

Preface

In today's global economy, SMEs and entrepreneurs are at the heart of the search for inclusive growth. Ensuring small firms have access to finance in the appropriate forms and volumes is a prerequisite for their development and growth. It also becomes critical for their survival in times of crisis, such as the one the world is currently facing in the context of the COVID-19 pandemic, which is having immediate and profound effects on SMEs.

Small businesses and the self-employed are extremely vulnerable to the disruptions caused by the public health crisis and related containment measures, including through disruptions to local markets, business networks, and global and local supply chains. In the short term, loss of revenues and liquidity shortages risk putting vast numbers of SMEs out of business. SMEs are also likely to be impacted strongly by a longer-term economic and financial downturn after the immediate public health crisis has passed. These factors will affect a number of key SME finance indicators going forward.

Financing SMEs and Entrepreneurs: An OECD Scoreboard was developed as a response to the 2008 financial crisis, which brought to the fore the need for timely data to underpin policymaking. In the years since the last global crisis, SME access to finance has improved: Interest rates have reached historically low levels, bank lending has picked up again, and credit conditions for SMEs have eased considerably.

The 2020 edition of the Scoreboard shows that SMEs are opting for alternative finance instruments like never before, while growth in straight debt volumes has been sluggish. This step towards financial diversification is in line with the G20/OECD High Level Principles on SME Financing. Online alternative finance activities have shown remarkable growth rates in virtually all participating Scoreboard countries. If these trends continue, SMEs can become more resilient and less vulnerable to changes in credit market conditions. However, these developments do not come without risks and challenges for policymakers and regulators around the globe, who need to ensure adequate levels of investor protection and promote a level playing field between different financing instruments.

The Scoreboard also documents policy developments since the financial crisis. These experiences may hold important lessons for policy makers today, as they put in place urgent measures to mitigate the severe liquidity shortages brought on by the COVID-19 pandemic and begin to address the medium-term impacts of a global recession.

This is no time for complacency. The emerging economic effects of the COVID-19 global pandemic are changing the outlook for global growth, affecting the operations of SMEs worldwide, as well as their ability to access finance for cash flow needs and longer-term investments. In addition, weak trade and investment flows and the reorganisation of supply chains could negatively impact the availability of credit and other forms of finance for SMEs in the years to come.

In this complex environment, the OECD will continue to monitor closely the trends in SME and entrepreneurship finance. This report will continue to evolve and expand, with coverage of additional countries in our analysis and the collection of more granular data on specific segments of the SME population. In this way, we can continue to support governments in ensuring that their policies keep up with fast-moving developments in SME finance.



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From:
Financing SMEs and Entrepreneurs 2020
An OECD Scoreboard

Access the complete publication at:
<https://doi.org/10.1787/061fe03d-en>

Please cite this chapter as:

OECD (2020), "Preface", in *Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/3eb571c4-en>

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