Executive Summary

Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard provides information on SME financing trends and policies for 48 countries around the world over the 2007-18 period. The Scoreboard includes indicators of 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.

The 2020 edition shows that macroeconomic trends as well as tightening credit conditions may have started to impact SME lending in some countries. Furthermore, at the time of publication, the global coronavirus (COVID-19) pandemic was producing immediate and profound effects, which will impact a number of SME finance indicators going forward.

The use of a diverse range of alternative financing instruments by SMEs, including asset-based instruments, online alternative finance and venture capital, continued to grow in 2018:

- Leasing and factoring volumes were up in a large majority of countries, in line with long-term trends. Growth in factoring accelerated in 2018;
- Online alternative finance activities were up by 54% in 2018 as a median value for participating countries, albeit often from a low base;
- Venture capital investments rose by 20.9% as a median value between 2017 and 2018, up from 0.4% in the previous year;
- Public listings on SME stock markets in 2018 were down compared to 2017, but activities remained high from a long-term perspective.

On the other hand, both new lending to SMEs and the outstanding stock of SME loans grew only modestly in 2018, with a significant drop in the median growth rate of these two indicators. SME loan shares declined modestly across both middle- and high-income countries in 2018. These developments raise questions related to possible substitution effects between alternative instruments and straight debt, as well as to SME demand.

The progressive shift from short-term to long-term SME lending continued in 2018, with long maturities outweighing short maturities in most countries. As a median value, more than half of all new SME loans were of a maturity of more than one year in 2018, as compared to less than one in five in 2008.

These developments in SME loans took place against the backdrop of generally favourable, though evolving, lending conditions. Collateral requirements and rejection rates declined in a majority of countries for which data is available. Payment delays remained roughly stable in 2018, and were below pre-crisis levels. Meanwhile, the number of SME bankruptcies decreased in 2018 for the sixth consecutive year, although, there is evidence that the decline is levelling off. At the same time, non-performing SME loans rose in a majority of participating countries in 2018, whereas non-performing loans for all businesses broadly stagnated, indicating a growing divergence between SMEs and large companies.

While interest rates declined in most middle-income countries, their median value rose very slightly in high-incomes economies, marking a break from previous years. This is in line with recent survey data indicating an uptick in the price of credit in some countries. Interest rate spreads between large enterprises and SMEs declined slightly in 2018.

The thematic chapter of this publication puts a spotlight on policy developments to facilitate SMEs' access to finance since the financial crisis. In the immediate aftermath of the financial crisis, policy makers around the world strengthened initiatives to ease access to debt instruments. Later, the focus shifted to support for specific sub-groups of the SME population facing distinct challenges to raise finance; improving delivery and eligibility criteria of existing policies; and supporting equity markets. Another important development relates to regulation, where the emphasis has shifted from guaranteeing financial stability to regulating the Fintech industry. Recent policy developments can be summarised as follows:

- Loan guarantees remain the most widespread instrument at the disposal of governments and private promotional institutions to tackle market failure in the area of SME finance, and loan guarantee volumes continued to rise in 2018.
- Support for equity instruments has developed through a variety of channels, and policymakers are seeking to increase SMEs' access to capital markets. In addition, an increasing number of jurisdictions have taken regulatory measures to foster and provide a framework for financial innovation.
- New developments include the implementation of open banking protocols in several jurisdictions. As part of these protocols, banks must allow their clients to share their financial information with other authorised providers, loosening these institutions' control on their clients' data.
- Financial support measures to enable SMEs to become active in foreign markets have been introduced or strengthened in recent years. In particular, there has been a focus on expanding knowledge and use of public export finance and export insurance instruments.
- Governments are also increasingly exploring the use of online tools, such as artificial intelligence, to inform entrepreneurs and small business owners about public support measures tailored for their business needs.

At the time of publication, policy makers across the world are taking action to dampen the impacts of the novel coronavirus (COVID-19) pandemic on SMEs. These measures take place in a financial context which was generally favourable for SMEs before the pandemic hit, but which was not sufficient to enable them to face the magnitude of the current shocks without government intervention. Many of the measures are aimed at enabling viable businesses to deal with temporary but severe liquidity shortages, stemming from the outbreak and the containment measures that were put in place in response. These include deferral of tax, social security, rent, utility and debt payments, faster payments for public procurement contracts, loan guarantees and direct lending to SMEs, grants and subsidies.

In light of the increasingly pessimistic macroeconomic outlook, governments need to remain extremely vigilant. The OECD will continue to monitor closely the short-term impacts of the coronavirus pandemic on the availability of finance, along with the effectiveness of policy responses. It will also assess longer-term implications to support governments in taking appropriate actions for their SMEs.

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