	719	747	754	811	857	951	1058	1177	..
Share of short-term SME lending	% of total SME lending	..	..	..	..	22.71	22.50	24.83	24.44	26.92	26.28	25.12	26.22	..
Direct government loans, SMEs	SEK Million	1 716	3 231	2 112	2 023	2 161	2 200	2 354	3 241	3 324	2 559	1 857	2292	3930
Non-performing loans, total	% of all business loans	0.46	0.83	0.78	0.65	0.70	0.61	1.24	1.17	1.04	1.12	0.49	0.58	0.51
Interest rate, SMEs	%	5.66	2.43	2.59	4.17	4.07	3.29	2.71	1.75	1.56	1.50	1.53	1.87	2.08
Interest rate, large firms	%	4.84	1.71	1.64	3.01	3.03	2.64	2.15	1.35	1.21	1.14	1.05	1.03	1.29
Interest rate spread	% points	0.82	0.72	0.95	1.16	1.04	0.65	0.56	0.40	0.34	0.37	0.48	0.84	0.79
Non-bank finance														
Venture and growth capital	Euro Thousand	504 765	361 707	699 443	422 386	335 475	357 264	375 605	280 781	290 922	491 166	549 280	596 960	1 467 192
Venture and growth capital (growth rate)	%, Year-on-year growth rate	-10.86	-28.34	93.37	-39.61	-20.58	6.50	5.13	-25.25	3.61	68.83	11.83	8.69	145.78
Other indicators														
Payment delays, B2B	Number of days	..	..	..	..	20.00	24.00	15.00	9.00	9.00	10.00	14	15	..
Bankruptcies, SMEs	Number	3 139	3 913	3 342	3 449	3 808	3 777	3 355	2 998	2822.00	3 019	3 392	3 650	3 494
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	27.14	24.66	-14.59	3.20	10.41	-0.81	-11.17	-10.64	-5.87	6.98	12.36	7.61	-4.27

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

43. Switzerland

Key facts on SME financing

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

Switzerland exhibited a real GDP decline of 2.9% in 2020, 0.8 percentage points more than at the time of the financial crisis in 2009 (-2.1%).

Total outstanding SME loans rose by 5.3% in 2020, reaching CHF 487 billion, an even higher growth rate compared to the 2019 figure of 4.9%. This increase can partly also be attributed to the package of measures to mitigate the economic impact of the COVID-19 crisis.

Over the 2007-2020 period, SME loans expanded by 50.1%, while overall corporate lending rose by 61.3%.

Lending standards remained broadly unchanged in 2020, while household and firm demand for credit increased according to the Surveys on bank lending of the Swiss National Bank.

The average interest rate charged to SMEs has been decreasing since 2018, reaching 1.76% in 2020, while the interest rate spread between large and small companies decreased to its minimum since 2007, to 47 basis points in 2020.

Venture and growth capital investments experienced in 2020 a 47.2% decrease, following a large increase in 2019.

38 active crowdfunding platforms are currently operating in Switzerland. The volumes reported by these platforms have again exhibited a positive trend in 2020. The market in 2020 was strongly impacted by the COVID-19 crisis. On the one hand, volumes in the reward-based crowdfunding/crowd-donating segment grew strongly: the fundraising, which in many cases benefited SMEs, freelancers and institutions/associations, was conducted via existing and newly established platforms, of which there were many. On the other hand, significantly fewer business loans were granted to SMEs and consumer loans to private individuals in the crowd lending sector in 2020.

Payment delays in the business-to-business sector significantly increased, from 8 to 13 days in 2020, illustrating the liquidity problems caused by the pandemic.

In Switzerland, there are four guarantee cooperatives that help promising SMEs obtain bank loans of up to CHF 500 000. Loan guarantee volumes increased steadily over 2007-2010, declined slightly in 2011, and continued to grow in the following six years. The Parliament recently amended the Federal Law on Financial Aid for guarantee organisations: since 1 July 2019, the Law allows for guarantees up to CHF 1 million.

The Swiss Federal council has adopted three measures in particular to support SME's financing during the pandemic: bridging credits through a guarantee program, credits through a guarantee program specific for start-ups and a hardship support program (mainly non-repayable contributions) for companies which were, due to the nature of their economic activities, particularly affected by the consequences of the COVID-19 crisis.

Table 43.1. Scoreboard for Switzerland

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	CHF million	323 093	344 840	343 866	363 566	377 630	384 438	404 793	402 346	403 681	412 005	422 065	441 332	462 978	487 554
Outstanding business loans, total	CHF million	401 647	426 489	433 485	458 689	480 922	489 116	513 631	526 532	525 042	538 709	550 365	583 934	606 497	648 133
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	76.69	75.58	76.33	75.22
Government loan guarantees, SMEs	CHF million	104	148	187	215	210	219	227	238	244	254	255	263	285	315
Interest rate, SMEs	%	..	..	2.21	2.11	2.08	2.01	1.99	2.05	2.07	2.04	2.09	1.96	1.83	1.76
Interest rate, large firms	%	..	..	1.35	1.23	1.16	1.11	1.16	1.16	1.30	1.25	1.30	1.33	1.30	1.29
Interest rate spread	% points	..	..	0.86	0.88	0.92	0.90	0.83	0.89	0.78	0.79	0.79	0.63	0.53	0.47
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	76.00	75.01	76.56	76.75	74.86	78.78	79.64	79.88	81.86	81.70	82.92	83.93
Utilisation rate	SME loans used/ authorised	71.00	70.00	71.00	70.00	69.00	71.00	72.00	72.00	71.76	71.68	70.59	70.30	70.13	71.54
Non-bank finance															
Venture and growth capital	EUR million	319.8	300.9	308.5	330.1	227.6	245.8	216.8	237.2	394.3	452.4	1195.9	772.9	1 670	882.3
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	-5.91	2.53	7.00	-31.05	8.00	-11.80	9.41	66.23	14.73	164.35	-35.37	116.07	-47.17
Other indicators															
Payment delays, B2B	Number of days	12	13	13	11	10	9	9	7	7	7	7	6	8	13
Bankruptcies, SMEs	Number	4 314	4 221	5 215	6 255	6 661	6 841	6 495	5 867	6 098	6 684	6 710	6 241	6 004	4897
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	-2.16	23.55	19.94	6.49	2.70	-5.06	-9.67	3.94	9.61	0.39	-6.99	-3.8	-18.44

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

44. Thailand

Key facts on SME financing

In 2020, there were approximately 3.13 million SMEs in Thailand, which constituted 99.6% of all enterprises.

According to the criteria defined by the Ministry of Industry, SMEs are categorized by the number of employees and income.

SMEs are able to access financing through commercial bank loans. In 2020, outstanding SME loans were THB 3,409,192 billion, representing 37.27% of all outstanding business loans. Furthermore, SMEs are able to source funds from other financial institutions, the capital market, crowdfunding and venture capital.

Some SMEs still face problems including collateral constraints and a lack of credit history, which limit their access to bank loans. Government policies have been put into place to address these constraints.

For example, the Thai Credit Guarantee Corporation)TCG(provides credit guarantees for viable SMEs to ensure that SMEs with insufficient collateral have access to bank loans. In Thailand, credit guarantees are provided in the form of portfolio guarantees, which allow Financial Institutions (FIs) to select SMEs that are qualified as viable on their own. As a result, the viability of each individual SME is determined by their own assessment and criteria. The outstanding guarantee amount has increased over the years and totalled THB 451 billion at the end of 2020, covering 166 419 SMEs in TCG's portfolio.

Moreover, the Business Collateral Act B.E. 2558)2015(simplified the process of security interest creation and expanded the types of collateral which SMEs can register and use to secure loans.

To proactively boost SMEs' financial access, the Bank of Thailand)BOT(has promoted new innovative financial services and products for SMEs, such as digital personal loan and digital factoring as well as new infrastructure to support operational efficiency and competitive environment in financial sector, including a central web service to deal with double-financing for invoice finance. In addition, the government has launched and developed capacity-building programmes to enhance SMEs' competitiveness and opportunity for financial access.

During the COVID-19 pandemic, the BOT collaborated with the government in introducing financial and loan measures to support Thai people and businesses, particularly SMEs heavily affected by the crisis. These measures include loan payment holidays for all SMEs to reduce their financial burden and a soft loan facility to provide liquidity to severely affected SMEs. Furthermore, the loan facility is also supported by a credit guarantee scheme through the TCG, with additional exemptions or reductions on relevant taxes and fees. As part of the loan facility, the BOT will provide funding to financial institutions at low funding rate to channel liquidity to businesses in need.

Table 44.1. Scoreboard for Thailand

Indicator	Unit	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Outstanding business loans, SMEs	THB billion	2 753	2 565	2 749	3 145	3 481	3 968	4 266	4 511	4 574	4 703	4 893	4 877	3 409
Outstanding business loans, total	THB billion	5 117	4 863	5 298	6 080	6 723	7 473	7 774	8 017	8 066	8 362	8 726	8 652	9 146
Share of SME outstanding loans	% of total outstanding business loans	53.81	52.75	51.89	51.74	51.78	53.11	54.88	56.24	56.69	56.25	56.07	56.36	37.27
Government loan guarantee, SMEs	THB billion	..	..	73	113	180	244	270	309	331	353	373	388	451
Non-performing loans, total	% of all business loans	5.77	5.32	3.96	2.97	2.36	2.13	2.07	2.55	2.88	3.01	3.05	3.01	3.23
Non-performing loans, SMEs	% of all SME loans	..	7.11	5.38	3.97	3.46	3.29	3.11	3.5	4.35	4.51	4.56	4.63	6.97

Source: Bank of Thailand and Thai Credit Guarantee Corporation (Outstanding loans and non-performing loans include only Thai commercial banks, excluding specialized financial institutions).

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

45. Turkey

Key facts on SME financing

SME lending grew steadily over the whole 2007-2020 period, with the exception of a minor decline of 1.6% in 2009. SME loans grew by 37.9% in 2020. The share of SME loans in total business loans remained broadly stable, at 30.8%, slightly below the Scoreboard median (38%).

Venture and private equity investments show an erratic pattern. After reaching a peak in 2011, investments remained subdued in the following years until 2017, when new investments surpassed 2011 levels for the first time. A similar pattern was also observed between 2018 and 2020. In 2020, there was a new peak in venture and private equity investments, which experienced a 506% increase from 2019. This large increase can be explained by the change of the legal framework in order to support entrepreneurship in Turkey. Similarly, tax incentives for investors who invest in venture capital and private equity funds also supported the growth of the VC industry. `

The share of non-performing loans (NPLs) for both total business loans and SME loans decreased significantly in 2020, to 4.69% and 6.44%, respectively. This was mostly the result of some temporary regulation changes in the definition of NPLs and of the increase in the total amount of SME loans.

The number of bankruptcies decreased from 97 in 2019 to 68 in 2020. Company closures, including sole proprietorships, totalled 51 088 enterprises in 2020, up from 48 086 enterprises in 2019, highlighting that (due to lengthy legal proceedings) bankruptcies (upon court verdict) constitute a relatively uncommon phenomenon in Turkey.

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

In 2014, the government introduced a law regarding funds of funds, which enables the Ministry of Treasury and Finance to transfer capital to a fund of funds under certain conditions. In 2017, this law was changed to enable the Ministry of Treasury and Finance to invest not only in funds of funds but also in venture capital funds. Secondary legislation of Direct Investment in Venture Capital Funds came into force on 5 June 2018.

KOSGEB is the main body for executing SME policies in Turkey. It provides 13 different support programmes and supports collateral costs for SMEs with considerable outreach throughout Turkey.

In 2018, KOSGEB made some changes in its support programmes with a view to giving priority to SMEs that produce innovative, technological and high value-added products and that are export-oriented. In this direction, KOSGEB introduced innovations in its support models in order to extend the technology to the base through SMEs, strengthen the manufacturing industry, support domestic and national production of imported products, increase internationalisation and enable large and small business cooperation. Additionally, in the field of entrepreneurship, KOSGEB has established a new entrepreneurship model with a focus on medium-high and high-tech fields.

At the end of 2018, KOSGEB introduced a new loan interest support programme. The new modelprovides resource efficiency, facilitates access to finance for enterprises in high value added sectors and is easily accessible throughout the year. SMEs can be classified as Entrepreneurial Enterprises, Project-Oriented Enterprises, Technology-Based Enterprises and Enterprises in Strategic Priority Sectors. Classified SMEs can benefit from investment, working capital, export and emergency support loan types with subsidised interest rates.

In 2016, Turkey passed a bill on the use of movable collateral in commercial transactions. The goal of the reform was to increase access to finance through the pledge of valuable tangible and intangibles assets, such as receivables, machinery, inventory and stock, which comprise 78% of SMEs' total assets. This reform led to the creation of 26 200 security rights from 2017 to 2019 and 12 581 in 2020. The amount of security deposits was TRY 708 billion from 2017 to 2019 (i.e. about USD 59 billion or EUR 44 billion) and TRY 64 billion in 2020 (i.e. about USD 14 billion and EUR 10 billion).Actual financial amount for 2020 was TRY 18 billion, USD 283 million, and EUR 276 million. The most used assets have been receivables, machines and inventories.

Table 45.1. Scoreboard for Turkey

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	TRY billion	76.5	84.6	83.3	125.5	162.8	199.7	271.4	333.3	388.7	420.5	513.2	611.3	615.3	848.8
Outstanding business loans, total	TRY billion	190.6	250.3	262.7	353.2	459.0	528.8	715.5	884.6	1 100	1 314	1 610	1 890	2 070	2756
Share of SME outstanding loans	% of total outstanding business loans	40.14	33.80	31.70	35.52	35.47	37.77	37.94	37.67	35.34	32.00	31.88	32.34	29.72	30.8
Government loan guarantees, SMEs	TRY million	72.7	236	500.6	707.5	901.6	973.2	996.1	1 261	1 950	4 205	142 019	55 796	51 523	124 300**
Government guaranteed loans, SMEs	TRY million	113.8	340.8	670.2	981.9	1 250	1 312	1 303	1 622	2 513	5 250	157 587	63 809	64 018	15520 0**
Direct government loans, SMEs	USD million	552	842	997	855	1 174	928	2 632	1 709	1 764	1 749	284.5.	457	200	
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	2.81	4.01	5.96	4.7
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	4.71	6.69	9.21	6.4
Non-bank finance															
Venture and growth capital*	TRY million	13.7	0.9	6.3	47.6	373.2	110.1	335.5	124.4	135.3	343.2	435.1	904	600	3640
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	26.79	108	-33.55	506.2
Leasing and hire purchases	TRY billion	11.7	14.4	11.1	10.7	15.1	17.2	25.0	29.5	36.7	44.0	52.0	60.7	48.7	57.3
Factoring and invoice discounting	TRY billion	6.2	5.6	8.4	12.4	14.2	16.3	20.1	24.7	25.0	31.0	41.6	31.4	34.0	44.6
Other indicators															
Bankruptcies, total	Number	52	47	50	68	72	141	69	99	108	222	130	105	97	68
Bankruptcies, Total (growth rate)	%, year-on-year growth rate	..	-9.6	6.4	36.0	5.9	95.8	-51.1	43.5	9.1	105.6	-41.44	-19.23	-7.62	-29.8

Notes: * The data presented in this section do not refer to outstanding values but show the new investments each year.
** The data in this section (2020) refers only to the data on the guarantees and loans used under the Treasury-Backed Guarantee System, which does not include the data that is related to KGF equity guarantees.

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

46. Ukraine

Key facts on SME financing

Tight quarantine, caused by the COVID-19 pandemic, started in March 2020 with a *de facto* ban on the operation of a significant part of economic activities. This led to a reduction in household incomes and corporate profits, as well as a deterioration in consumer and business sentiment. Uncertainty about the further development of the COVID-19 pandemic led to a decrease in public consumption, the suspension of certain investment projects and a deep decline in all economic activities. According to the results of the second quarter of 2020, real GDP decreased significantly by 11.2%

Against this backdrop, the National Bank of Ukraine (NBU) made considerable efforts to support the business and banking sectors of Ukraine. Its activities primarily aimed at:

- Reducing the cost of financing for businesses, households and the government;
- Maintaining liquidity and expanding the resource potential of banks;
- Providing stimulus for financial institutions to expand lending;
- Stabilising the foreign exchange market;
- Anchoring inflation expectations.

The volume of corporate lending in 2020 was moderate, with heterogeneous dynamics. As a result of the pandemic, the demand for loans by enterprises declined and the financial conditions of borrowers started to deteriorate.

In order to reduce the negative effects of the crisis on the loan portfolio, the NBU encouraged banks to restructure the loans of *bona fide* debtors who had experienced difficulties because of the pandemic. Small enterprises remained the most vulnerable to the effects of the COVID-19 crisis in 2020. To support them, the government introduced government programmes that provided partial interest rate compensation and government loan guarantees. These measures and the gradual recovery of the economy contributed to the gradual revival of corporate lending in the final part of 2020.

Therefore, following a reduction in the corporate loan volume in the first half of the year, business loans in the national currency (hryvnia, UAH) increased in the second half of the year. Overall, net UAH business loans increased by 4.3% in 2020. Net foreign currency loans decreased by 11.1% year-on-year in USD terms.

Retail lending slowed sharply in 2020. The net UAH loan portfolio of individuals grew by 5.5% over the year, against a 30% increase in 2019. This was mostly the result of falling demand for certain categories of consumer goods and uncertainty about the dynamics of household incomes during the COVID-19 crisis.

The Ukrainian financial sector remains bank-centric: the share of non-bank financial institutions in the assets of the financial sector is still moderate, and in 2020 it declined due to slightly lower growth rates compared to bank assets.

In July 2020, the government introduced a "split" reform whereby the non-banking financial market was redistributed between the two regulators: the National Bank of Ukraine and the National Securities and

Stock Market Commission. This should increase the transparency of the sector, eliminate the possibility of regulatory arbitrage and create a system of proportional regulation of the non-banking market.

In 2020, new SMEs loans accounted for 31% of total new business lending, showing a 2% drop compared to the previous year.

An important state credit programme, called "Affordable Loans 5-7-9%", was introduced at the initiative of the President of Ukraine in order to facilitate the access of micro and small businesses to bank lending. The aim of the programme is to strengthen the competitiveness of Ukrainian micro and small businesses, create new jobs, and help migrant workers return to Ukraine. The programme is implemented by the Entrepreneurship Development Fund (formerly the German-Ukrainian Fund), established under the Ministry of Finance, through a network of partner banks together with the Ministry of Economy and the SME Development Office. The programme, as the name suggests, is characterised by the offer of loans with three different interest rates: 5%, 7% and 9%. As of the end of May 2021, the programme had disbursed 17 037 loans totalling UAH 43 955 million through 30 partner banks.

Table 46.1. Scoreboard for Ukraine

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs	UAH billion	..	..	..	..	..	..	..	..	..	..	443	445	432	451
Outstanding business loans, total	UAH billion	271	460	482	520	597	626	716	809	807	837	845	874	761	737
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	..	..	..	..	..	..	..	52.42	50.86	56.77	61.23
New business lending, total	UAH billion	627	724	685	958	1 079	1 121	1 330	1 231	1 213	1 446	1 407	2 011	2408	2498
New business lending, SMEs	UAH billion	..	..	..	..	..	..	..	..	..	..	..	678	799	792
Share of new SME lending	% of total new lending	..	..	..	..	..	..	..	..	..	..	..	33.74	33.18	31.68
Outstanding short-term loans, SMEs	UAH billion	..	..	..	..	..	..	..	..	..	..	200	215	213	243
Outstanding long-term loans, SMEs	UAH billion	..	..	..	..	..	..	..	..	..	..	243	230	218	208
Share of short-term SME lending	% of total SME lending	..	..	..	..	..	..	..	..	..	..	45.12	48.34	49.42	53.8
Interest rate, SMEs	%	..	..	..	..	..	..	..	..	..	..	..	17.35	17.51	13.84
Interest rate, large firms	%	..	..	..	..	..	..	..	..	..	..	..	15.54	14.09	8.68
Interest rate spread	%	..	..	..	..	..	..	..	..	..	..	..	1.80	3.42	5.16
Non-bank finance															
Venture and growth capital	UAH billion	..	..	..	0.020	0.024	0.059	0.089	0.039	0.132	0.088	0.259	0.337	0.510	..

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Venture and growth capital (growth rate)	%	..	..	..	..	20.00	145.8	50.85	-56.18	238.5	-33.33	194.3	30.08	51.35	..
Leasing and hire purchases	UAH billion	12	8	2	3	9	9	25	6	5	10	13	22	26	26
Factoring and invoice discounting	UAH billion	0	1	2	6	7	12	10	24	17	17	31	48	56	85
Other indicators															
Bankruptcies, all businesses	Number of subjects of entrepreneurial activity	..	..	..	..	..	9 540	7 168	6 098	6 292	6 007	4 920	4 075	3260	3173
Bankruptcies, all businesses (growth rate)	%	..	..	..	..	..	..	-24.86	-14.93	3.18	-4.53	-18.10	-17.17	-20.00	-2.7

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

47. United Kingdom

Key facts on SME finance

The developments in SME finance markets in the United Kingdom in 2020 were unprecedented due to schemes to support smaller businesses introduced by the UK government in response to the COVID-19 outbreak. The main measures of bank lending to SMEs surged to record highs, driven by the usage of UK government-guaranteed loan schemes.

Gross flows of bank lending (excluding overdrafts), the principal component of SME finance markets, rose by more than 80% in 2020 to GBP 103.8 billion, an unprecedented level. This, combined with a relatively modest rise in repayments, resulted in net lending widening to a record GBP 46.5 billion. The outstanding stock of bank lending also rose sharply to GBP 213 billion, the largest on record.

Outside of bank lending, the usage of most other types of finance fell sharply in 2020. Among the commonly used forms of alternative finance, the value of invoice finance dropped 33% and asset finance declined 21%. There are signs that the weakness was due to factors including some SMEs temporarily pausing or permanently ceasing trading, postponing investment, and using government-guaranteed loan or other support schemes (such as the Coronavirus Job Retention Scheme) to cover their working capital needs rather than traditional forms (such as invoice finance) and to replace asset finance. While limited data is available for peer-to-peer (i.e. marketplace) business lending in 2020, it is likely that lending volumes also fell. In contrast, the UK equity finance market performed well, with the value rising 9% to a record GBP 8.8 billion and the number of deals up 5%. The main driver was venture capital, which increased by 33.3% from 2019 to almost GBP 3 billion.

On the demand side, surveys show that overall SME demand for external finance fell in 2020. The share of SMEs reporting using any type of repayable external finance dropped to 37%, a two-year low, from 45% in 2019. The fall was driven by lower use of bank overdrafts, credit cards and leasing/hire purchase/vehicle finance. The demand for these types of finance waned as some SMEs simply reduced their activity while others used the government loan schemes or other government support schemes, such as the Coronavirus Job Retention Scheme, instead.

The value of SME deposits, and the share of smaller businesses holding large credit balances, rose to a record high in 2020. This is consistent with reports that the high uncertainty associated with the pandemic led to precautionary behaviour, and that some of the SMEs accessing the government-guaranteed loans put them on deposit, at least initially.

The UK government, the Department for Business, Energy and Industrial Strategy and the British Business Bank will continue to work with a wide range of partners to support businesses across the UK as they recover and grow following the COVID-19 pandemic.

Table 47.1. Scoreboard for the United Kingdom

Indicator	Unit	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt														
Outstanding business loans, SMEs	GBP billion	..	..	..	189	176	166	167	164	166	165	166	167	213
Outstanding business loans, total	GBP billion	..	..	..	504	472	448	435	430	449	466	467	489	530
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	37.5	37.3	37.1	38.4	38.3	36.9	35.5	34.8	34.2	40.2
New business lending, total	GBP billion	..	..	..	..	146	163	190	205	234	259	273	258	325
New business lending, SMEs	GBP billion	..	..	..		38	43	53	58	59	57	58	57	104
Share of new SME lending	% of total new lending	..	..	..		26.1	26.4	28.2	28.2	25.3	22.2	21.1	22	32
Government loan guarantees, SMEs	GBP million	..	61	52	32	43	51	45	34	31	32	30	30	57 612
Government guaranteed loans, SMEs	GBP million	..	626	529	326	288	337	298	226	207	216	199	203	61 191
Direct government loans, SMEs	GBP million	..	..	..	..	0.8	60.6	70.7	62.0	82.6	106.8	85.5	89.8	126.4
Interest rate, SMEs	%	4.54	3.47	3.49	3.52	3.71	3.60	3.43	3.33	3.22	3.16	3.44	3.29	2.15
Interest rate, large firms / PNFCs *	%	3.49	2.35	2.10	2.25	2.41	2.20	2.45	2.11	2.60	2.43	2.70	2.54	1.87
Interest rate spread	% points	1.05	1.12	1.39	1.27	1.30	1.40	0.98	1.22	0.62	0.73	0.74	0.75	0.28
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	25	31	31	34	40	45	56	41	39	15
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	7	6	4	5	4	3	2	2	2	7
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	31	32	23	18	19	20	18	22	15
Non-bank finance														
Venture and growth capital	GBP billion	..	..	..	1.5	1.9	1.9	3.0	4.1	3.9	6.8	7.1	8.1	8.8
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	..	..		29.11	-1.42	59.02	39.36	-4.67	72.8	4.20	14.75	8.56
Leasing and hire purchases	GBP billion	..	..	..	11.4	12.2	12.9	14.7	16.3	17.0	19.0	19.4	20.1	15.9
Factoring and invoice discounting	GBP billion	..	..	..	9.4	9.5	9.9	11.1	10.6	10.8	11.8	12.0	11.8	7.9

Indicator	Unit	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Other indicators														
Bankruptcies, SMEs	Thousands	..	..	..	22.3	21.4	20.0	17.6	15.9	17.9	18.5	18.7	18.5	13.3
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	..	..	..	-3.9	-11.6	-6.9	-9.8	12.1	3.6	1.4	-0.8	-28.2

Note: * Break in data series and definition from 2016.

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48. United States

Key facts on SME finance

The US economy was strongly impacted by the COVID-19 pandemic in 2020. The demand shock that resulted from the introduction of lockdowns, voluntary social distancing and business closures resulted in a strong contraction in economic growth. In Q2 of 2020, GDP declined by 9.1%, the highest contraction in quarterly GDP since tracking began in 1947. Despite some recovery in the second half of the year, annual GDP declined by 3.5%. The pandemic also had a significant impact on the labour market: the US unemployment rate shot up by 10.4 percentage points from March to April 2020, reaching a record high of 14.3%. This figure gradually declined to 6.7% at the end of the year and has since nearly recovered to pre-crisis levels.

The impact of the crisis on SMEs was significant. Lockdowns led to depressed demand, business closures and disruptions in supply chains that strongly impacted SME operations, revenues and liquidity. In the US Census Bureau's Small Business Pulse Survey, nearly 90% of small businesses reported a large or moderate negative impact of the pandemic in the end of April 2020. Over this period, more than 70% reported a decline in operating revenues, over 40% of businesses reported temporary closures, and more than 40% noted supply chain problems. During the same period, 75% of surveyed enterprises had requested government assistance through the Paycheck Protection Program (PPP) (see more below). These impacts prevailed through most of the second quarter of 2020 and gradually declined in the second half of 2020 as the recovery began to take shape.

Lending conditions tightened in the first six months of the crisis, but the demand for credit also declined considerably due to significant recourse to the PPP scheme (see more below). The Federal Reserve loosened monetary policy by lowering the federal funds rate by 50 basis points in March 2020 to a target range of 0 to 0.25%. However, the heightened uncertainty over the evolution of the pandemic and its economic impact led to considerable tightening of lending conditions in Q2 and Q3, as noted in the Senior Loan Officer Survey. The October 2020 survey showed that a large proportion of banks indicated an increase in the use of interest floors, collateralisation requirements, loan covenants and premiums charges on riskier loans, as a result of a perception of a more uncertain outlook and worsening of industry-specific problems. However, in both survey rounds, many bank officials also reported a weaker demand for corporate credit.

Government support programmes were critical in limiting the economic fallout from the crisis. 2020 saw a historic increase in government-backed financing to SMEs. The Paycheck Protection Program (PPP) provided an additional USD 5.2 million in forgivable loans worth more than USD 525 billion through August 2020. The programme has since been extended twice, with the latest extension in January 2021. The SBA's Economic Injury Disaster Loan (EIDL) Program added another 3.6 million small business loans valued at USD191 billion, as well as an additional 5.7 million EIDL Advances worth USD 20 billion. Loans guaranteed through traditional SBA lending programmes exceeded USD 28 billion in Fiscal Year 2020. These programmes account for the declining interest rates and interest rate spreads between SMEs and large enterprises and the large decline in the share of SMEs requiring collateral to obtain a loan, despite the crisis. They also likely play a role in the decline in bankruptcies relative to 2019.

Venture Capital in 2020 registered a record high in total capital raised, with a growth of 13% compared to 2019, even if the number of deals was slightly lower than the equivalent 2019 figure. When looking by stages, early stage financing was more adversely affected by the crisis with seed and angel number of deals registering a decline of 11%, and early VC deals declining by 20%. In terms of total capital raised, early VC was particularly affected, closing the year with a decline of 11%, while seed and angel closed the year with a 1% increase.

Table 48.1. Scoreboard for the United States

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt															
Outstanding business loans, SMEs. As of June 30	USD billion	687	711	695	652	608	588	585	590	599	613	619	633	645	833
Outstanding business loans, total. As of June 30	USD trillion	2.28	2.57	2.52	2.30	2.35	2.55	2.67	2.87	3.07	3.32	3.46	3.62	3.68	..
Share of SME outstanding loans	% of total outstanding business loans	30.1	27.7	27.6	28.4	25.9	23.1	21.9	20.6	19.5	18.5	17.9	17.5	17.5	..
New business lending, SMEs	USD: Index	119	94	74	77	97	100	105	120	147	140	140	145	137	140
Government loan guarantees, SMEs	USD billion	67	71	73	77	84	88	93	98	101	106	113	120	122	639
Government guaranteed loans, SMEs	Number of loans	374 996	387 826	384 626	365 724	353 743	337 215	322 572	316 160	312 851	315 615	321 167	325 963	322 161	5 388 704
Direct Government Loans, SMEs	USD billion														177
Non-performing loans, total	% of all business loans	1.22	1.88	3.91	3.46	2.01	1.34	1.00	0.80	0.87	1.57	1.33	1.12	1.06	1.24
Non-performing loans, SMEs	% of all SME loans	2.14	2.62	3.24	2.62	1.90	1.44	1.21	1.22	1.22	1.28	1.34	1.41	1.59	1.92
Interest rate, SMEs	%	7.96	5.16	3.82	4.09	3.95	3.76	3.55	3.39	3.33	3.46	4.94	5.16	5.26	2.82
Interest rate, large firms	%	8.05	5.09	3.25	3.25	3.25	3.25	3.25	3.25	3.26	3.51	4.10	4.90	5.50	3.25
Interest rate spread	% points	-0.09	0.08	0.57	0.84	0.70	0.51	0.30	0.14	0.07	-0.05	0.84	0.26	-0.24	-0.43
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	..	..	..	..	..	..	92.90	94.30	92.2	51.1
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	..	..	..	..	..	55.2	67.3	67.7	67.6
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	..	..	..	..	..	..	44.80	32.70	32.4	32.4
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	..	..	..	..	47.50	46.60	51.2	49.2
Non-bank finance															
Venture and growth capital	USD billion	38.2	37	27.5	31.8	45.2	41.5	48.3	73.4	85	80.8	87.1	143	138	156

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	-2.88	-25.9	15.64	42.14	-8.2	16.4	51.9	15.9	-5.05	7.8	63.8	-3.22	13.11
Leasing and hire purchases	USD billion	595	613	508	449	361	376	395	401	416	382	388	391	401	361
Factoring and invoice discounting	USD billion	..	..	..	..	146	100	111	130	105	99	98	104	94	..
Other indicators															
Payment delays, B2B	Percent of Domestic Invoices Overdue	..	..	..	..	..	..	25.9	..	46.6	..	40.3	..	24	43
Bankruptcies, all businesses	Number (in thousand)	28.3	43.5	60.8	56.3	47.8	40.1	33.2	27.0	24.7	24.1	23.2	22.2	22.7	21.6
Bankruptcies, all businesses (growth rate)	%, Year-on-year growth rate	43.8	53.8	39.7	-7.5	-15.1	-16.2	-17.1	-18.8	-8.3	-2.5	-4.0	-4.0	2.46	-4.9

The full country profile is available at: https://doi.org/10.1787/e9073a0f-en

Annex A. Methodology for producing the national Scoreboards

Financing SMEs and Entrepreneurs: An OECD Scoreboard provides a framework to monitor trends in SMEs' and entrepreneurs' access to finance – at the country level and internationally – and supports the formulation and evaluation of policies in this domain.

The individual country profiles present data for a number of core indicators, which measure trends in SME debt and equity financing, credit conditions, solvency and policy measures. The set of indicators and policy information provide governments and other stakeholders with a consistent framework to evaluate whether SME financing needs are being met, to support the design and evaluation of policy measures, and to monitor the implications of financial reforms on SME access to finance. Consistent time series for country data permit an analysis of national trends in participating countries. It is mainly by comparing trends that insights are drawn from the varying conditions in SME financing across countries. The focus on analysis of changes in variables, rather than on absolute levels, helps overcome existing limitations to cross-country comparability of the core indicators, due to differences in definitions and reporting practices.

This Annex describes the methodology for producing the 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 monitor the core indicators, data are collected for 22 variables. Each variable has a preferred definition (see Table A 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.

Table A A.1. Preferred definitions for core indicators

Indicator	Definition/ Description	Sources
Outstanding business loans, SMEs	Bank and financial institution loans to SMEs, amount outstanding (stocks) at the end of period; by firm size using the national definition of SME or, if necessary, loan amounts less than EUR 1 million or an equivalent threshold that is deemed appropriate on a case-by-case basis	Supply-side data from financial institutions
Outstanding business loans, total	Bank and financial institution business loans to all non-financial enterprises, outstanding amounts (stocks)	Supply-side data
New business lending, total	Bank and financial institution business loans to all non-financial enterprises over an accounting period (i.e. one year), flows	Supply-side data
New business lending, SMEs	Bank and financial institution loans to SMEs over an accounting period (i.e. one year), flows; by firm size using the national definition of SME or, if necessary, loan amounts less than EUR 1 million or an equivalent threshold that is deemed appropriate on a case-by-case basis	Supply-side data
Short-term loans, SMEs	Loans equal to or less than one year; outstanding amounts or new loans	Supply-side data
Long-term loans, SMEs	Loans for more than one year; outstanding amounts or new loans	Supply-side data
Government loan guarantees, SMEs	Government guarantees available to banks and other financial institutions, stocks or flows	Supply-side data
Government guaranteed loans, SMEs	Loans guaranteed by government, stocks or flows	Supply-side data
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. Considering this and since 2016, 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. The base year used is 2007 considering that the time series graphs found predominantly in Chapter 1 compare the median growth rate since 2008. This deflator is derived by dividing an index of GDP (measured in current prices) by a chain volume index of GDP. It is therefore a weighted average of the price indices of goods and services consumed by households; expenditure by government on goods, services and salaries; fixed capital assets; changes in inventories; and exports of goods and services minus imports of goods and services.[1] It is a very broad indicator of inflation and, given its comprehensiveness, it is thus suitable to deflate current price nominal data into a real terms prices basis for measures of national income, public expenditure and other economic variables with a focus beyond consumer items.

Inclusion of median values

In order to facilitate interpretation of the data, median values of core indicators are included when appropriate in Chapter 1 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 2020, covering the assessment of 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 2019, 2020 and the first half of 2021, in order to identify the most recent trends in SME finance during the COVID-19 pandemic andrelated policy response.

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.[2]

Asset-based finance

Most of the indicators of the Scoreboard relate to bank finance, although in practice SMEs and entrepreneurs also rely on other financing options. Including statistics on the use of asset-based finance allows for a more complete overview of trends 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 A.A.1).

Box A A.1. What is an SME?

While there is no universal definition of an SME and several criteria can be used in the definition, SMEs are generally considered to be non-subsidiary firms which employ less than a given number of 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.[3] However, the size of the SME loan can differ among countries and sometimes even among banks within the same country.

Several reasons are advanced for not compiling financial statistics based on firm size including:

- Banks do not collect data by firm size;
- It is too expensive to collect such data;
- Breaking down loan data by firm size would jeopardise confidentiality and are not gathered or communicated as a consequence.

Experience gained from the OECD Scoreboard suggests that loan data broken down by firm size are already in the financial system but are not extracted unless banks are under a regulatory obligation to provide them. Experience also suggests that the challenges mentioned above could be addressed quite easily. For instance, confidentiality requirements 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.

Table A A.2. Difference between national statistical and financial definitions of SMEs

Country	National statistical definition of SMEs	Indicator	Definition of SMEs used
Australia	Size of firm: less than 200 employees	Business loans, SMEs	Loan size: amounts outstanding under AUD 2 million
		Interest rate, SMEs	Loan size: amounts outstanding under AUD 2 million
Austria	Size of firm: 1 – 249 employees	Business loans, SMEs	Loan size: amounts up to EUR 1 million
		Short- and long-term loans, SMEs	Loan size: amounts up to EUR 1 million
		Government loan guarantees and government guaranteed loans, SMEs	Firm size: enterprises with less than 250 employees
		Direct government loans, SMEs	Firm size: enterprises with less than 250 employees
		Rejection rate	Firm size: enterprises with less than 250 employees
		Interest rate, SMEs	Loan size: amounts up to EUR 1 million
Belgium	Size of firm: less than 250 employees	Business loans, SMEs	Firm size: enterprises with less than 250 employees
		SME loans authorised and used	Firm size: enterprises with less than 250 employees
		Interest rate, SMEs	Loan size: amounts up to EUR 1 million
Brazil	annual turnover of up to BRL 4.8 million	Outstanding business loans, SMEs	Loan size: amounts up to BRL 100 million
			Measured on a client-facility-month basis
Canada	Size of firm: 1-499 employees	Business loans, SMEs	Loan size: amounts up to CAD 1 million
		Short- and long-term loans, small businesses	Firm size: enterprises with 1-99 employees
		Government guaranteed loans, SMEs	Firm size: annual sales (turnover) lower than CAD 5 million
		Direct government loans, SMEs	Firm size: annual sales (turnover) less than CAD 25 million
		Risk premium for small businesses	Firm size: enterprises with 1-99 employees
		Loans authorised and requested, small businesses	Firm size: enterprises with 1-99 employees
		Collateral, small businesses	Firm size: enterprises with 1-99 employees
Chile	Annual sales of firm: up to UF 100 000	Business loans, SMEs	Loan size: amounts up to UF 18 000
		Short- and long-term loans, SMEs	Loan size: amounts up to UF 18 000
		Government guaranteed loans, SMEs	Firm size: annual sales up to UF 100 000 or annual exports up to UF 400 000
		Direct government loans, SMEs	Less than 12 hectares and capital up to UF 3 500
		Loans authorised and requested, SMEs	Firm size: annual sales up to UF 100 000
		Non-performing loans, SMEs	Loan size: amounts up to UF 18 000
		Short-term and long-term interest rate, SMEs	Loan size: amounts up to UF 18 000
		Payment delays, SMEs	Loan size: amounts up to UF 18 000
China	The definition of SMEs differs according to sector.		The definition of SMEs differs according to sector.
		Short- and long-term loans, SMEs	The definition of SMEs differs according to sector.

		Government loan guarantees, SMEs	The definition of SMEs differs according to sector.
		SME government direct loans	The definition of SMEs differs according to sector.
		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 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Loan size: up to EUR 1 million
		Short- and long-term loans, SMEs	Firm size: less than 250 employees
		Value of government guaranteed loans, SMEs	Firm size: less than 250 employees
		Loans authorised and requested, SMEs	Loan size: up to EUR 1 million
		Interest rate, SMEs	Loan size: up to EUR 1 million
		Collateral, SMEs	Firm size: less than 250 employees

France	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: number of employees (less than 250), turnover (less than EUR 50 million), total assets of legal units (less than EUR 43 million) and independent; bank must inform the Central Credit Register when it grants a loan of more than EUR 25 000
		Short- medium- and long-term loans	Firm size: number of employees (less than 250), turnover (less than EUR 50 million), total assets of legal units (less than EUR 43 million) and independent; bank must inform the Central Credit Register when it grants a loan of more than EUR 25 000
		Share of the outstanding loans of failing companies, SMEs except micro-enterprises	Firm size: number of employees (less than 250), turnover (less than EUR 50 million), total assets of legal units (less than EUR 43 million) and independent; bank must inform the Central Credit Register when it grants a loan of more than EUR 25 000
		Interest rate, SMEs	Loan size: less than EUR 1 million
		Bankruptcies, SMEs	Firm size: number of employees (less than 250), turnover (less than EUR 50 million), total assets of legal units (less than EUR 43 million) and independent
Georgia	Less than 100 employees and turnover below GEL 1.5 million	Business loans, SMEs	Less than 100 employees and turnover below GEL 1.5 million
		Non-performing loans, SMEs	
		Interest rate, SMEs	
		Collateral SMEs	
Greece	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Interest rate, SMEs	Loan size: less than EUR 1 million
		Collateral, SMEs	Loan size: less than EUR 1 million
Hungary	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Overdraft loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Investment loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Direct government loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)

		Government guaranteed loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Non-performing loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Average interest rate, SMEs	Loan size: amounts up to EUR 1 million
Ireland	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size
		Short- and long-term loans, SMEs	Loan size: less than EUR 1 million
		Interest rates, SMEs	Loan size: less than EUR 1 million
Israel[i]	Size of firm: less than 100 employees and annual turnover of up to NIS 100 million	Business loans, SMEs	Loan size: amounts of NIS differ depending on the bank
		Interest rate small firms and medium firms	Loan size: amounts of NIS differ depending on the bank
Indonesia	Maximum turnover of 50 billion rupiah or maximum assets (excluding building land asset) of 10 billion rupiah	Business loans, SMEs	Firm size: Maximum turnover of 50 billion rupiah
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	Less than 250 employees in addition to an annual income criterium		
Korea	Varies by sector	Business loans, SMEs	The definition of SMEs differs according to sector.
		Short- and long-term loans, SMEs	The definition of SMEs differs according to sector.
		Government loan guarantees, SMEs	The definition of SMEs differs according to sector.
		Direct government loans, SMEs	The definition of SMEs differs according to sector.
		Loans authorised and requested, SMEs	The definition of SMEs differs according to sector.

		Non-performing loans, SMEs	The definition of SMEs differs according to sector.
		Interest rate spread, SME and large firm rates	The definition of SMEs differs according to sector.
		Payment delays, SMEs	The definition of SMEs differs according to sector.
Latvia	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Interest rate, SMEs	Loan size: Loans of less than EUR 250000
Lithuania	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 and annual turnover below EUR 50 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
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)
Peru	SMEs are defined by annual turnover	Outstanding business loans, SMEs	Defined by annual sales of the borrower
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	SMEs are defined by annual turnover	Business loans, SMEs	Firm size: Businesses with turnover less than ZAR 400 million
		Non-performing loans	Firm size: Businesses with turnover less than ZAR 400 million where an exposure is overdue for more than 90 days
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 revenue according to the industry: firms in manufacturingless than 200 employees and revenue of less than THB 500 million Firms in services: Less than 100 employees and THB 300 in revenue.	Business loans, SMEs	Firm size: according to the sector, revenue and number of employees.
		Short- and long-term loans, SMEs	Firm size: according to the sector, revenue and number of employees
		Government guaranteed loans, SMEs	Firm size: according to the sector, revenue and number of employees
		Loans authorised and requested, SMEs	Firm size: according to the sector, revenue and number of employees

		Non-performing loans, SMEs	Firm size: according to the sector, revenue and number of employees
		Interest rate, SME average rate	Firm size: according to the sector, revenue and number of employees
		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
Ukraine	Less than 250 employees and EUR 50 million in turnover	Business loans, SMEs	Firm size: Less than 250 employees and EUR 50 million in turnover
		Interest rates, SMEs	
United Kingdom	Size of firm: less than 250 employees	Business lending, SMEs	Firm size: turnover of up to GBP 25 million
		Interest rates, SMEs	Firm size: turnover up to GBP 25 million
		Collateral, SMEs	Firm size: less than 250 employees, including non-employer enterprises
United States	Size of firm: less than 500 employees	Business loans, SMEs	Loan size: up to USD 1 million.
		Short-term loans, SMEs	Loan size: up to USD 1 million.
		Government guaranteed loans, SMEs	Varies by industry
		Collateral, SMEs	Loan size: up to USD 1 million

Impact of diversity in definitions

The many limitations in data collection above outlined limit the possibility to make cross-country comparisons using the raw data. However, it is possible to observe general trends for the indicators, both within and across countries, using growth rates. When analysing trends, the differences in the exact composition of the indicators are muted by the fact that the changes in the indicators over time are being examined instead of levels. Additionally, if the indicators are analysed as a set, it is possible to form an overview of the country trends in SME financing. It is precisely comparing trends that the Scoreboard sheds light on changing market conditions and policies for financing SMEs and entrepreneurs.

However, again, caution is required in cross-country comparisons, especially as concerns the use of flow variables and stock measures. Flows, which are measured over an accounting period (i.e. one year), capture changes of a given variables and are therefore more volatile than stocks, which measure levels, i.e. the value of an asset at a given point in time, and thus reflect latest flows, as well as values that may have cumulated over time, net of depreciation. The comparison of flows and stock measures can be particularly problematic when growth rates are considered. In fact, a negative growth rate of a flow variable can be compatible with a positive growth rate of the same variable measured in stocks. This would be the case if the stock variables increases over time but the absolute increase by which the stock variables grows becomes smaller. Similarly, a negative growth rate of a loan stock does not necessarily mean a decline in SME lending, but could be attributed to maturing loans exceeding the value of new loans granted. Such difficulties underline the importance of complementing stock data with flows of new loans.

Recommendations for data improvements

Standardised template

To enable more timely collection of data and better cross-country comparison in the future, it is necessary for countries to advance in the harmonisation of data content and in the standardisation of methods of data collection. The adoption of a standardised table for data collection and submission on SME finance 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, important progress has been made in terms of standardisation and comparability of information. As country coverage continues to increase, it is important for good practices in data collection and reporting to be shared among countries, but also for further advancement to 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.

Inclusion of more disaggregated data

Efforts are underway to include more disaggregated data on SME and entrepreneurship financing in future editions of the *Scoreboard* publication, given the significant heterogeneity of the SME population and the impact that these underlying characteristics have on access to finance and financing conditions.

In order to obtain a better picture of the availability of more granular data in the Scoreboard countries, a survey was conducted as part of a stocktaking exercise and as an input for the longer-term objective of including more detailed information in the Scoreboard report. In total, 25 countries participated in the survey. Based on the survey results, four levels of disaggregation are being explored:

- The *geographical location* of the company, where this refers to TL 2 regions (based on the OECD nomenclature), which mostly corresponds to NUTS 2 regions in the EU.
- The *gender* of the principal owner, making a distinction between firms that are primarily owned (not necessarily managed) by women and firms that are primarily owned by men; "dual-ownership" is a third category.
- The main *sector of operation*, using NACE Level 1 sectors as the reference.
- *Firm size,* i.e. going beyond the classic dichotomy between SMEs and large companies to look into data disaggregated by smaller size bands (e.g. micro vs. small vs. medium).

A pilot exercise is currently underway, focusing on the subnational dimension in access to finance, exploiting synergies with another ongoing project of CFE, with support from the European Commission, on regional drivers and barriers to enterprise growth. The rest of this section explains the relevance of including these four levels of disaggregation in the Scoreboard.

Subnational perspective

Enterprise financing conditions at the local level reflect local economic conditions. SMEs in lagging regions typically find it more difficult to receive a loan and, when they receive one, are charged higher interest rates than SMEs in better-off regions. This does not necessarily imply geographical discrimination, but rather reflects financial performance of the borrower (internal factors) and/or higher perceived credit risk by the lenders due to a less favourable local business environment (external factors), as shown for example by higher rates of nonperforming loans in lagging regions. Equity finance is also geographically concentrated, depriving growth-oriented SMEs and start-ups in more peripheral regions from much needed growth capital. While technology could in principle allow for a greater distance between investors and entrepreneurs, a recent report by the British Business Bank finds that in 82% of equity investment stakes, the investor had an office within two hours travel time of the company that they were backing (British Business Bank, 2021[1]).

Gender perspective

Women entrepreneurs have long-faced barriers in financial markets, and these barriers have been persistent over time and across contexts. For example, women entrepreneurs in the EU are about 25% less likely than their male counterparts to use bank loans to fund their business. Even when women receive external finance, they typically receive smaller amounts, pay higher interest rates and are required to secure more collateral. Moreover, only about 13% of governmental start-up funding (e.g. grants, loans) goes to female founders. Even among growth-oriented businesses seeking venture capital, only about 2% of European equity investments go to all-female founding teams, and when women do receive venture capital investments, it is about 70% of the funding that male founders receive (Halabisky and Basille, forthcoming[2]). While the availability of enterprise financing data by the gender of the business owner is scarce, it would be important in the near future to work in this direction, for example by central banks asking commercial banks to collect and share aggregate information on the distribution of business loans by the gender of the borrower.

Sector perspective

Financing needs and access to finance opportunities change depending on the main activity and industry in which a business operates. SMEs in sectors that rely more intensively on physical assets, such as manufacturing, can be expected to receive credit more easily, as capital assets can be pledged as collateral. Asset-based financing is also more easily available to these enterprises. Companies whose business model hinges on intangible assets (IA) (e.g. patents and trademarks), on the other hand, are at a disadvantage in credit markets, as these assets are firm-specific and difficult to use as collateral in traditional debt relations. The availability of alternative sources of finance, from equity finance to private debt, is particularly important for IA-intensive companies, which are often major drivers of growth. Equity finance, in addition to being geographically concentrated, is also sector-concentrated in knowledge-intensive industries, such as ICT, biotechnologies and medical services. Interestingly, however, the sector distribution of high-growth firms is much less concentrated than the sector distribution of equity investments, suggesting the existence of an industry mismatch between the allocation of equity finance and the distribution of high-growth firms.

Firm size perspective

The rationale behind the *OECD SME and Entrepreneurship Financing Scoreboard* is that SMEs are disadvantaged compared to larger companies in access to external finance, making it relevant to assess trends in the SME finance gap and policies that can bridge this gap. However, a closer look would show that micro and small enterprises face the most constraints, whereas access to finance and financing conditions for mid-sized companies are closer to those available for larger companies. Typical problems of credit markets, such as information asymmetries or lack of collateral, are much more prominent among smaller SMEs. To the extent possible, efforts should seek to go beyond the classic dichotomy of SMEs and larger companies by collecting more granular information on credit and equity finance by smaller firm-size classes.

Annex B. Methodology for analysing COVID-19 policy trackers

This annex describes the methodology used in Chapter 2 of *Financing SMEs and entrepreneurs 2022: An OECD Scoreboard*. The annex explains the objectives underlying the analysis and the different data sources and policy trackers used. It also describes in detail the methodology used and its limitations.

Objectives

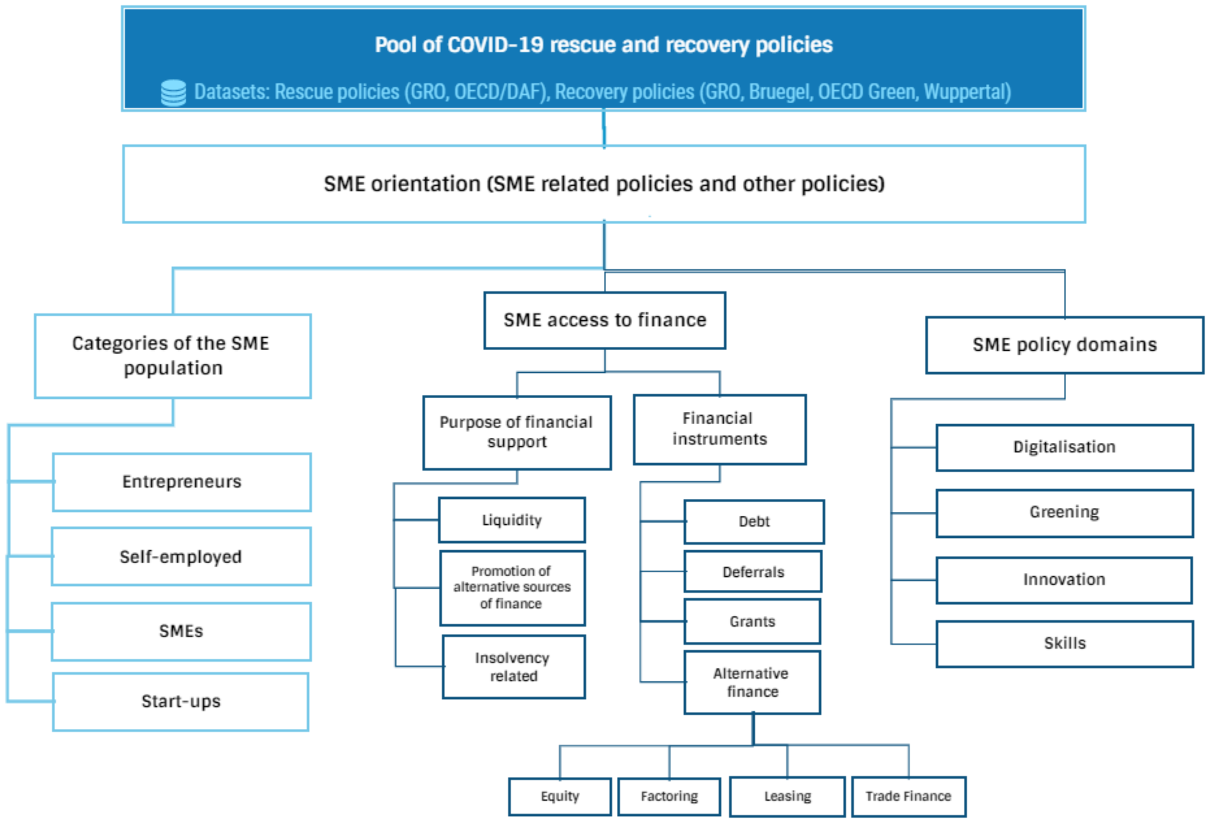
Chapter 2 aims to identify the SME orientation of policies in response to COVID-19, in order to assess how SME financing support is channelled through recovery packages. To this end, it distinguishes between "SME-related" and "other policies"; "SME-related" policies explicitly target SMEs or reference them as one of the target groups. "Other policies" do not mention SMEs specifically. The analysis looked both at the SME orientation by number and by value of policies.

This analysis of the SME orientation of policies was undertaken for both rescue and recovery measures. Following the definition in one of the databases used, rescue measures are defined as "short-term measures designed for emergency support to keep people and businesses alive"; recovery packages as "long-term measures to boost economic growth" (O'Callaghan, 2021[3]). Where possible, SME-related policies were differentiated by focus on firm age (e.g. start-ups), self-employed, type of entrepreneurs and firm size per se.

The analysis also assesses the SME orientation of policy measures at a lower level of aggregation. First, it provides a detailed analysis of the SME orientation of types of support (liquidity, alternative finance, insolvency) and financial instruments (debt, deferral, grants, factoring, leasing, equity) used. These types of financial support and instruments play a central role in rescue and recovery measures and also allow to position the analysis in the context of wider challenges and developments in SME finance, such as the importance of diversification of financial instruments for SMEs. Second, the analysis focuses on the SME orientation of measures in four key policy domains in the recovery packages: greening, digitalisation, skills and innovation.

Figure A B.1 shows the approach that was used.

Figure A B.1. Visualisation of the approach for analysing the trackers



Sources of information

Chapter 2 makes use of a number of policy tracking databases that have been developed since the start of the pandemic to monitor the policy response to the COVID-19 crisis. Some of these data sources have a specific focus (e.g. sustainable and green policies); some focus only on rescue or recovery measures, while others are more comprehensive in their scope, monitoring various types of policies that have emerged since the start of the COVID-19 crisis. The databases also vary in country coverage and in the level of detail of information they provide on policies.

The following databases were used:

- **Global Recovery Observatory (GRO):** This database was developed by the Oxford University Economics Recovery Project (OUERP) and is continuously updated. It covers both rescue and recovery measures and includes information on the number and value of policies. Data used in Chapter 2 were last accessed in October 2021, and include 7 584 policies in 91 countries (O'Callaghan, 2020[4]).
- **Bruegel dataset EU Recovery and Resilience Facility:** This dataset was developed by the Brussels-based think tank Bruegel and provides information on the Recovery and Resilience plans (RRF) of 22 EU countries, including 1 763 policies. The database was last accessed in July 2021 (Bruegel, 2021[5]).
- **The OECD Green Recovery Database:** This database provides information on recovery plans that are likely to have significant environmental implications across 44 countries. 857 policies were included in the database as of September 2021 (OECD, 2021[6]).

- **Green Recovery Tracker:** This dataset was developed by the Wuppertal Institute and E3G. It includes recovery measures in 17 EU member countries, and assesses them from the perspective of their expected impact on climate change. 996 policies were included in the database as of September 2021 (Wuppertal Institute, E3G, 2021[7]).
- **Covid-19 Government Financing Support Programme for Businesses – OECD:** This dataset was developed by the Directorate for Financial and Enterprise Affairs (DAF) of the OECD to support the work of the OECD Committee on Financial Markets (CMF). Built on two waves of a survey among CMF Delegates (one in April 2020 with 26 responses and one in December 2020 with 21 responses), this database includes 215 financial support programmes for businesses (OECD, 2020[8]) (OECD, 2021[9])).

Methodology

The analysis was conducted in three steps.

Step 1: Making use of relevant existing classifications in the databases

Each database includes a predefined set of categories or classes of policies, which have been used as a starting point for the analysis:

- The analysis made use of the distinction between rescue and recovery measures included in the Global Recovery Observatory database.
- To build the pool of SME-related policies, policies in Archetype C ("Liquidity for SMEs and start-ups") in the Global Recovery Observatory database were included.
- Furthermore, classifications on the type of policy objectives were used. This includes the use of the "Clean archetype" in the Global Recovery Observatory database and the "Green transition" and the "Digital transformation" classification in the Bruegel database.

Step 2: A structured text analysis

To further assess the SME orientation of policies in the databases, a structured text analysis was used based on a word search of relevant terms with respect to SME orientation, type of SME, financial instruments and types of financial support and policy domains. Descriptive texts on policies available in the databases were used to this end. Tables A.B.1, 2 and 3 show the search terms used.[4]

Table A B.1. Word search on SME orientation and type

SME related policies by size	SME related policies by age	Entrepreneurs	Self-employed
SME	Start-up	Entrepreneur	Self-empl
Small	Startup		Self empl

Table A B.2. Word search on policy domains

Digitalisation	Greening	Skills	Innovation
Digit	Green	Skill	Innovat
Cyber	Electric	Educat	Technolog
AI / Artificial Intelligence	Sustaina	Competenc	Research
E-comm / E comm	Climat	Abilit	R&D
Cloud	Environm	Training	Startup / Start-up
Connect	Clean energy	Vocation	Smart

Broadband 5G Optic fiber Online / On-line	Circular conomy Emission Biodiv Pollut Renewab Energy efficiency Green infrastructure Solar	Human capital School	Universit Science

Table A B.3. Word search on financial instruments and support types

Debt	Deferral	Grants and subsidies	Insolvency	Alternative finance
Loan Guarantee Debt Credit Direct lending Lend / Lending	Moratori Deferral / Defer Payment delay / Tax delay Payment suspension / Tax suspension Forebearance / Forbearance	Grant / Grants Subsidies / Subsidy Forgivable loan Lump-sum / lump sum	Debt restructur Insolvenc Bankruptc Court restructur	Subordinated loan Venture capital / VC Business Angel Equity Equity fund Participating loan Lease / Leasing Factoring Bond Crowdfund Peer to peer lending / Peer-to-peer / Peer to peer Alternative finance Bridge capital Risk capital

A set of dummy variables was built for each keyword (where 1 means that the description of the policy contains the term selected and 0 that this is not the case). The main objective was the creation of a "macro" dummy column which collects and takes into account the policies identified using pre-set categorisation and using the different keywords while avoiding the double counting of these policies that, by nature, overlap.

Step 3: Comprehensive manual check of results

To avoid any false positives, a manual check was performed on all policies in the different trackers. The quality check consisted of scanning and reading the policy descriptions where the keyword search was performed and testing if the methods applied produced accurate findings for each SME-related policy, policy domain and financial instrument, followed by a correction of the false positives. On average, 15% of the policies identified by type of SME were false positives. When looking by policy domain, 16% on average were false positives, while 14% in financial instruments and 15% by type of financial support. Furthermore, the manual check also focused on identifying financial outliers in the results, for instance because in some cases policies in the databases were presented as larger packages of measures instead of individual policies.

Limitations

The methodology used allowed for an interpretation of the SME orientation of the policy response to COVID-19. However, the approach also has a number of limitations that needs to be taken into account when interpreting the results:

- First, at the time when the databases were accessed, they were not always fully up to date, considering that they are continuously updated. As a consequence, not all policies put in place by countries could be included in the analysis. For instance, in October 2021 not all recovery packages in OECD countries had been included in the Global Recovery Observatory database.
- Second, the various databases used differ in objectives, methodologies and country coverage, and are therefore not fully comparable.
- Third, data on the values of policies in particular should be carefully considered. The policies in the databases mostly refer to the announcement of measures, not actual expenditure. In addition, not all policies have financial values attached to them, which can lead to an underestimation of the financial allocation. Moreover, values of different types of support in the databases were aggregated, but have different meanings, for instance the use of grants compared to loan guarantees. Last, changes in exchange rates may affect the comparability of policy values.
- Finally, while the analysis provides relevant insights on the SME orientation of policies and their evolution, it is important to keep in mind that policies that are not "SME-related" may also be relevant for SMEs. Many policies aim to strengthen economic structures, such as broadband infrastructure, which benefits SMEs as well. Also, financial support measures open to the business sector at large can also be relevant for SMEs. Furthermore, the fact that the SME orientation of recovery policies is weaker than that of rescue policies is in part the logical consequence of a shift towards more generic policy measures. A normative interpretation of how high or low the share of SME-related policies should be is beyond the scope of this analysis.

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

[2] *See Annex C in OECD (2013), Entrepreneurship at a Glance 2013, OECD Publishing, Paris, for a detailed discussion on the international comparability of venture capital data.*

[3] *Recent studies by the World Bank provide evidence that loan size is an adequate proxy for size of the firm accessing the loan. See for instance Ardic O.P., 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.*

[4]Some of the terms used in the word search method do not display the full word, as the abbreviated form avoid different variations of the terms to not be considered. For instance, singular and plural terms ("deferral"-s), nouns and adjective or nouns and verbs ("environment"-al, "pollut"-ion and –ing). Considerable attention has also been given to the different ways words were mentioned in the databases, such as "AI" and "Artificial intelligence" and "start-up" and "startup" (without the dash). Moreover, significant efforts have been paid to avoid the misattribution of words (such as "small" and "connect") to meanings unrelated to their context (that is, respectively, in this case, small businesses and digitalisation). Some of the terms contain the whole word to avoid potential confusion with similar others (as for "lease" and "leasing" that, if abbreviated, would have been confused with expressions such as "at -leas-t") and they might also contain additional spaces to distinguish them from other words (" lease " and " leasing ", not to be included in terms such as "re-lease" and "re-leasing").

Financing SMEs and Entrepreneurs 2022

AN OECD SCOREBOARD

The COVID-19 crisis caused profound disruptions in the global economy, with SMEs and entrepreneurs, particularly hard hit. Swift measures implemented by governments and public financial institutions provided a crucial lifeline for liquidity-strapped SMEs.

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