1. Recent Trends in SME and Entrepreneurship Finance

This document contains the draft of Chapter 1 of Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard. It analyses trends in SME and entrepreneurship finance over 2007-18, based on data collected for the country Scoreboards and information from demand-side surveys. A short overview of the global business environment sets the framework for the analysis of SME financing trends and conditions, focusing in particular on the changes that occurred in 2018 and the first half of 2019. The chapter concludes with an overview of government policy responses put in place to improve SME access to finance in light of recent developments.

Business environment and macroeconomic context

In 2019, global economic dynamism weakened amidst trade tensions, policy uncertainty and declines in business and consumer confidence in both high-income countries and emerging countries. At the start of 2020, growth rates were well below the figures for the last three decades, although financial conditions had eased and inflation was set to remain moderate. Global GDP slowed to 3.5% in 2018, 2.9 in 2019 and was projected to slip further to a below-trend rate of 2.4% in 2020, before the coronavirus (COVID-19) global pandemic. Significant downward risks to the global economy included an escalation of trade tensions, rising geopolitical strains, disruptions to the supply of oil, a sharper than expected slowdown in China and the United Kingdom's exit from the European Union (OECD, 2019[1]).

At the time of publication, the spread of the coronavirus (COVID-19) is sounding a major alarm bell for growth prospects and significantly raises the probability of the cyclical downturn becoming more severe. Global GDP forecasts will be revised downwards, possibly turning negative, with businesses facing shocks in both supply and demand. Financial markets would likely be impacted severely in this scenario. Government bond yields in many countries have reached all-time lows, as markets have become more risk-averse (OECD, 2020).

Trade and business investment

The growth in global trade saw a steep drop from 5.5% in 2017 to 3.9% in 2018 and 1.2% in 2019 and may turn negative in 2020 (OECD, 2019[1]). Trade volumes fell, reflecting weak external and internal demand in Europe and import slowdown in China. Additionally, trade is being affected by a proliferation of tariffs and subsidies around the world and an increasing unpredictability of trade policies. Global supply chains have also come under considerable strain because of the COVID-19 pandemic (OECD, 2020).

The anticipated trade forecast is consistent with the dim investment outlook in many economies. High levels of uncertainty, especially related to the spread of the novel coronavirus, downward-revised GDP growth forecasts and a decline in business dynamism in some countries are all leading to reduced incentives to invest. Aggregate investments growth in G20 economies (excluding China) declined from an annualised rate of 5% at the beginning of 2018 to 1% in the first half of 2019. Both corporate investments and infrastructure investments are projected to remain well below the long-term average in 2019 and 2020. In 2018, the stock of foreign direct investments (FDI) fell for the first time since 2011, with a sharper contraction in 2019 (OECD, 2019[1]).

Financial conditions

Financial conditions remained accommodative in 2018 and 2019, buffering the effects of the slowdown. In the major advanced economies, central banks either paused monetary policy normalisation or added modest stimulus. Both short- and long-term interest rates have fallen in many areas of the world in recent years. Long-term interest rates are at especially low levels in a historical perspective, giving a boost to business activity in different sectors of economy (see Figure 1.1).

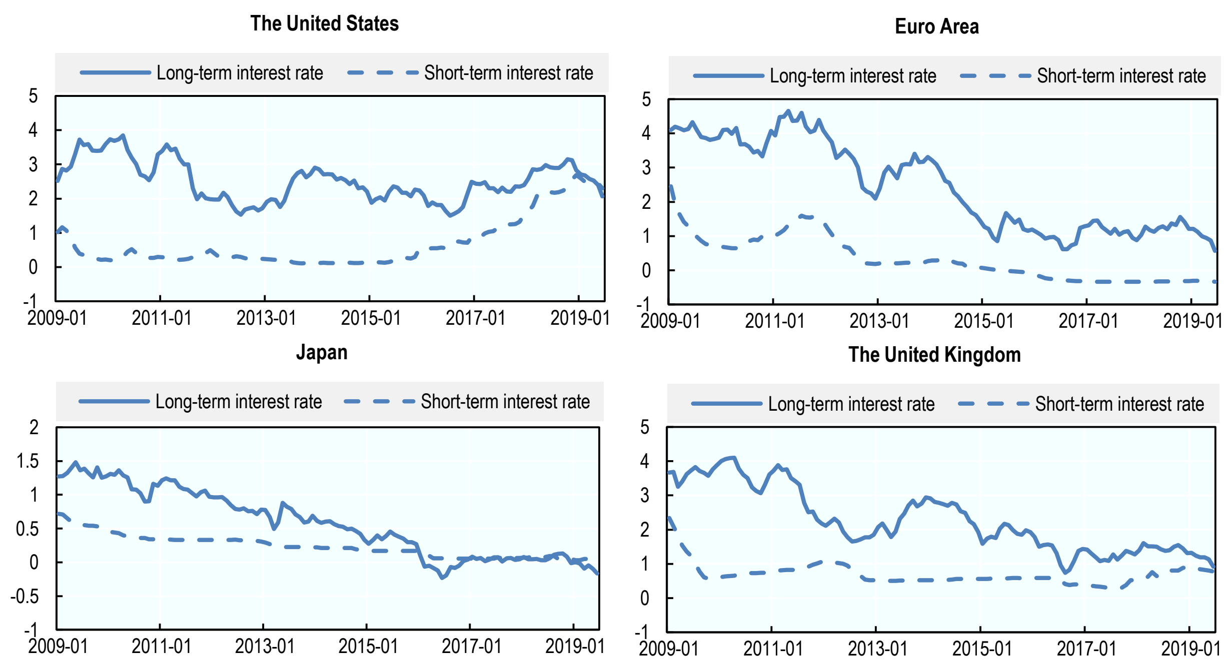
Financial market conditions improved, with signals of a more favourable monetary policy helping reverse the repricing of risk seen in late 2018. Equity markets have strengthened, with long-term yields on government bonds declining and corporate and emerging-market bond spreads narrowing (OECD, 2019[1]). However, trade tensions brought significant volatility to asset prices. Despite weaker global demand, oil prices increased in 2018 as a result of supply restrictions by OPEC and Russia and sanctions applied to Iran and Venezuela.

Moreover, financial vulnerabilities are also mounting. The debt of non-financial corporations is high by historical standards and its quality worsening. A market shock could trigger a wide sell-off of corporate bonds, especially for the high proportion that are currently rated just above non-investment grade. The record level of government and corporate debt trading at negative yields, as well as the low (and sometimes even negative) gap between long- and short-term assets are indicative of an unconventional monetary policy and a flight to safety by investors.

The spread of the COVID-19 virus also has financial implications. SMEs in need of finance, especially those with a relatively risky profile such as innovative businesses and start-ups, will likely find it increasingly hard to obtain external finance. In addition, liquidity shortages will probably become more common, as supply chains are interrupted and firms may face lower revenues and unexpected expenses. The IMF, for example, expects credit conditions to tighten and borrowing costs to rise (IMF, 2020).

Figure 1.1. Monetary policy is accommodative

Short-term versus long-term interest rates between 2009 and 2019



Source: OECD Main Economic Indicators (Finance).

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Lending to SMEs

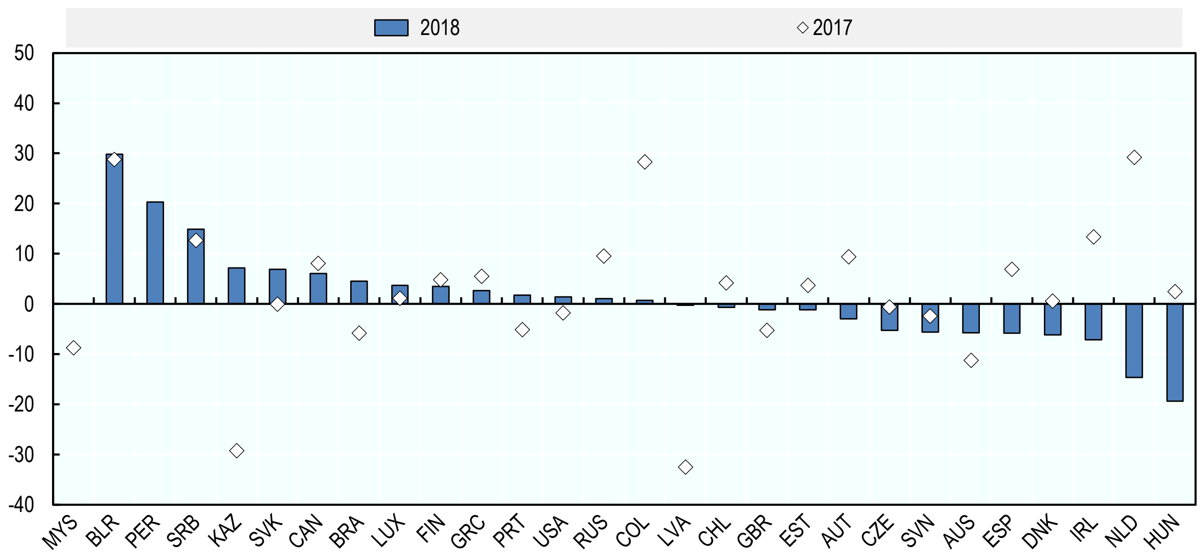
Growth in new SME lending has been sluggish for most participating countries. After modest growth in 2017, the median growth rate fell in 2018. The growth in stocks of outstanding SME loans (measured by median values) has been declining since 2015 and stood at 0.77% in 2018. Overall, demand for finance remained broadly stable at low levels, holding back stronger growth in lending. This is also evidenced by recent survey data.

New SME loans

New SME loans showed a mixed picture in 2018. The median growth rate decreased to 0.69% in 2018 from 3.06% in 2017 (see Figure 1.2).

Figure 1.2. New SME loans, growth rates

Year-on-year growth rate, as a percentage



Note: The 2017 growth rate for Peru (132.92%) is not depicted. 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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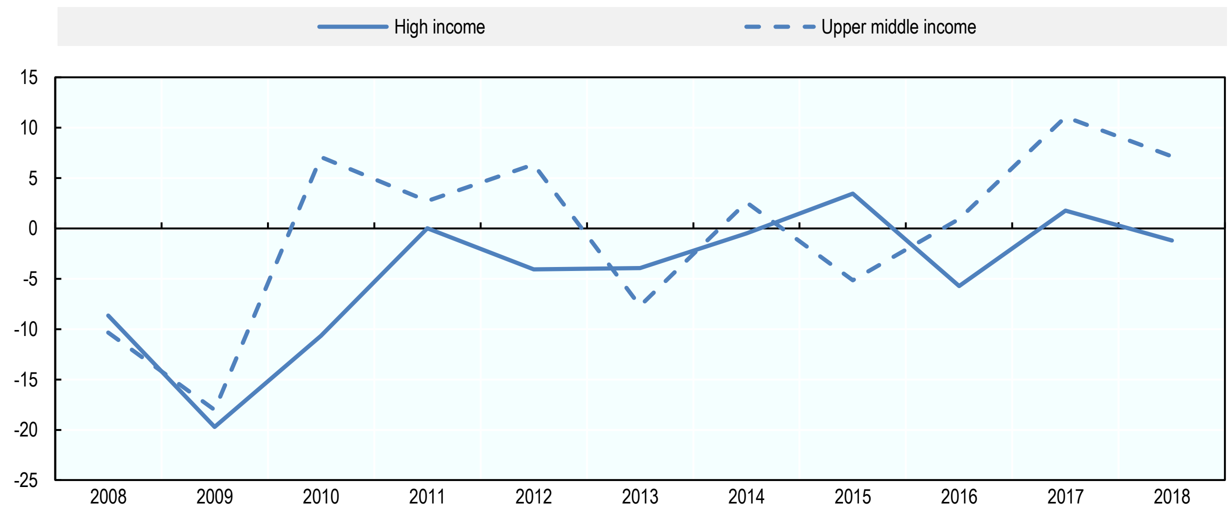
Growth in new SME loans was positive in 14 countries that provided data for this indicator, and negative in 13 others. It is noteworthy that data for individual countries often display significant swings from one year to the next. For example, in Chile, Denmark, Estonia, Hungary, Ireland, the Netherlands and Spain, the growth rate turned negative in 2018, sometimes sharply. By contrast, Portugal showed a positive growth rate for the first time since 2012, from -5.14% to 1.74%. The United States also reversed a consecutive 2-year negative growth rate trend in 2018.

All seven middle-income countries with data available for this indicator showed positive growth rates in 2018. After four consecutive years of decline, new lending to SMEs in Brazil grew by 4.52% in 2018. For its part, Belarus showed a remarkable increase in new lending in 2018, at 29.81%. There is a marked difference between middle-income and high-income countries over the 2015-18 period, with growth rates considerably higher in the former. This marks a difference with the 2013-15 period where no clear trend could be observed (see Figure 1.3).

Figure 1.3. Growth in new SME lending, 2008-18

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



Notes: 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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Outstanding stock of SME loans

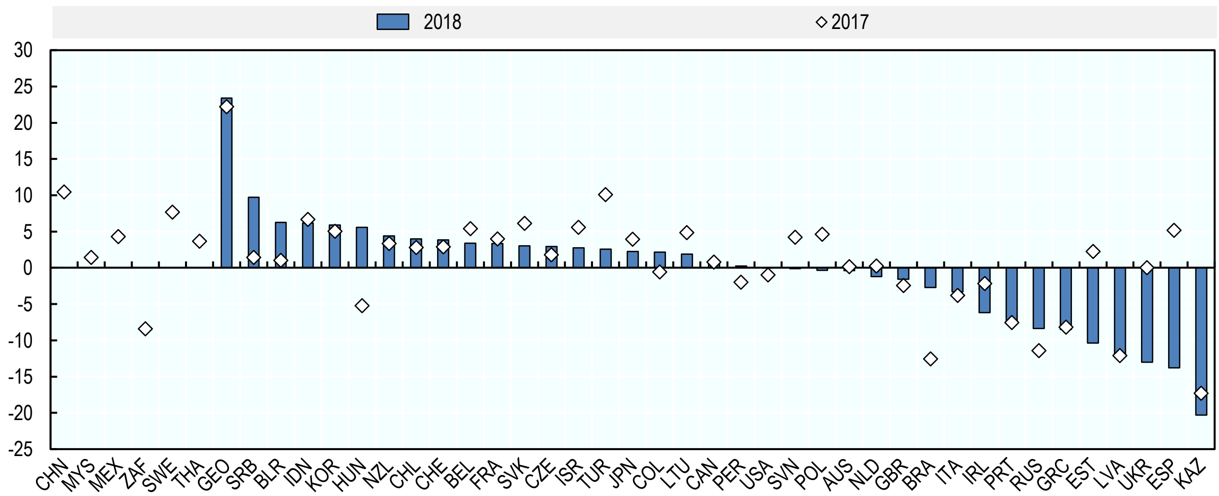
The stock of SME loans grew in 20 out of 36 countries that provided data for this indicator (see Figure 1.4), while the Scoreboard median value of the year-on-year growth in outstanding SME loans decreased from 2.02% in 2017 to 0.77% in 2018. Outstanding SME loan growth turned positive in 2018 in Hungary and Peru and turned negative in Australia, Estonia, the Netherlands and Spain. In Chile, the Czech Republic, New Zealand, Serbia, South Korea and Switzerland, growth in the outstanding SME loans gained further momentum in 2018.

While both new and outstanding SME loans are used to describe developments in the credit market, the latter is influenced by the pace of loan repayments, changes in loan maturity and fluctuations in non-performing loans, thus causing occasional divergence between the two indicators. For example, in the Czech Republic the outstanding stock of SME loans increased by 1.79% in 2017 and 2.95% in 2018, while new SME loans were down -0.65% in 2017 and -5.30% in 2018. On the other hand, the outstanding stock of SME loans in Greece went down by -8.19% in 2017 and -8.50% in 2018, while new SME loans increased by 5.48% in 2017 and 2.65% in 2018.

Additionally, in many countries there has been an upward trend in the share of long-term loans compared to short-term credit. This can partly explain the divergent trends in flow and stock data, since loans of greater maturity remain in the data for outstanding loans for a longer period.

Figure 1.4. Growth in outstanding SME business loans

Year-on-year growth rate, as a percentage



Note: Data is not available for Ukraine in 2017. 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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SME loan shares

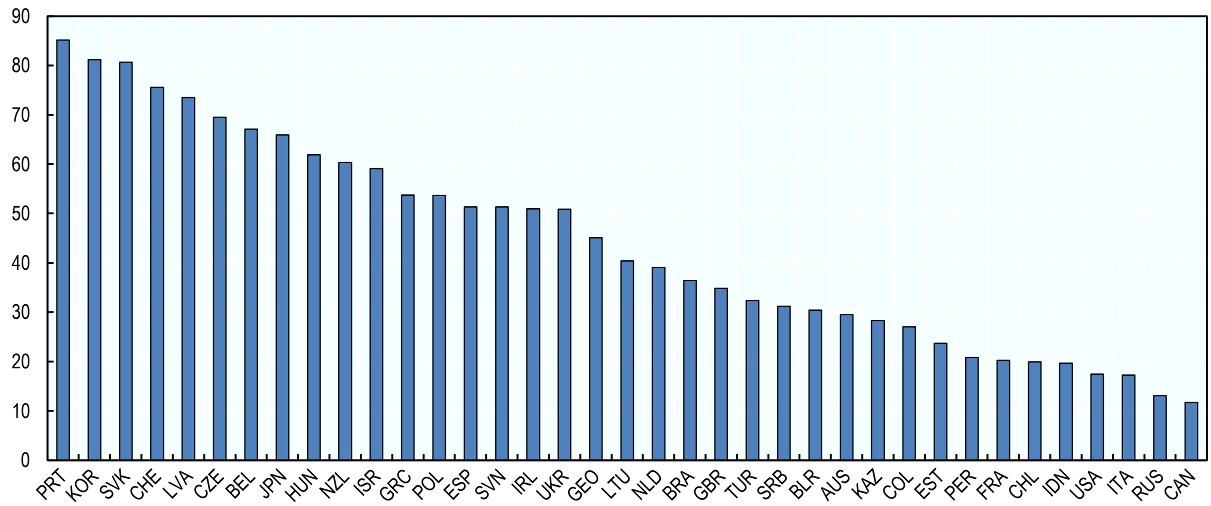
SME loan shares vary significantly across countries, for both stock and flow data. Defined as the share of SME loans to total business loans, they help to situate indicators on SME lending in the context of general business lending trends. The share of outstanding SME business loans ranged from around 20% or less in Canada, Chile, France, Indonesia, Peru, Russia and the United States, to levels of more than 70% in Korea, Latvia, Portugal and Switzerland. SME loan shares are negatively correlated with the absolute size of countries and their economies, reflecting the generally stronger presence of large firms in larger economies. However, the correlation of SME loan shares with income is positive: high-income countries tend to exhibit higher SME loan shares.

The 2018 median value of the SME loan share for participating middle-income countries stood at 30.42%, compared to 52.52% for high-income countries.[1] This may reflect a stronger preference of the banking sector in middle-income economies to lend to large enterprises. In these economies, the financial system is often less developed and fewer options are available to SMEs and entrepreneurs. Finally, there are also demand-side dynamics, as SMEs in middle-income countries are known to be more likely to refrain from applying for credit even though they need it (Abraham and Schmukler, 2017[2]). China represents a notable exception, both in terms of its size and income level, with 64.96% of corporate loans flowing to SMEs in 2017.

The median value for SME loan shares provides some insight into overall trends. It declined from 41.6% in 2007 to a low of 37.9% in 2013, indicating more problematic access to bank credit for SMEs compared to large enterprises over this period. After 2013, the share of outstanding SME loans rose again, in line with recovery; nonetheless, it stood at 40.41% in 2018, below its pre-crisis level, and below 2017 figures. The decrease in 2018 was most strongly observed among high-income countries, but was also present in middle-income countries.

Figure 1.5. SME loan shares

As a percentage of total outstanding business loans



Source: Data compiled from the individual country profiles.

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This indicator should be interpreted carefully and in context. An increase in SME loan shares can sometimes reflect changes in large firms' financing opportunities and strategies, rather than increased access to finance for SMEs. This is especially the case during periods of lending contraction, when large enterprises can be expected to be resorting to other forms of finance. In addition, demand-side factors also play a large role in these developments, as does better access for SMEs to alternative financing instruments. Nonetheless, the sharp decline in this ratio between 2017 and 2018 may reflect the start of a shift in SMEs' access to finance.

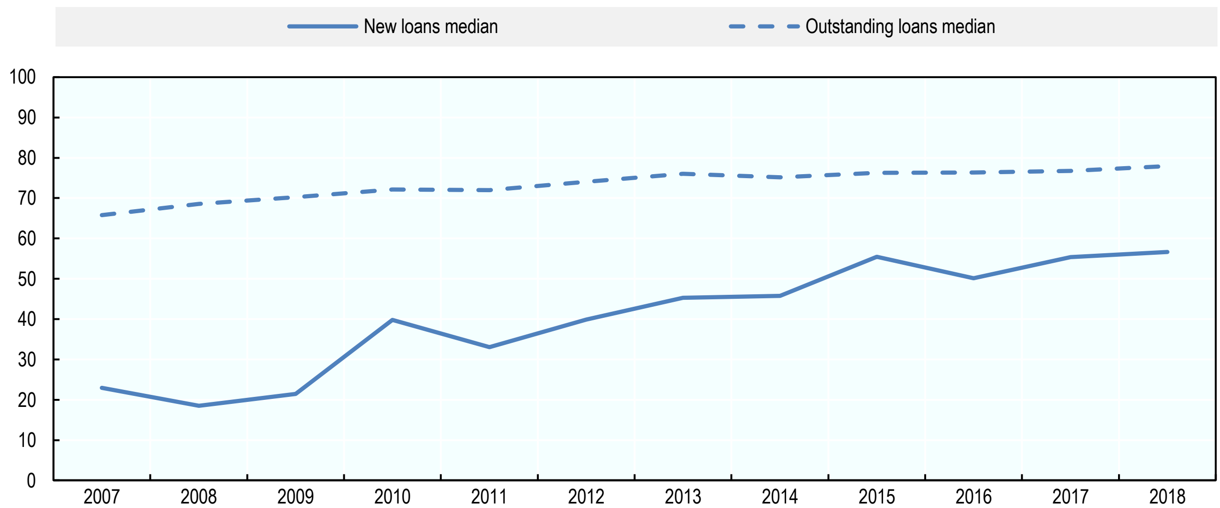
Short-term versus long-term lending

Generally, data on loan maturities reveal a progressive shift in the SME loan portfolio from short-term to long-term over the past decade, and 2018 data confirm this trend. Short-term loans, defined as loans with an initial maturity of less than one year, such as overdrafts and lines of credit, are typically used to provide working capital.[2] Long-term loans can be more often related to investment initiatives, but can also indicate a strategy used by SMEs to lock in lower interest rates. This trend is most evident for new lending activities; all eight countries for which data are available show a shift to longer-term lending over the last decade. Between 2007 and 2009, only 1 out of 5 new loans were long-term, while between 2016 and 2018, half of the new loans were long-term, even though there is some cross-country variability.

Out of 30 Scoreboard countries that provide data on the maturity of SME loans, 22 relate to loan stock. Data from these countries also show an increase in loan maturities over the last decade. In these countries, more than 7 out of 10 SME loans in stock are long-term on average both for middle- and high-income countries (see Figure 1.6.).

Figure 1.6. Share of long-term SME loans

Median values, as a percentage of all SME loans



Note:Outstanding loans indicators were calculated based on data from Belarus, Belgium, Brazil, Canada, China, Colombia, Estonia, France, Greece, Indonesia, Italy, Kazakhstan, Latvia, Malaysia, the Netherlands, Poland, Portugal, Serbia, Slovak Republic, Slovenia Sweden and Ukraine. The variables for new loans were calculated based on data provided by Austria, Chile, Czech Republic, Denmark, Finland, Hungary, Ireland and Spain. Data for Korea were not included as it refers to all businesses, while data for Mexico were not included as it refers to loans provided by INADEM only. 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. Classification of countries by income group follows the World Bank criteria.

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Several factors may be driving this shift. Small businesses may find it easier now than in the past to use other sources of finance, such as factoring, online sources and especially retained earnings and cash flow for their short-term financing needs, while relying more heavily on straight debt for their investment needs. In addition, long-term lending may have become more attractive in the low-interest rate environment in recent years. Another possible explanation is related to the recovery of corporate investments from a low point in the direct aftermath of the financial crisis.

Credit conditions for SMEs

This section describes credit conditions for SMEs and entrepreneurs based on data on the cost of bank finance, collateral requirements and rejection rates. It also draws on findings from supply-side and demand-side surveys. Overall, available evidence suggests that demand for loans has remained broadly stable in recent years and collateral requirements and credit rejections remained at low levels. Data on credit conditions diverge across countries of different income levels. This is especially the case for interest rate figures.

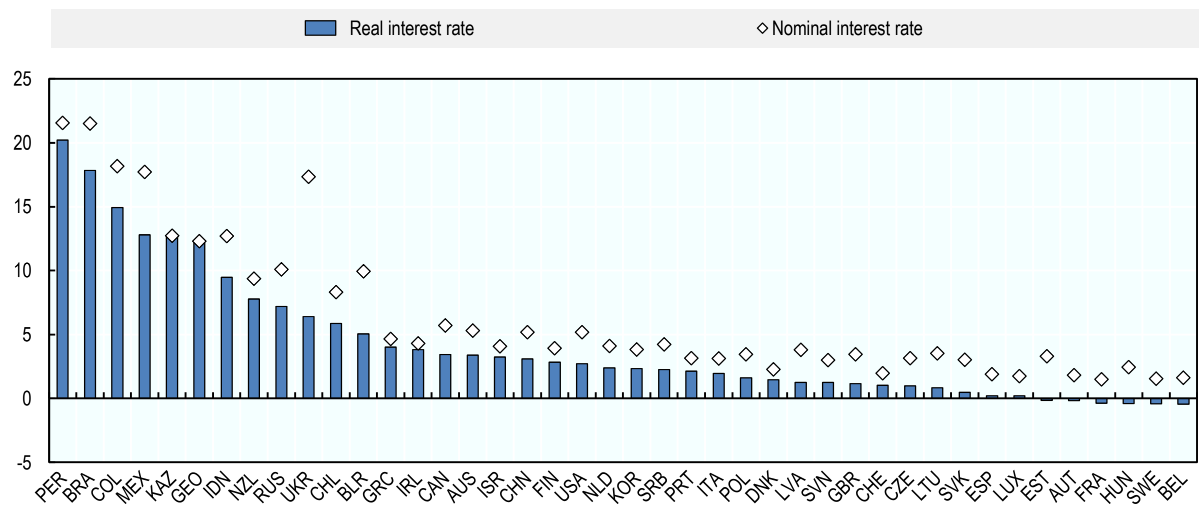
Interest rates

The cost of bank credit varies considerably among Scoreboard countries. Figure 1.7 depicts interest rates, both in nominal and real terms (adjusted for inflation). In 2018, SME interest rates were highest in Peru, followed closely by a number of other middle-income economies, both for nominal as well as real rates. Five countries (Peru, Brazil, Colombia, Mexico and Ukraine) had nominal interest rates superior to 17%.

Chile and New Zealand were the only high-income economies with interest rates close to 10%, well above the median of 4.08%. As in previous years, SME interest rates were lowest in European countries like Belgium, France, Hungary and Sweden, where real interest rates were negative.

Figure 1.7. SME interest rates, 2018

As a percentage



Note: Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles. Nominal interest rates were adjusted using World Bank data on inflation. Data from Ukraine for 2017 are missing
Source: Data compiled from the individual country profiles.

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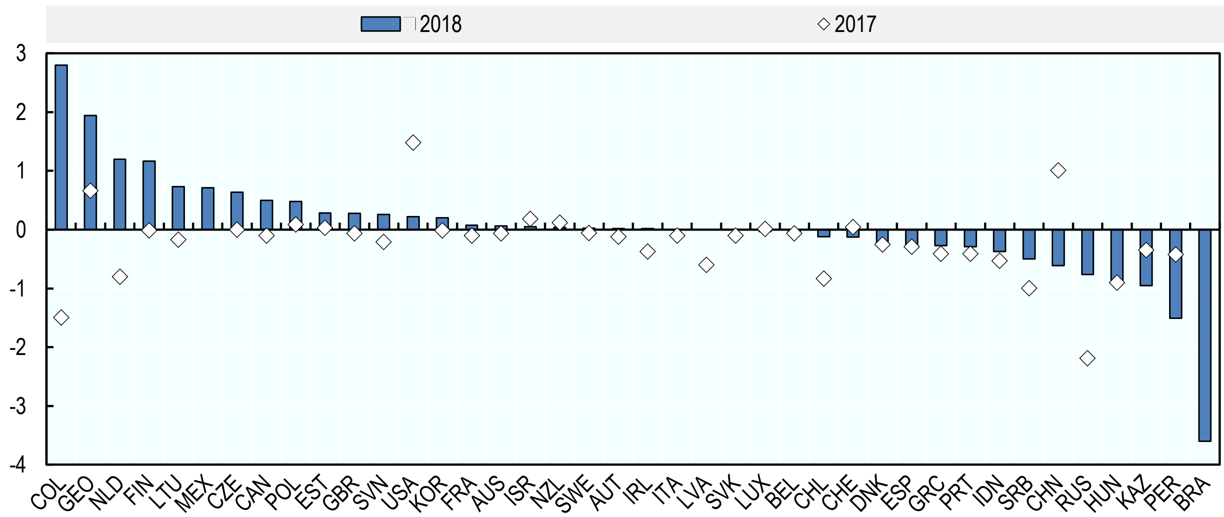
For the first year in a decade, the median growth rate in nominal interest rates among Scoreboard countries was positive, if very low, at 0.02 percentage points. Significant increases occurred in economies such as Colombia (+2.80 percentage points), Finland (+1.17 percentage points) and Georgia (+1.94 percentage points), which in some cases constitutes a reversal of trends in previous years. Survey data for the euro area show that most SMEs report an increase in interest rates, for the first time since 2013-14 (see section on survey data below). Meanwhile, decreases were strongest in middle-income countries, such as Brazil (-3.60 percentage points), Kazakhstan (-0.95 percentage points) and Peru (-1.50 percentage points), where interest rates remain at comparatively high levels.

Figure 1.8. SME interest rates, growth rate

Nominal rates, percentage points



Source: Data compiled from the individual country profiles.

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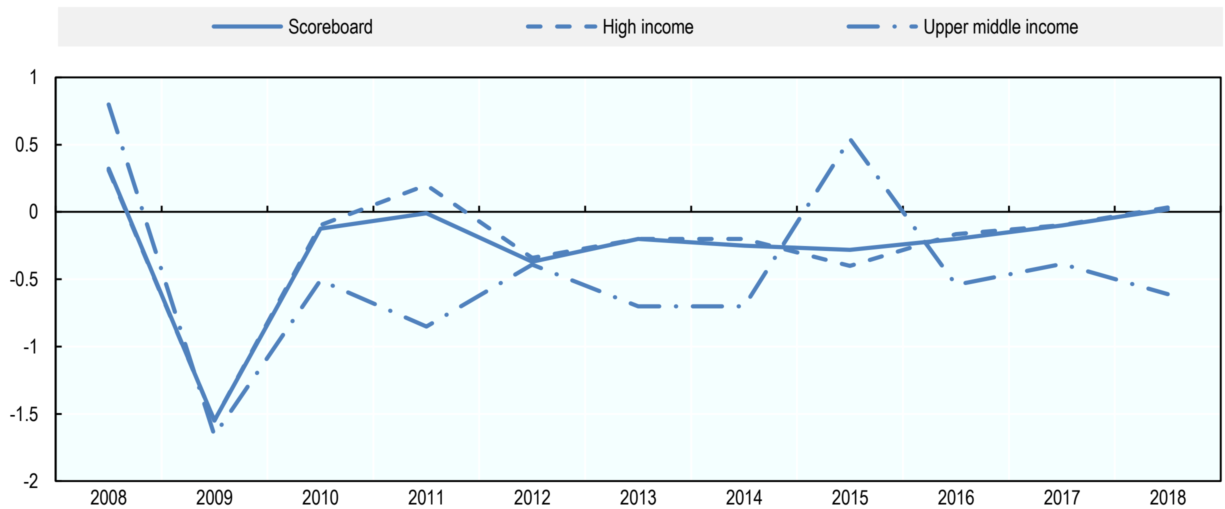
Figure 1.9 shows a divergence between middle-income economies and high-income economies, with the former's interest rates continuing to decrease, while the latter's interest rates are stagnating or increasing slightly. This shows that there may only be limited room for further interest rate reductions in many high-income countries, given that central bank interest rates are already at unprecedented lows, and that monetary policies have started to tighten in some participating economies.

Further decreases in the interest rate from already low levels may not spur SMEs to borrow more. Indeed, analysis of the current data indicate no significant relationship between SME credit volumes and interest rates. This is in line with research that shows that monetary policy becomes less (or even not) effective in stimulating bank lending when interest rates are at a low enough level. Micro-level data even suggest that subdued lending may be the result of the impact that low interest rates have on banks' profitability (Borio and Gambacorta, 2017[3]).

Figure 1.9. Growth in SME interest rates

Median value, nominal rates, as a percentage



Source: Data compiled from the individual country profiles

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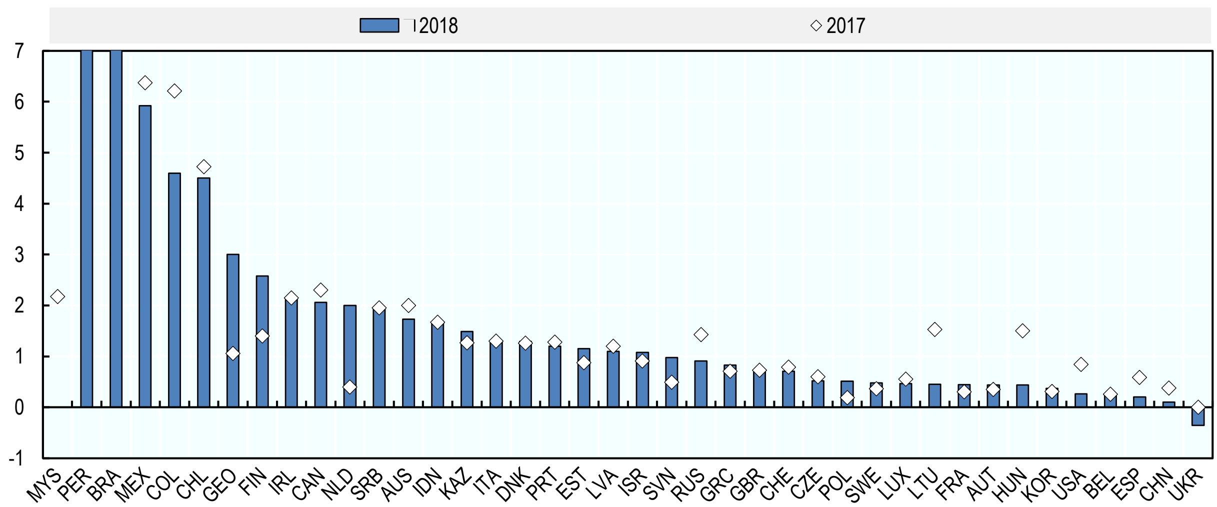
The interest rate spread between loans to SMEs and large enterprises offers additional insights regarding SME credit conditions. Typically, SMEs are charged higher interest rates than large enterprises, given their inherently riskier profiles. A narrowing interest rate spread generally indicates more favourable lending conditions for SMEs, while a widening spread indicates tighter lending conditions. Overall, interest rate spreads declined in 2018 in most countries, a reversal of the trend in 2017. The decline was strongest in Brazil and Mexico (countries with high interest rates), but was also significant in high-income countries like Lithuania (-1.08 percentage points).

The 2018 interest rate spread was higher in countries with higher interest rates, standing at more than 10 percentage points in Brazil and Peru. On the other hand, countries with low SME interest rates, such as Belgium and France, typically exhibit a low interest rate spread between small and large firms. Ukraine was the only country with a negative interest rate spread in 2018.

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

Nominal rates, percentage points



Note: Data for Brazil and Peru are not depicted, due to the scale. Peru: 2017 – 14.64 percentage points; 2018 – 13.72 percentage points. Brazil: 2017 – 16.10 percentage points; 2018 – 12.90 percentage points.
Source: Data compiled from the individual country profiles.

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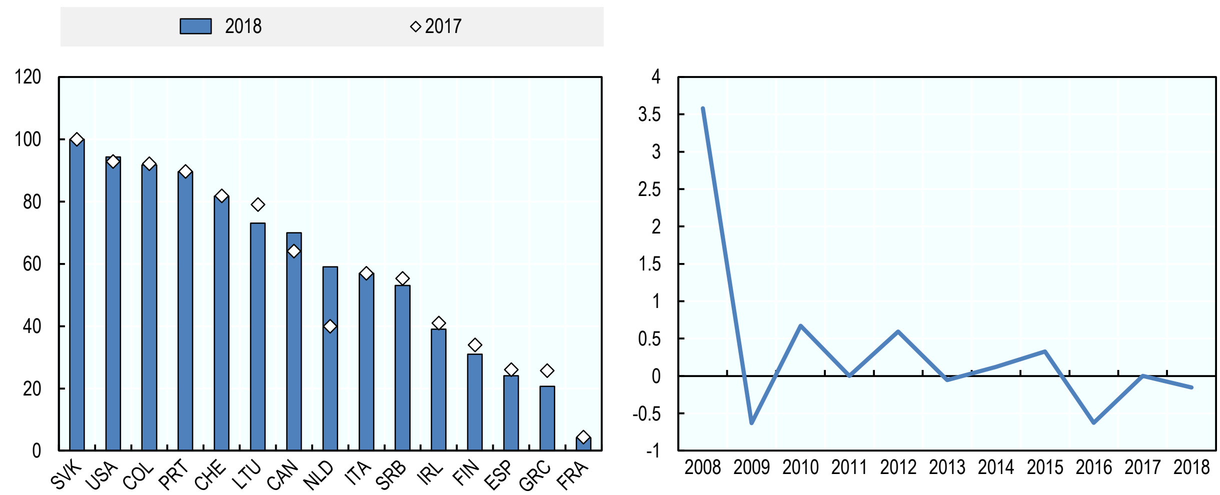
Collateral requirements

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.

While the database on collateral is relatively small, most countries experienced a decline in collateral requirements in 2018. Out of the fifteen countries that provided data for 2017 and 2018, ten experienced a decline in collateral requirements (expressed as a percentage of SMEs requiring collateral to access bank credit), while five experienced an increase or a stagnation (see Figure 1.11). This decrease was strongest in Finland and in Greece (respectively -3.00 and -5.05 percentage points). The decrease in collateral requirements coincided with an increase in the SME interest rate in Finland, illustrating the well-established negative relationship between collateral and interest rates (Degryse, Karapetyan and Karmakar, 2019[4]). Indeed, pledging collateral often allows SMEs to obtain lower interest rates on loans.

Figure 1.11. Collateral requirements

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



Source: Data compiled from the individual country profiles.

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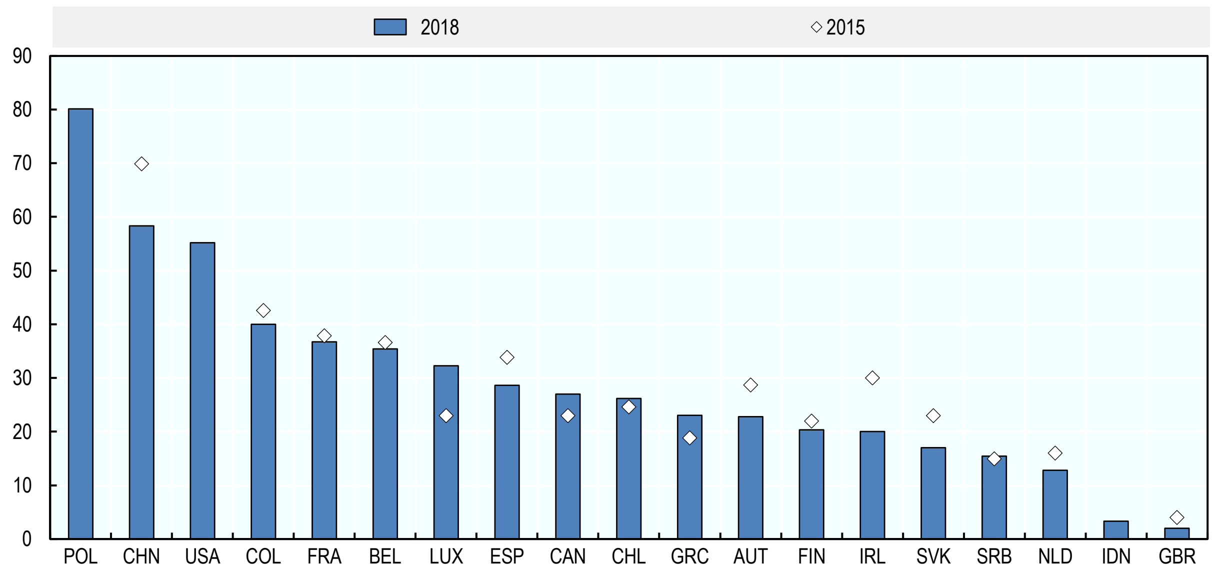
SME loan applications

Data on loan applications come from demand-side surveys. Like with collateral requirements, cross-country comparisons should be made with caution, and reporting improvements are needed to better assess the evolution in SME financing conditions.

About one-fourth of SMEs applied for credit over the last six months, showing that the majority of SMEs do not seek external financing. This figure has remained stable over the past four to five years, suggesting that the demand for credit has been relatively constant over the reference period. There are however large cross-country differences, with Chinese SMEs far more likely to apply for credit (58.36%) than their counterparts in Indonesia, for example (3.35%). Also notable is the decrease in SME loan applications in the Netherlands, from 18% in 2017 to 12.80% in 2018 (-5.20 percentage points).

Figure 1.12. SME Loan applications

As a percentage



Note: Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles. Data for Chile, Poland, the United Kingdom and the United States are from 2017
Source: Data compiled from the individual country profiles

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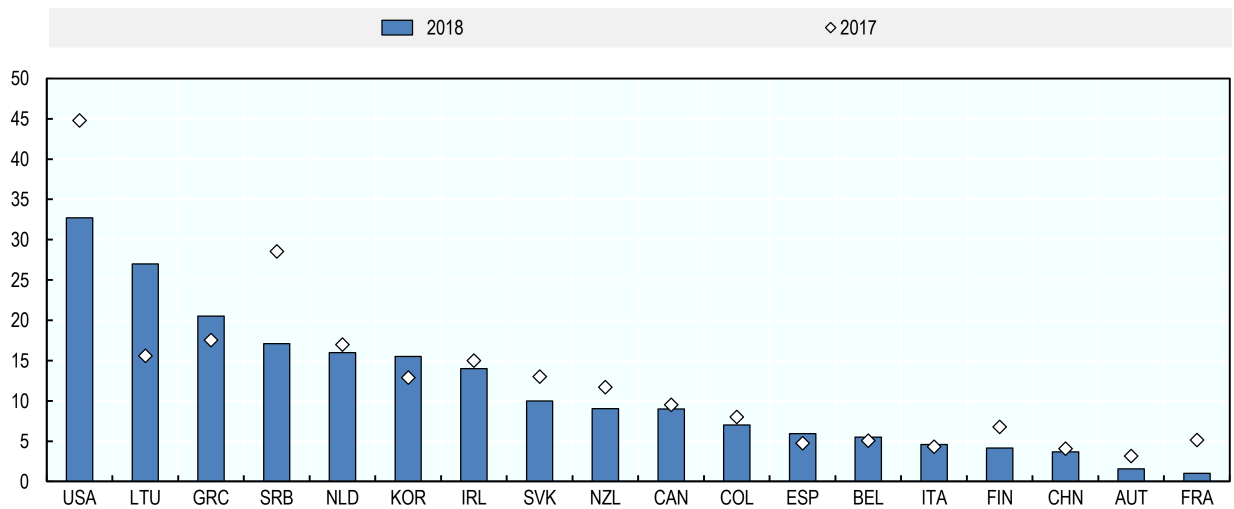
Rejection rates

Rejection rates help to shed light on the supply of credit to SMEs and gauge the overall financing conditions they face. Higher rates of rejection are indicative of constraints in the credit supply and suggest that demand for loans 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. Nevertheless, rejection rates should be analysed in the context of new lending trends, in order to have a more comprehensive perspective on SME access to finance. Data on rejection rates are usually gathered from demand-side surveys, with limited comparability across countries, however.

Overall, 2018 saw a decrease in the rejection rate in most Scoreboard countries, consistent with the increase in new lending. Twelve countries that provided data for the indicator reported a decrease in rejection rates, while six others reported an increase (Figure 1.12). The rejection rate decreased by 3.28 percentage points (looking at the median value for countries which provided data), broadly in line with the modest decrease in rejection rates since 2012, but a reversal of the 2017 trend. The rate remains high in countries such as the United States (32.70%), but it experienced a significant drop since 2017 (-12.10 percentage points). A similar trend can be observed in Serbia, with an 11.47 percentage point drop year-on-year. In other countries such as Lithuania, the rejection rate increased significantly (+11.40 percentage points, reaching 27%), suggesting a tightening of credit conditions and possible changes in risk assessment standards.

Figure 1.13. Rejection rates

As a percentage



Source: Data compiled from the individual country profiles

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Additional evidence on credit conditions from survey data

Survey data indicate that credit conditions have remained relatively loose. In addition, there are indications that SMEs continue to consider that bank finance is relatively available, especially in comparison with the post-crisis period. While these surveys provide important insights, the comparability across different survey exercises is limited. The section on Recommendations for data improvements provides guidance for improvements in this area.

Euro area

The survey on the access to finance of enterprises (SAFE) provides data on financial situation of the firm, need for and availability of external financing. It is conducted twice a year: once by the ECB, covering the Euro area, and once in cooperation with the European Commission, covering all EU economies and some additional countries. Surveys from H2 2018 and H1 2019 show a small uptick in loan availability following a marked decline in 2018, while documenting a decrease in the share of companies reporting increased interest rates. Indeed, the net share of firms reporting an increase in interest rates dropped to -8.93% in H1 2019 compared to 2.89% in H1 2018 (Figure 1.14).

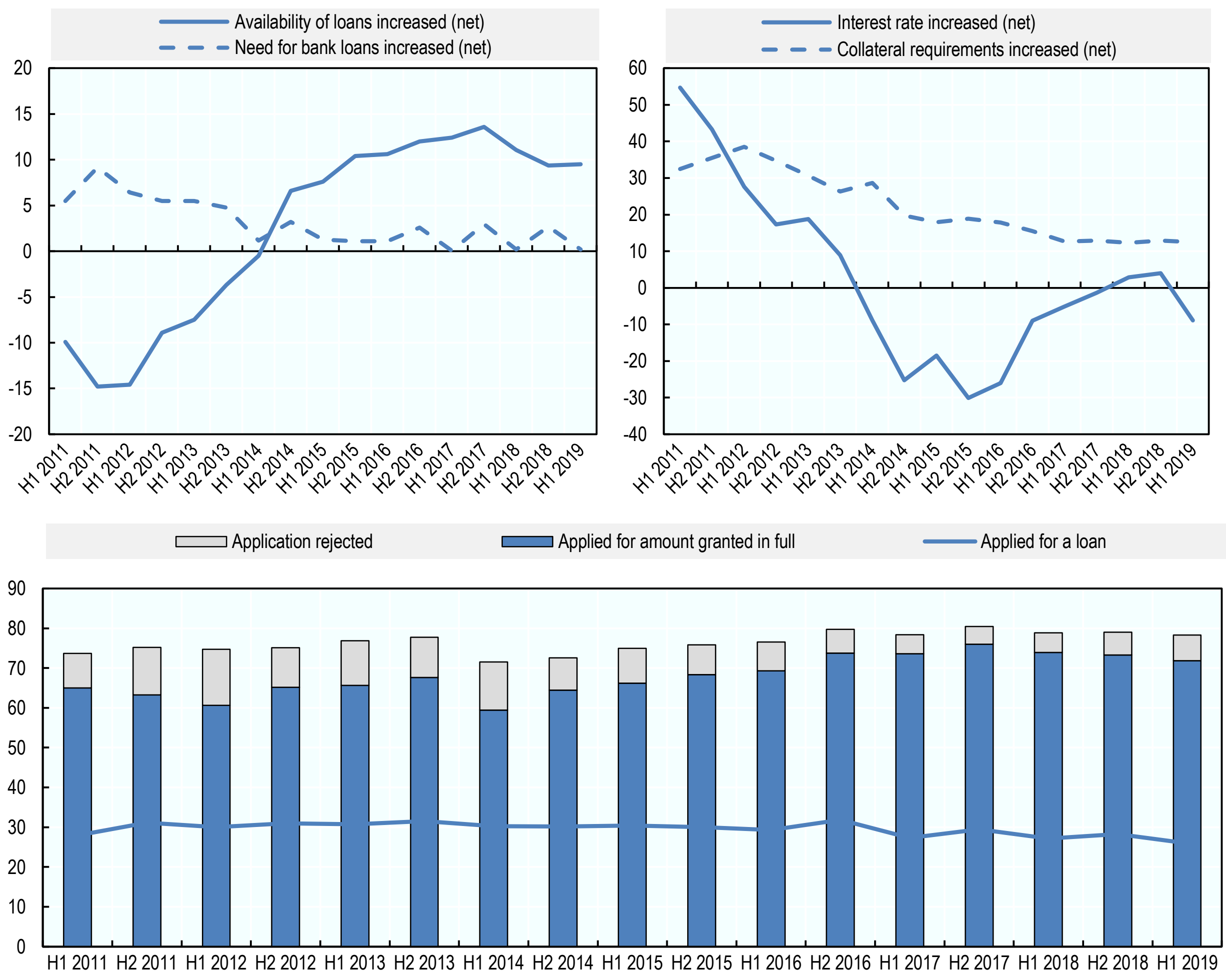
Applications for bank loans decreased in H1 2019 after having broadly remained constant over the 2011-18 period. In H1 2019, 25.96% of SMEs applied for a bank loan (versus 27.12% in H1 2018). The rate of fully successful loan applications reached 71.88% (versus 73.93% in H1 2018), while the rejection rate picked up to 6.45% (versus 4.88% in H1 2018). At the same time, 29% of SMEs signalled higher levels of other costs of financing, such as charges, fees and commissions, a figure that remained stable compared to 2018 (ECB, 2019[5]).

Large firms continue to benefit from better access to finance compared to SMEs. The share of large enterprises that applied and successfully obtained a loan continues to be higher (the success rate in H1 2019 was 87%), while the rejection rate is lower (1% in H1 2019) (ECB, 2019[5]). The difference in the average interest rate charged to large enterprises for credit lines compared to SMEs stood at 170 basis points, a difference which remained stable in 2019.

Generally, SMEs expect a moderate improvement in their access to external finance in the months to come. There are significant differences in SMEs' perspectives across different countries, however, with a few countries such as Spain expecting financing conditions to worsen, while in several others, SMEs expect conditions to remain the same (ECB, 2019[5]).

Figure 1.14. 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 2019 refers to round 19 (April to September 2019), published in November 2019. H2 2018 refers to round 20 (October 2018 to March 2019), published in May 2019. The timeline is the same for previous rounds.
Source: (European Central Bank, 2019[6]).

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United States

In the United States, the National Federation of Independent Business (NFIB) Research Foundation collects Small Business Economic Trends data on a monthly basis since 1986. Evidence from this survey shows that the financial crisis had a marked impact on reported loan availability, which bottomed out in 2007, and steadily recovered afterwards to levels broadly comparable to the pre-crisis period. From the beginning of 2015 to October 2018, credit availability remained broadly constant.

The October 2018 survey illustrates that only 2% of surveyed small businesses in the United States stated that financing was their main concern (stable from October 2017), and only 4% reported that their financing needs were not being met (+1 percentage point from October 2017), indicating the relative ease and affordability of accessing credit. (Dunkelberg and Wade, 2018[7]).

The United States Federal Reserve Board surveys senior loan officers on their banks' lending practices on a quarterly basis, including a question on the evolution of credit standards for approving small business loans or credit lines[3]. According to the October 2018 survey, respondents indicated that they slightly eased their standards and terms on commercial and industrial (C&I) loans to large and mid-sized firms. However, they left their standards unchanged for small firms, citing increased competition from other lenders as the main reason for easing, as well as a less uncertain economic outlook and an increased tolerance for risk.

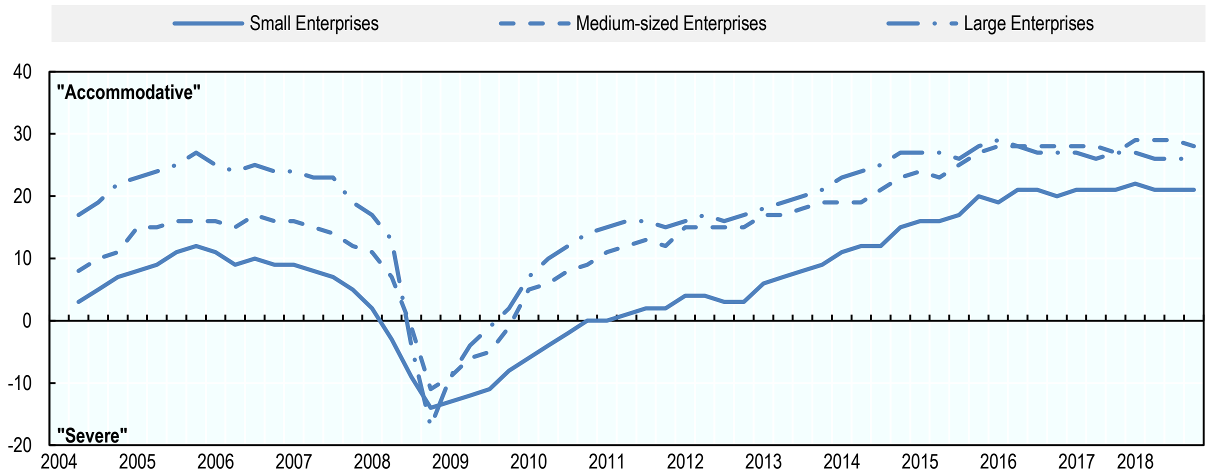
The survey also includes a question on SMEs' demand for loans[4]. For most of 2016 and the first half of 2017, demand for credit in the United States weakened. According to the October 2018 survey, a modest net percentage of domestic banks reported weaker demand for loans from all firms (United States Federal Reserve Board, 2018[8]).

Japan

In Japan, perceived lending attitudes deteriorated sharply between 2008 and 2009, according to the TANKAN survey, a quarterly poll on business confidence published by the Bank of Japan[5]. Between 2010 and 2015, financing conditions loosened, and from 2015 onwards, lending attitudes for small and medium-sized enterprises have largely remained constant and accommodative (see Figure 1.15). It is noteworthy that the perceived lending attitudes for large and medium-sized enterprises have become largely similar in recent years, in contrast with the pre-crisis period, when medium-sized firms faced tighter credit conditions. The gap between small and large firms has remained large, however (Bank of Japan, 2019[9]).

Figure 1.15. Lending attitudes in Japan

Diffusion index, in percentage points



Note: Diffusion index of "Accommodative" minus "Severe", percentage points.
Source: Bank of Japan.

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United Kingdom

Responses to Bank of England Credit Conditions Survey suggest no change in availability of credit in first three quarters of 2019, following an improvement in 2018.[6] On the other hand, more recent data illustrate an uptick in interest rates since the second half of 2017.

Asset-based finance

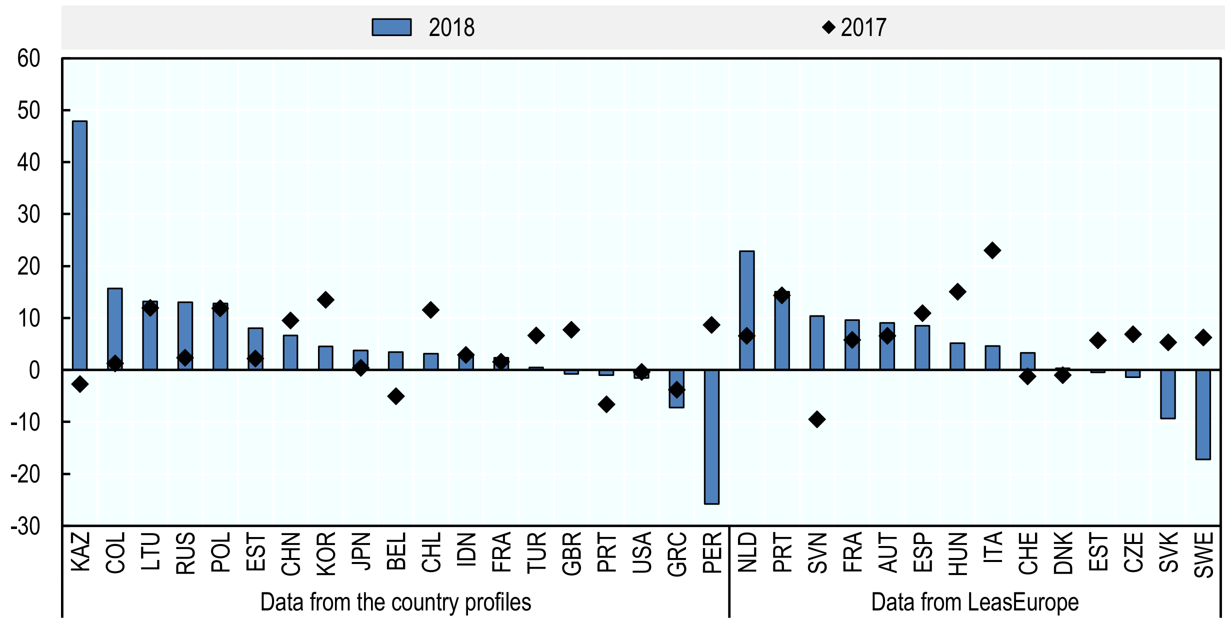
Asset-based finance comprises all forms of finance that are based on the value of specific assets, rather than on the cash flow/creditworthiness or debt capacity of firms, and represents a well-established alternative for many SMEs. Within this category, leasing and hire purchases on the one hand, and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

Leasing and hire purchases

Data for 2018 show a considerable increase in leasing and hire purchase activities, in line with developments in previous years. In 24 out of 33 countries where data on leasing and hire purchase activities is available, inflation-adjusted volumes rose in 2018, continuing the trend documented since 2014. The year-on-year growth rate, as a median value, stood at 3.75% in 2018, compared to 5.79% in the previous year. Colombia, Kazakhstan, Lithuania, the Netherlands, Poland, Portugal, Russia and Slovenia exhibited year-on-year growth rates superior to 10%. At the country level, leasing figures are quite volatile from one year to the next.

Figure 1.16. Leasing and hire purchases, growth rate

As a percentage



Note: When several associations existed for one country, figures were summed and growth rates were recalculated. Data are adjusted for inflation using the OECD GDP deflator. Data from non-OECD countries are adjusted for inflation using the deflator from the World Bank World Development Indicators.

Source: Data compiled from the individual country profiles, from the LeasEurope Annual Survey 2018 and from the LeasEurope Annual Survey 2017.

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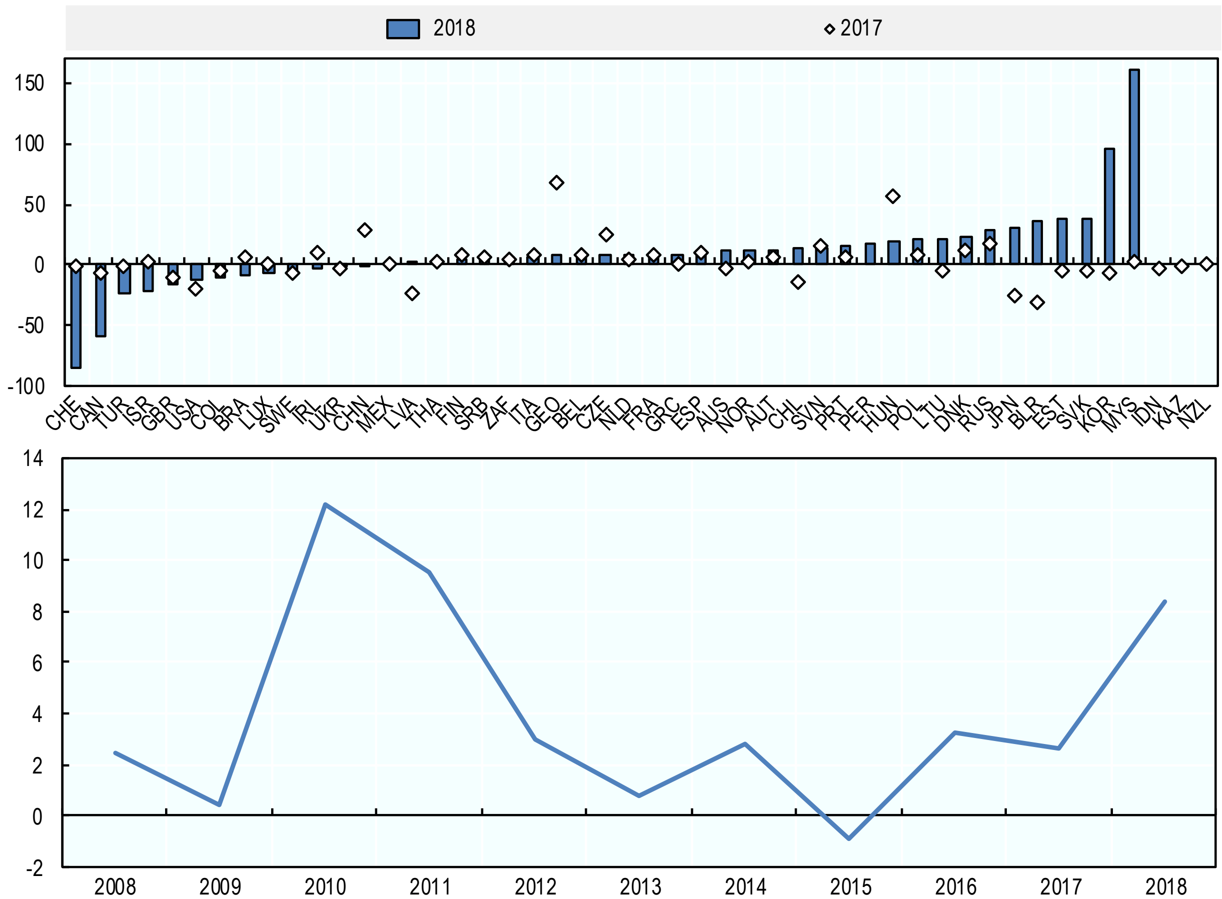
Factoring[7]

Since 2010, factoring volumes have been rising in the majority of Scoreboard countries. The highest median growth rates were 15.34% and 13.77%, in 2010 and 2011 respectively, suggesting that factoring provided an alternative for finance-constrained SMEs following the crisis. From 2012 to 2017, the median growth rate remained positive, although growth slowed. Growth picked up in 2018, with a median growth of 8.42% and volumes up in 31 out of 45 countries. Significant cross-country variations can be observed, with Canada, Switzerland and Turkey showing a strong decline at -58.42%, -84.63% and -33.03% respectively. In Korea on the other hand, volumes nearly doubled in 2018 (see Figure 1.17).

Figure 1.17. Factoring growth rates by country and Scoreboard median

Year-on-year growth, as 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. Due to the scale, the 2018 figure for Malaysia (+ 167.87%) is not represented.
Source: Factors Chain International (2019).

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Self-financing

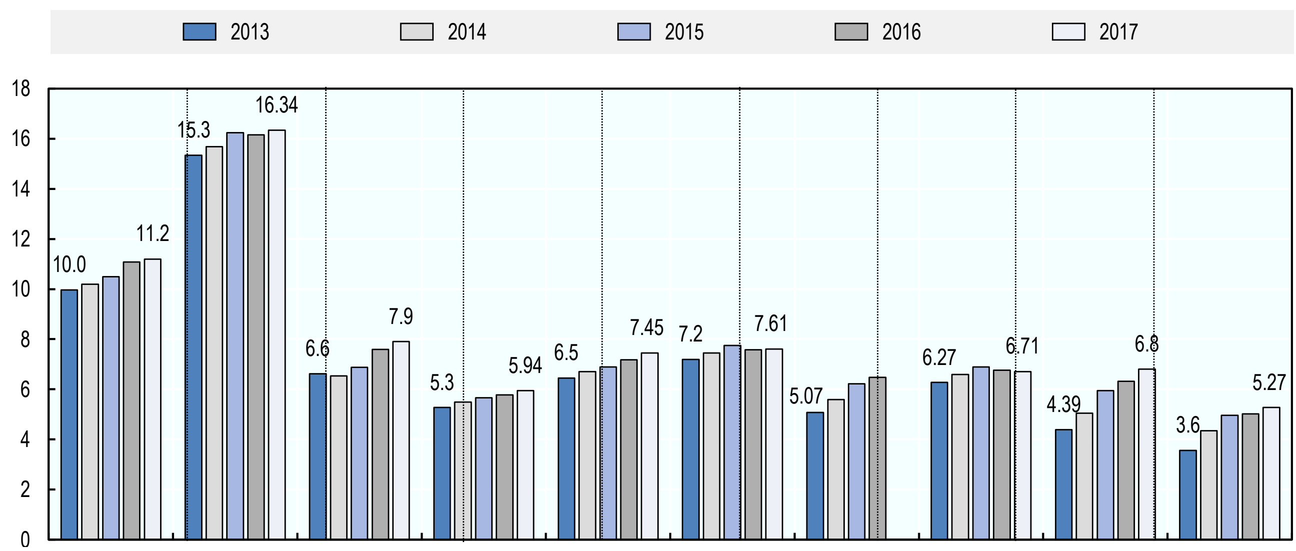
Self-financing plays an important role in SME financing, although its significance varies across countries, firm size and age, as well as type of business activity. On average, start-ups are more likely to rely on internal funding compared to mature firms, given that they have lower levels of tangible assets, a less established reputation, longstanding relationship with a financial institution and track record (Paroma and Mann, 2010[10]). Empirical studies have shown that almost a third of all SMEs in the EU rely solely on internally generated sources of revenue for their day-to-day operations and investments (Moritz, Block and Heinz, 2017[11]).

According to the ECB's *Survey on the Access to Finance of Enterprises in the euro area,* internal funds were considered an important alternative source of finance by one-fourth of European SMEs surveyed between October 2018 and March 2019. Likewise, 18% of firms pointed funds from family, friends or related companies as relevant sources of financing for them. In recent years, internal funds seem to have become an increasingly important source of finance, with possible implications for the demand for credit. For instance, in the euro area the proportion of SMEs citing sufficient internal funds as a reason for not applying for loans has been rising steadily, from 35% in 2014 to 43% in 2019. At the same time, the proportion of SMEs not applying for bank loans because they were "discouraged" has declined from 8.4% in 2014 to 4.2% in 2019, suggesting that the use of internal funds only is not driven by mounting difficulties to access credit (European Central Bank, 2019[6]).

The BACH database, hosted by the Central Bank of France, provides comparable data on the aggregate financial ratios of SMEs in twelve countries from the euro area that are part of current Scoreboard exercise. Recent evidence from this database suggests that, on average, SMEs' profitability continued to increase over the 2013-17 period. The observed trend may indicate an increased availability of funds for self-financing purposes, as measured by EBITDA (earnings before interest, taxes, depreciation and amortisation) to net turnover ratio for the median SME operating in a country (see Figure 1.18.).

Figure 1.18. Profitability ratios for European SMEs, 2013-17

EBITDA to net turnover ratio, median value for each country



Note: This ratio assesses the profitability of a company by comparing its revenue with its earnings, giving the remaining earnings after all operating expenses in percentage
Source: Bank for the Account of Companies Harmonized (BACH) – Banque de France

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Equity instruments and private debt

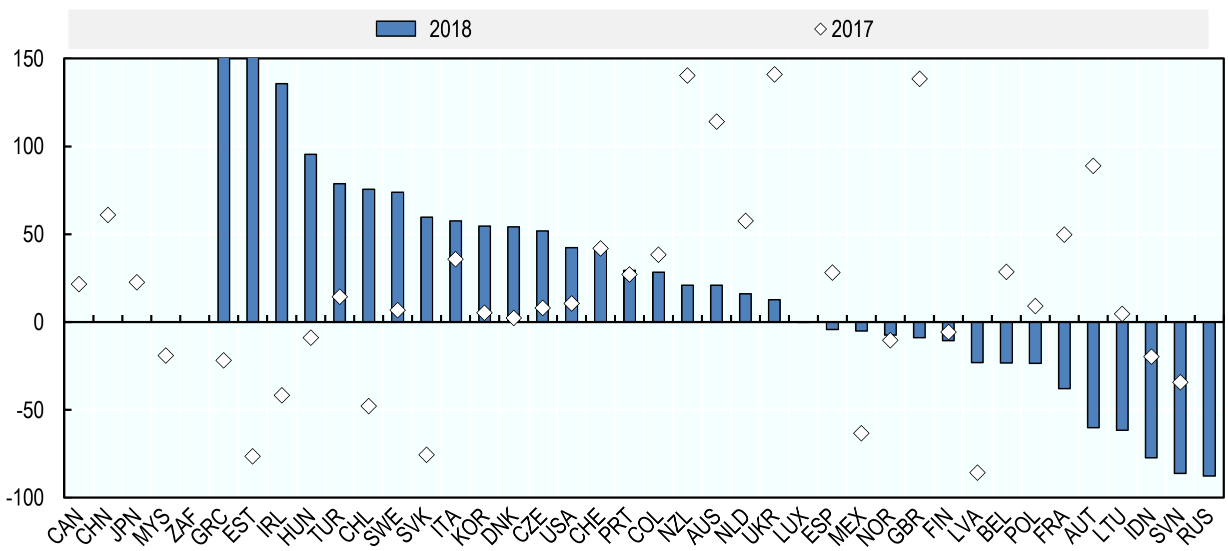
Venture capital investments, listings on stock exchanges, private debt and business angel investments are discussed in this section.

Venture capital

The median growth rate of venture capital investments increased in 2018, at 20.86%. This contrasts with the 2011-15 period, when median volumes fell, but it is in line with 2017 developments. It is important to keep in mind that data on VC investments are highly volatile, especially for smaller countries, where a single deal may impact overall volumes considerably (as the data for Latvia and Luxembourg illustrate, for example). In the United States, the largest market by far, for instance, volumes rose by 11% in 2017 and by 57% in 2018, after dropping by 6.3% in 2016.

Figure 1.19. Venture capital investments

Year-on-year growth rates, as a percentage



Note: 2018 data are not available for Canada, China, Japan, Malaysia and South Africa. Data are year-on-year change of current USD volumes, at the exception of Chile, Colombia, China, Indonesia, Malaysia, Mexico, Turkey and Ukraine for which the indicator captures variations of volumes in current local currencies.
Source: OECD Entrepreneurship at a Glance, based on the Entrepreneurship Finance Database, and data compiled from the individual country profiles when the information was not otherwise provided.

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Country-level data hide more granular trends at the local level. Indeed, VC activities are mostly concentrated in cities rather than in countries, which prompts the question of the most relevant unit of observation. While US cities still dominate global VC deals, the share of all VC deals conducted in these cities has been declining for approximately fifteen years, and other hubs, especially in upper middle-income economies, are showing strong growth rates, albeit from low base levels (Florida and Hathaway, 2018[12]).

Government interventions have played a decisive role in the recovery of VC investments in recent years. In Europe in particular, government agencies are the most important source of VC funds (BPIFrance et al., 2016[13]). This was the case in Denmark (Rogers, 2016[14]) and the United Kingdom (UK Finance, 2018[15]), among other countries.

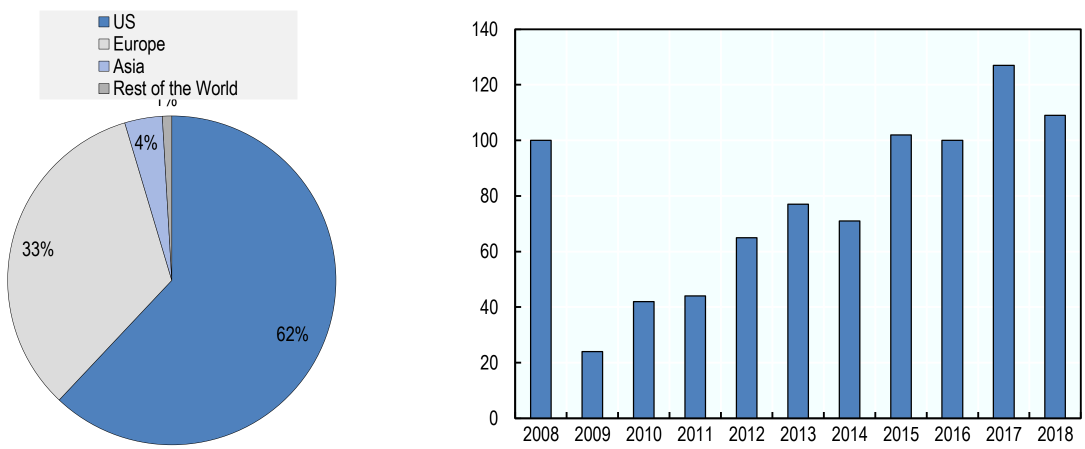
Private debt

Private debt is a relatively recent instrument that has experienced a strong expansion since the global financial crisis, following tightened regulation on commercial banks and durably low interest rates. Specialised loan funds operate through an originator, typically unconnected to a banking institution, which originates a portfolio of SME loans. Many of the legal and institutional features of this instrument are similar to the private equity market, with the crucial difference that it engages in debt. While commercial banks tend to operate on the low-risk, low-yield end of the financing spectrum, alternate lenders cover its entire range. The private debt market is especially relevant for larger and more mature SMEs facing a major transition, such as a change in ownership, expansion into new markets and/or activities, or acquisitions.

Global fundraising activities declined between 2017 and 2018, but remain high in a historical context. In 2018 for the fourth consecutive year, fundraising activities surpassed USD 100 billion, the level observed in 2008. As in previous years, most fundraising in 2018 took place in the United States, which was responsible for 62% of volumes raised. Europe was the second region with the most fundraising, accounting for 33% of total volumes. The private debt market remains relatively underdeveloped in Asia and even more so in other regions of the world (see Figure 1.20) (McKinsey, 2019[16]).

Figure 1.20. Global private debt fundraising

As a percentage share of world total in 2018 (left) and in USD billion (right)



Source: Preqin and McKinsey.

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Capital that has been committed for the private debt market, but not yet deployed (so-called “dry powder”) rose by 11.1% between 2017 and 2018, reaching a new post-crisis record. Although these numbers are not SME-specific, many of the investments are taken up by smaller enterprises. According to a recent survey, around half of the capital raised is allocated to SMEs and mid-market borrowers (Alternative Credit Council, 2018[17]).

Business angel investments

Business angel (BA) investing is an important source of financing for early-stage start-ups, especially those which do not have own resources and/or are unable to access bank credit, but are not yet ripe for venture capital funding. Angel investors tend to be wealthy individuals, or groups of them, who provide financing, typically their own funds, in exchange for convertible debt or ownership equity. Business angel investors typically play an active role in the management of businesses they invest in, and they thereby can offer business expertise, access to a network and other non-financial benefits to companies they invest in. This enables entrepreneurs to scale up to a stage where venture capitalists may step in. It represents a potential means of narrowing the financing gap for early-stage, innovative SMEs, but is not suitable for all firms' profiles (OECD, 2016[18]).

Data collection on business angel investments suffers from many shortcomings (OECD, 2016[18]). As a result, the so-called “visible market” only accounts for a minority of the whole market, and trends may be hard to analyse. Indeed, many business angel deals remain private. In Europe, there is a lack of accessible and reliable data on business angel activities.

In the United States, the Center for Venture Research has been assessing the state of business angel investments since 2002. In 2017, volumes decreased by 3.7% compared to 2017, reaching USD 23.1 billion (Center for Venture Research, 2019[19]). Activities were traditionally concentrated in Boston, New York and San Francisco, but the geography of business angels is increasingly diverse, with 63% of the business angels considered to be outside of these three hubs, according to a recent study (Huang et al., 2017[20]). The same report concludes that business angels are more diverse than venture capitalists in terms of gender and geography.

Listings on stock exchanges

Listings on public stock exchanges constitute another means of attracting external sources of finance, and are especially relevant for larger SMEs. Many junior stock markets (also known as second-tier stock markets) are modelled on NASDAQ in the United States and AIM in the United Kingdom. They act both as screening devices until firms are eligible for the main market, and as providers of opportunities for venture capitalists wishing to divest (exit) (Granier, Revest and Sapio, 2019[21]). While accessing finance from external investors represents the prime reason for SMEs to become listed, other factors often play a role, too, according to a recent large-scale survey. Improved creditworthiness and the possibility of opening up other sources of finance, such as straight debt, are stated by almost one half and one fourth of surveyed SMEs, respectively. In addition, non-monetary factors such as brand recognition and more visibility are also commonly stated (World Federation of Exchanges & Milken Institute, 2017[22]). SME access to capital markets also aims to reduce dependence on bank finance and increase the diversity of financing sources.

Table 1.1 provides an overview of specialised vehicles for SME markets of Scoreboard countries on stock exchanges that typically provide less onerous information and due diligence requirements. In several cases, there is more than one SME market in a country, and a few SME markets span more than one country. The market capitalisation of most of these markets represents only a very small fraction of the capitalisation of the national stock exchange, with the exception of Ireland, Japan and Korea. 2018 developments include a general decrease in market capitalisations year-on-year, with only Bursa Malaysia's LEAP Market showing a positive trend. Meanwhile, the number of listed firms has broadly stagnated since 2017, mechanically reducing the average market capitalisation on these markets.

Table 1.1. SME markets on stock exchanges, 2018

	Exchange	Name of the Market	Domestic market cap (USD millions)	% change 2017/2018	Number of listed companies	% change 2017/2018
BEL, FRA, NLD, PRT, GRB	Euronext	Euronext Growth	11696.23	-0.23	206	0.05
CAN	TMX Group	TSX Venture	33311.81	-0.19	1974	0.00
CHN	Hong Kong Exchanges and Clearing	Growth Enterprise Market	23774.25	-0.34	389	0.20
DEN, EST, FIN, LVA, SWE	Nasdaq Nordic Exchanges	First North	17826.49	0.05	348	0.34
GRC	Athens Stock Exchange	ATHEX Alternative Market (EN.A)	123.31	-0.02	12	0.00
IRL	Irish Stock Exchange	Enterprise Securities Market	5991.99	-0.10	24	0.09
JPN	Japan Exchange Group	JASDAQ	75693.13	-0.25	726	-0.03
JPN	Japan Exchange Group	Mothers	45448.89	-0.03	276	0.11

	Exchange	Name of the Market	Domestic market cap (USD millions)	% change 2017/2018	Number of listed companies	% change 2017/2018
KOR	Korea Exchange	Kosdaq	204700.52	-0.23	1279	0.05
LUX	Luxembourg Stock Exchange	Euro MTF	1735.49	-0.32	125	0.00
MYS	Bursa Malaysia	ACE Market	2825.46	-0.21	119	0.03
MYS	Bursa Malaysia	LEAP Market	222.57	3.24	13	5.50
NZL	NZX Limited	NZAX	188.28	-0.37	13	-0.19
NZL	NZX Limited	NXT	45.93	-0.42	2	-0.33
NOR	Oslo Stock Exchange	Oslo Axess	631.29	-0.66	17	-0.29
POL	Warsaw Stock Exchange	NEWCONNECT	1968.66	-0.29	387	-0.05
RUS	Moscow Exchange	Innovations and Investments Market	5196.87	-0.13	10	0.00
ZAF	Johannesburg Stock Exchange	Alternative Exchange	1427.45	-0.15	46	0.18
ESP	BME Spanish Exchanges	MAB Expansion	13403.11	0.16	105	0.19
THA	The Stock Exchange of Thailand	Market for Alternative Investment (mai)	7367.98	-0.27	159	0.06
TUR	Borsa Istanbul	BIST Emerging Companies	188.76	-0.83	17	0.00
TUR	Borsa Istanbul	Watchlist	152.82	-0.49	27	-0.13
GBR	LSE Group	AIM	124109.46	..	1036	-0.02

Note: This table excludes exchanges from countries which are not part of the Scoreboard exercise as well as exchanges that are not member of the World Federation of Exchanges.
Source: WFE Annual Statistics Guide 2018.

Online alternative finance

Online alternative finance is a mean of soliciting funds from the public for a firm or project through an online platform. It comprises different kinds of activities, broadly categorised in three categories (debt-based, equity-based and non-investment). The data in this section refer to business activities and thus excludes certain activities (such as online lending to households).

Debt-based online alternative finance encompasses business, property and consumer (when applicable for SMEs) loans which come from peer-to-peer activities, institutional funders, or directly from the platform. It also includes invoice trading and debt-based securities.

Equity activities include equity-based, revenue-sharing and real estate crowdfunding.

Non-investment online alternative finance includes reward-based crowdfunding, whereby backers provide funding to individuals, projects or companies in exchange for non-monetary rewards or products, and donation-based crowdfunding, whereby donors provide funding to individuals, projects or companies based on philanthropic or civic motivations with no expectation of monetary or material return.

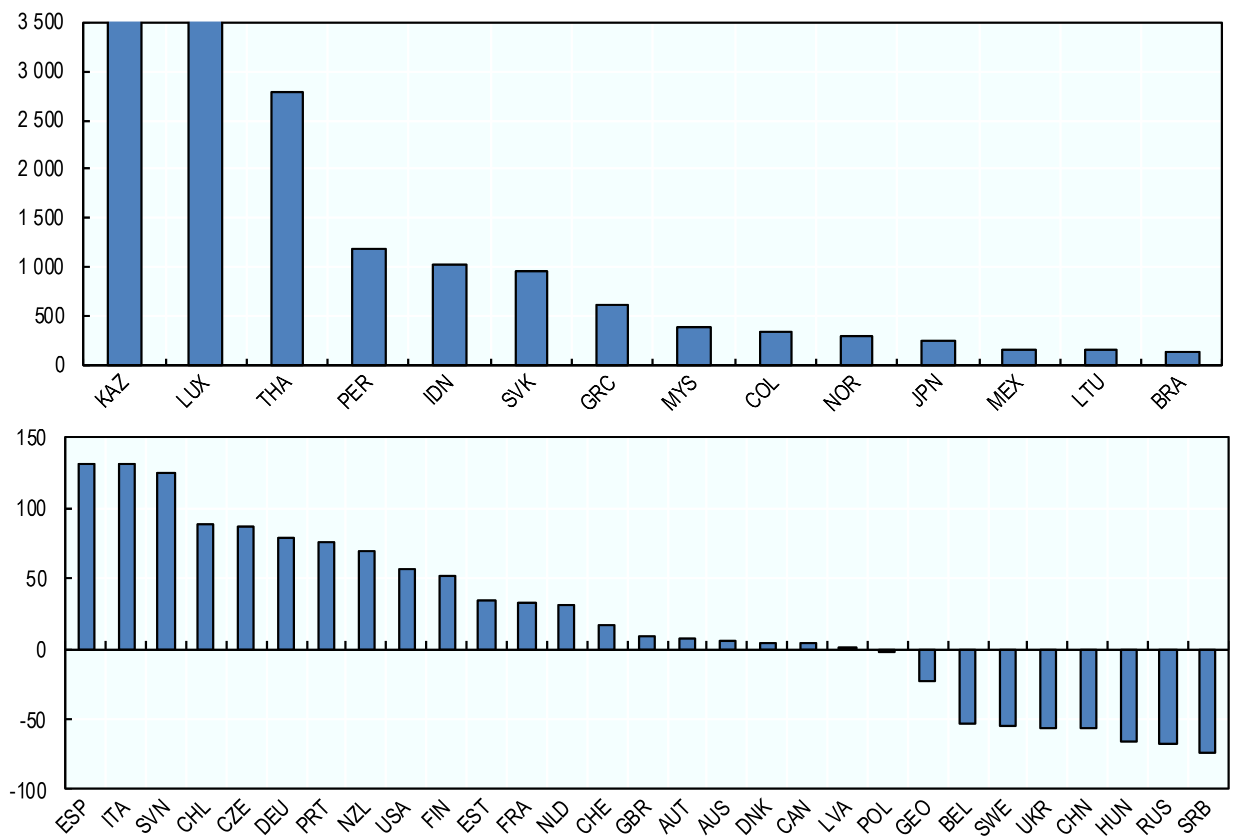
Globally, debt-based activities account for 96.4% of online alternative finance volumes, equity activities for 3.0%, and non-investment activities for 0.6%.

The online alternative finance market for businesses (aggregating the various instruments) has expanded rapidly in recent years. In 2018, the median inflation-adjusted growth rate for participating countries for which data are available stood at 54% (see Figure 1.21). Growth rates are especially high in emerging economies and small economies, where activities remain relatively modest.

In some more mature and developed markets, the growth rate is beginning to stabilise. In Australia and the United Kingdom, for instance, 2018 growth rates amounted to 6% and 9% respectively. In 12 countries, online alternative finance contracted, often by more than half. The wide discrepancy in growth rates indicates a strong volatility in the market. China is a case in point; in 2018, its online alternative finance market for businesses, the largest in the world both in absolute and relative terms, experiencing a contraction of 57% following a regulatory crackdown by the authorities (see Figure 1.21). The market also plummeted by 77% in Korea, another relatively developed market, following mounting concerns about dubious or outright fraudulent behaviour by some platforms active in the country.

Figure 1.21. Growth in the online alternative finance market for businesses

As a percentage, year-on-year growth



Note: All the data are expressed in USD. Volumes are adjusted for inflation using the OECD deflator. Due to the scale, growth rates for Kazakhstan (421761.6%) and Luxembourg (5182.2%) are not depicted. Growth rates for Israel could not be calculated due to missing 2017 data.
Source: Regional reports of the Cambridge Centre for Alternative Finance at the University of Cambridge.

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Box 1.1. Online alternative finance markets in China

China continues to dominate the global online alternative finance market, but saw a strong contraction of P2P lending volumes in 2018 following a regulatory crackdown by the authorities. Some platforms in the largely unregulated P2P market in China had insufficient guarantees in terms of capital requirements and loss provisions for investors, and others were considered to be fraudulent.

In the wake of extremely rapid growth, policy makers' concern about investor and consumer protection, and about financial stability, mounted. As early as 2016, a cap on borrowing from P2P platforms was put into place as part of the *Interim Rules on the Business Activities of Online Lending Information Intermediaries*, and various inspections of existing P2P platforms were carried out to increase supervision. Since then, additional rules have been put in place. As a result, many non-compliant platforms, whether fraudulent or incapable of producing guarantees in terms of investor and consumer protection, have closed.

This led to a sharp contraction in the market in 2018 and the first half of 2019. According to the China Banking and Insurance Regulatory Commission (CBIRC), only 427 P2P platforms were still operating as of October 2019, against 6 000 in 2015. A registration programme is being designed for the remaining platforms, with strict conditions for eligibility. This should strengthen the market and ensure that interests of investors and firms seeking finance are safeguarded.

China's crackdown illustrates the regulatory challenges inherent to online alternative finance, and the importance of an appropriate regulatory framework and oversight.

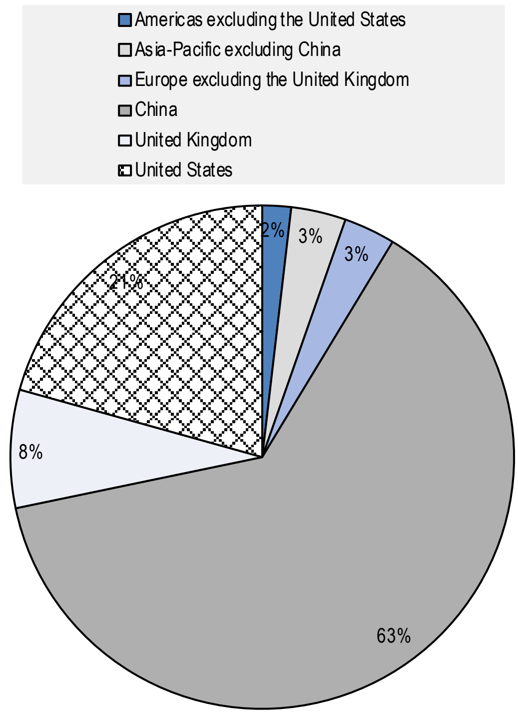
Source: (Business Insider, 2019[23]), (South China Morning Post, 2019[24]), (Reuters, 2019[25]).

Overall, online alternative finance activities for for-profit businesses continue to be strongly concentrated in a few countries. Despite a sharp decline in 2018, China has the largest market by far, representing 62.5% of global volumes of online alternative finance, followed by the United States and the United Kingdom with shares of 20.5% and 7.5% respectively (see Figure 1.22). These countries are followed by Japan (1.2%), Australia (1.1%) and Israel (0.9%).

The share of volumes in continental Europe remain relatively modest in comparison, with France the most active market (with a global share of 0.6%), followed by Italy (0.6%) and the Netherlands (0.5%). Latin America accounts for a small share of global online alternative finance volumes: Peru accounts for 0.4% of the global market, while Chile accounts for 0.2% of total volumes.

Figure 1.22. The online alternative finance market for businesses by region, 2018

As a percentage of total volumes



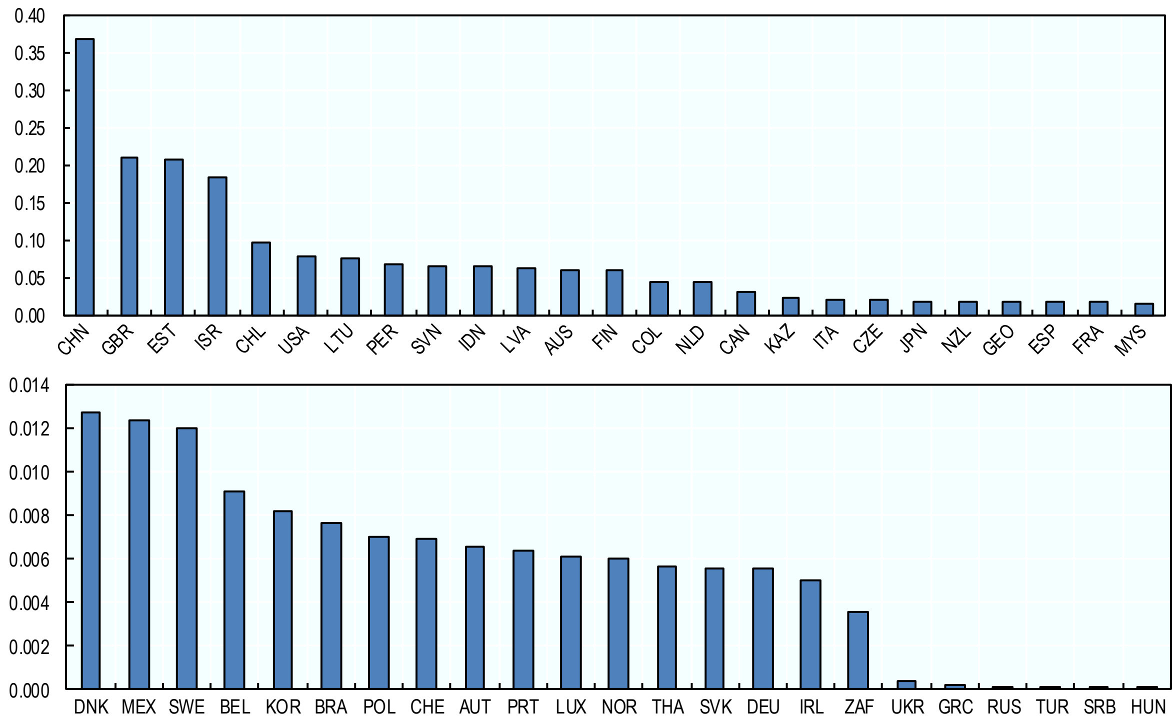
Note: All the data are expressed in USD.
Source: Regional reports of the Cambridge Centre for Alternative Finance at the University of Cambridge.

StatLink https://doi.org/10.1787/888934115825

Relative to GDP, China still has the largest online alternative finance market, followed by the United Kingdom, Estonia and Israel. In these countries, market volumes amount to more than 0.15% of GDP, compared to the median value for all countries of 0.0168% (see Figure 1.23).

Figure 1.23. Online alternative finance business volumes, 2018

As a percentage of GDP



Note: All the data are originally expressed in USD. Volumes are adjusted for GDP using yearly GDP data from the International Monetary Fund (IMF).

Source: Regional reports of the Cambridge Centre for Alternative Finance at the University of Cambridge. (IMF, 2019[26]).

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It is important to note that, although online alternative finance represents one avenue for financial innovation to deliver financial services to SMEs', there are many other channels. Box 1.2 puts a spotlight on challenger banks.

Box 1.2. Challenger banks are gaining ground among SMEs

In the UK market and beyond, challengers are pushing for competition. Challenger banks are new actors in the banking sector. They encompass established firms and new firms, and their core characteristic is that they are unburdened by legacy systems and heavy organisational structures. Many of the new market entrants are digital challenger banks, or neobanks. These banks attract customers by charging transparent and low fees, providing faster services, and enhancing user experience through their digital interfaces.

The UK market has the most active challenger bank environment, and the drivers for this trend are related to the large impact of the crisis on high-street banks' reputation and to the authorities' efforts to promote competition and innovation (CBInsights, 2018[27]) (The Economist, 2019[28]). The British SME banking market is concentrated, and market shares have remained broadly stable since 2005. Despite considerable variation in price and quality of products, SMEs rarely change their business current account providers. In 2015, 80% of BCAs were held by the 4 largest banking groups (Competition & Markets Authority, 2016[29]). This is why the British government has put in place a vast array of initiatives to increase competition.

The British Business Bank has supported challenger banks through its guarantee programmes as well as investment initiatives. GBP 300 million of loans from the Enterprise Finance Guarantee (EFG) were granted via 16 challenger banks. Additionally, British Business Investments provided funding to two recent entrants (British Business Bank, 2017[30]). More recently, GBP 425 million in funding were channelled to challenger banks and Fintechs to broaden quality of service and competition in SME banking in the United Kingdom. Funds were part of the Alternative Remedies Package and 15 financial providers gained access to funding between GBP 5 and GBP 120 million.

Challenger banks are on the rise in other markets and numbered more than 100 globally in 2018 (Caplain, 2018[31]). The German bank N26, launched in 2013, currently has 3.5 million customers in 22 European countries and the United States. Bunq, a Dutch challenger, has expanded to 5 European markets since its launch in 2015. Both firms also offer business accounts with different targets: Bunq offers features for employers and N26 targets freelancers and the self-employed. The Finnish bank Holvi focuses only on freelancers and small business owners. It has partnered with the Estonian e-Residency Programme and offers accounts for these location-independent entrepreneurs. The bank, backed by BBVA since 2016, reported 150 000 customers.

In Asia, Korea's Kakao Bank has 10 million customers 2 years after its launch, and it is the second most-used banking app in the country (Min-kyung, 2019[32]). WeBank, China's first private and digital-only bank, was authorised in 2014. It markets SME and consumer loans and reported more than 100 million active users in 2018. VoltBank (Australia) was the first digital challenger bank to be granted a full banking license in the country in January 2019, removing the cap on deposits that limited its operations. It was the first license granted in the country since 2000, meaning almost 2 decades without new entrants. In Brazil, neobanks have recently started to target small business, going beyond their consumer accounts. Neon, Inter, Original all offer corporate accounts. NuBank, which has 8.5 million customers and holds 5 million current accounts after the product's launch in 2017, started its business account pilot in July 2019.

Source: (British Business Bank, 2017[30]), (Caplain, 2018[31]), (CBInsights, 2018[27]), (Competition & Markets Authority, 2016[29]), (Min-kyung, 2019[32]), (The Economist, 2019[28]).

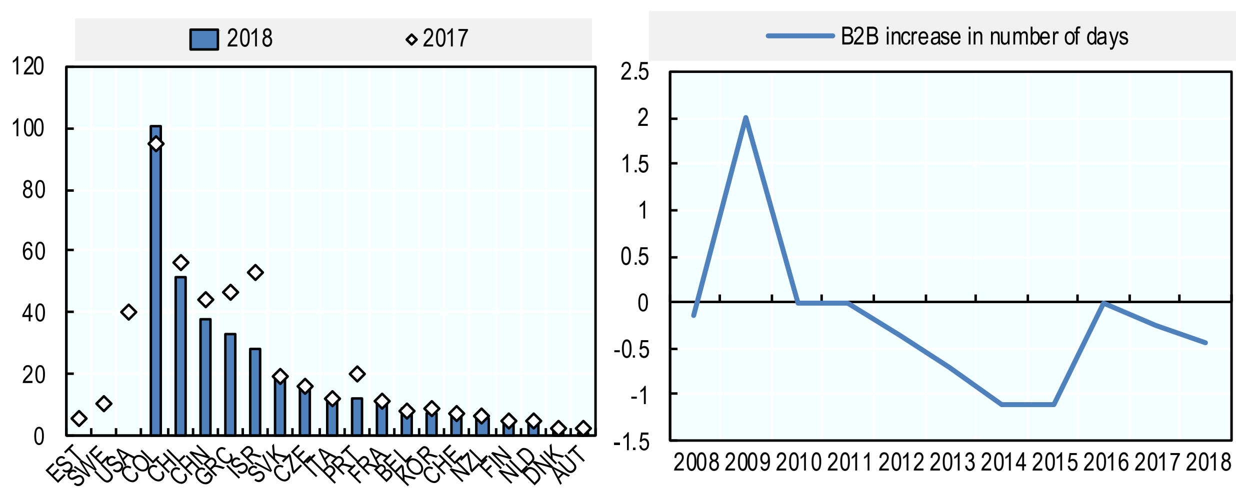
Payment delays, bankruptcies and non-performing loans

Payment delays declined in 2018, following an established trend since 2013. Bankruptcies also remained on a downward path in 2018, with a negative median bankruptcy growth rate for the sixth consecutive year. Data on NPLs show an upward trend for SME loans and a downward trend for large business loans.

Payment delays

The 2018 data on payment delays shows a decline in twelve countries for which data are available and an increase in three countries, with another four countries remaining constant. The decline varies significantly across countries. Greece and Portugal experienced strong decreases in their payment delays, of fourteen and eight days respectively. The median value for all Scoreboard countries stood at 19.77 days, while the average stood at around 15 days, suggesting that the data are skewed by outliers, especially among upper middle-income countries. The OECD median (10.79 days) stood slightly lower than the EU median (11.39 days). Overall, the median payment delay has experienced a strong decrease since 2013, and it appears to be recovering pre-crisis levels.

Figure 1.24. Payment delays by country and evolution in number of days (median value)



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.

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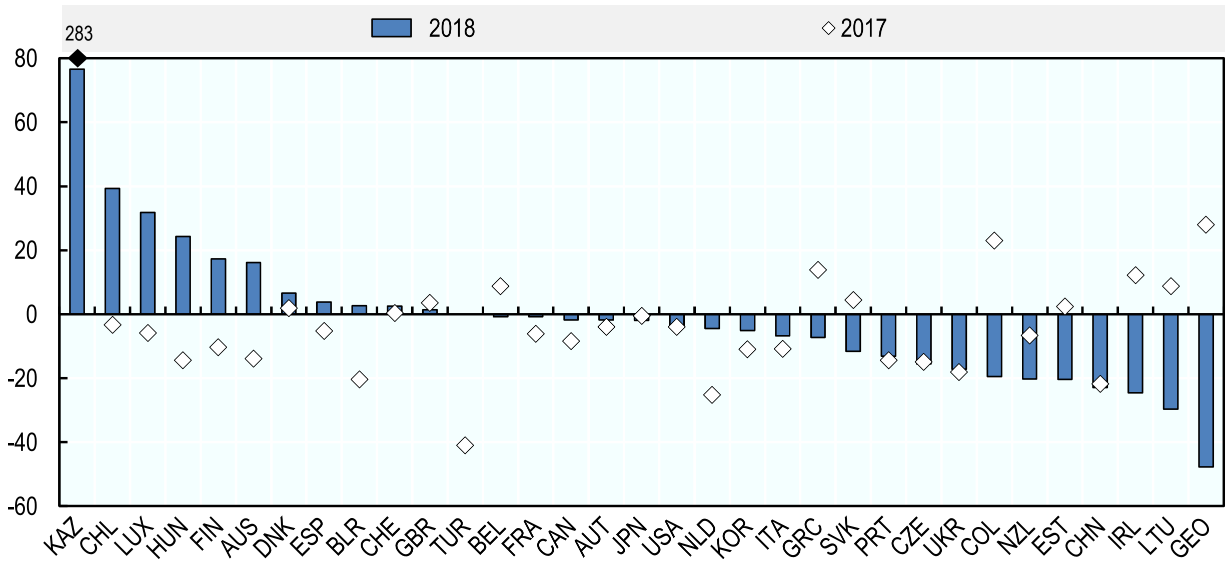
Bankruptcies

In 2018, the number of bankruptcies decreased in 21 out of 33 countries for which data are available. The median year-on-year change in bankruptcies was negative for the sixth consecutive year, with a 1.93% decline in 2018. Overall, the decline in bankruptcies appears to be levelling out, from almost -7% in 2014 to -1.8% in 2018. There seems to be a convergence across countries, as evidenced by a decline in the standard deviation in growth rates since 2015. For the first time since 2014, the median growth rate was negative within all country groups in 2018 (OECD, EU, World Bank high income and World Bank upper-middle income). This decrease is particularly strong in middle-income countries.

Figure 1.25. 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. Others still provide bankruptcy rates. 2017 data for Kazakhstan are not represented due to the scale (+283.33%).
Source: Data compiled from the individual country profiles.

StatLink https://doi.org/10.1787/888934115882

While bankruptcy time series by country are broadly indicative of firms' cash flow, there are important differences in the length and complexity of bankruptcy procedures between countries. This means that insolvent enterprises are not declared bankrupt at the same stage or under the same conditions in different countries. Bankruptcies upon court ruling constitute a very common approach to firm closure or liquidation in some countries, but this is not universally the case.

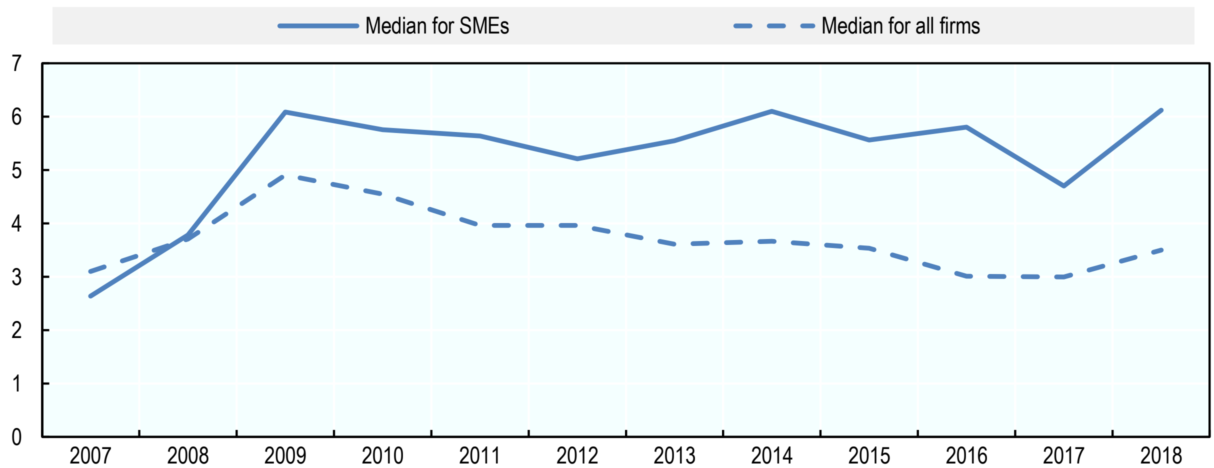
Moreover, legal and regulatory reforms that were introduced over the reference period can affect the figures. In addition, approaches to counting bankruptcies vary between countries (some of which do not distinguish between SMEs and other firms). This greatly hinders cross-country comparability and represents a weakness in the evidence base.

Non-performing loans (NPLs)

NPLs are overall more prevalent among SMEs than in the general business population (see Figure 1.26). Since the crisis, NPLs for all firms are on the decline, but there is no clear trend for SMEs. The difference in NPL rates between the two groups increased in 2018, and more generally since the crisis in most countries.

Figure 1.26. Median rate of NPLs by firm type, 2007-18

As a percentage



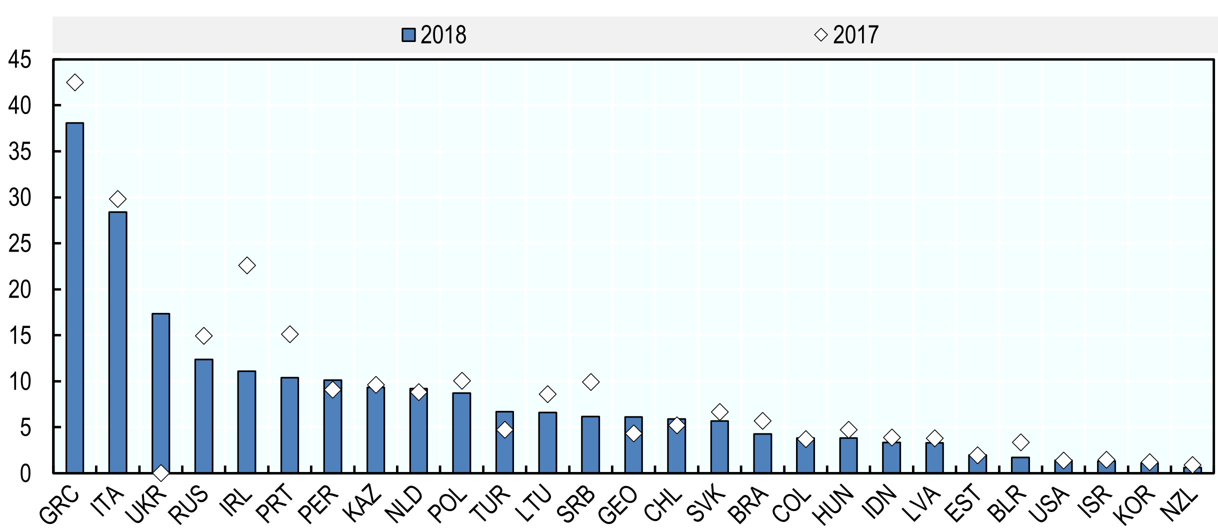
Note: Data for the Czech Republic, Malaysia and Russia were removed from the indicator for all firms due to differences in the definition of non-performing loans.
Source: Data compiled from the individual country profiles.

StatLink https://doi.org/10.1787/888934115901

Discrepancies in NPL ratios among high-income economies can be attributed to asymmetric effects of the financial crisis, which affected the financial industry harder in some countries than in others (European Commission, 2019[33]). This is evidenced for example by the high NPL rates in Greece and Portugal, two countries that were hit hard by the crisis. In addition, differences between national insolvency regimes and the exact definition of when a loan is non-performing can explain part of the variability observed.

Figure 1.27. NPL rates for SMEs, 2017-18

As a percentage



Note: Definitions of NPLs vary – see full country profiles for details.
Source: Data compiled from the individual country profiles.

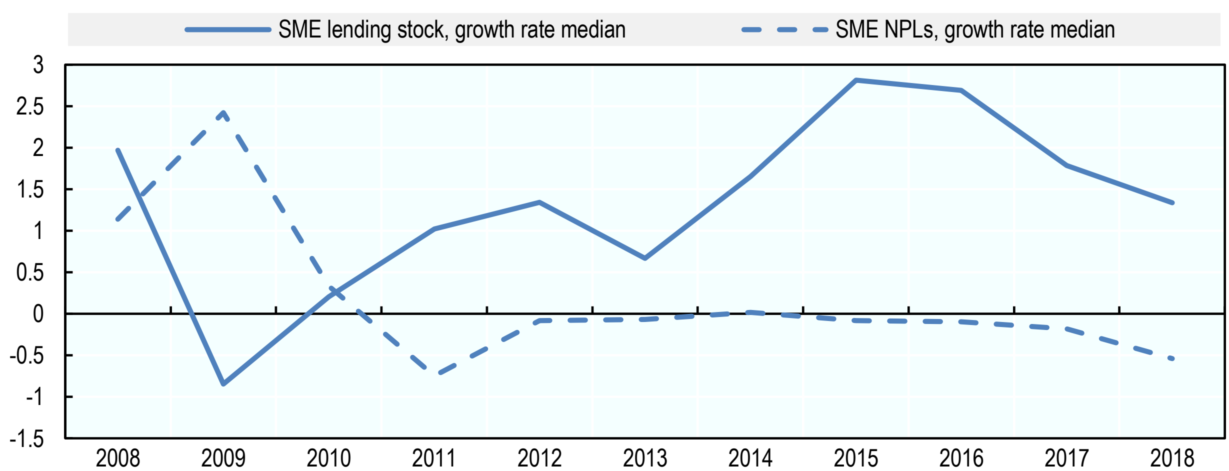
StatLink https://doi.org/10.1787/888934115920

A higher share of NPLs hinders banks' capacity to provide credit, because it decreases banks' profitability. This automatically widens the financing gap for firms. The data for 2018 show that the relationship between the rate of NPLs and SME lending stock is not necessarily negative, especially when corrected for GDP. The relationship is also strongly affected by outliers and causal relationships are unclear: an increase in the SME lending stock can also mean more lending to less creditworthy firms, which could in turn increase the share of NPLs. Analysis of the year-on-year growth rate medians shows three distinct phases:

- Between **2008** and **2010**, the SME NPL rate generally increased, coinciding with a decline in many countries of SME lending;
- Between **2010** and **2013**, SME lending grew moderately while SME NPLs shrank in many countries;
- Since **2013**, SME lending has continued to grow at a subdued pace while SME NPLs have been shrinking moderately.

Figure 1.28. Median growth rates for SME lending and SME NPLs

As a percentage



Source: Data compiled from the individual country profiles.

StatLink https://doi.org/10.1787/888934115939

Government policy responses in 2018-19

Table 1.2. summarises the government policies in place in 2018 and the first half of 2019 for participating countries. This is not a comprehensive overview of policy initiatives, but rather an overview of broad categories. More information about the policy landscape can be found in the individual country profiles. In addition, Chapter 2 provides an overview of policy trends since the crisis.

Table 1.2. Government policy instruments to foster SME access to finance, 2018-19

	Government loan guarantees	Direct lending to SMEs	Subsidised Interest rates	SME Banks	Support for start-up finance		
					Special guarantees and loans for start-ups	Venture capital funds	Business Angels co-investment
Australia		✓			✓	✓	✓**
Austria	✓	✓	✓	✓	✓	✓*	✓
Belarus	✓						
Belgium	✓	✓			✓	✓	✓
Brazil	✓	✓		✓		✓	
Canada	✓	✓		✓	✓	✓	✓**
Chile	✓		✓	✓	✓	✓	
China	✓		✓		✓	✓	
Colombia	✓			✓			
Czech	✓	✓	✓	✓	✓	✓*	
Denmark	✓	✓		✓	✓	✓	✓*
Estonia	✓		✓	✓	✓	✓	✓*
Finland	✓	✓	✓	✓	✓	✓	✓*
France	✓	✓	✓*	✓	✓	✓	✓
Georgia			✓	✓		✓	
Greece	✓	✓		✓	✓	✓	
Hungary	✓	✓	✓	✓		✓	✓*
Indonesia	✓	✓	✓				
Ireland	✓	✓		✓	✓	✓	✓*
Israel	✓	✓		✓	✓	✓	✓
Italy	✓	✓	✓	✓	✓	✓	✓
Japan	✓	✓		✓	✓	✓	
Kazakhstan	✓	✓	✓	✓	✓		
Korea	✓	✓			✓	✓	✓
Latvia	✓	✓	✓	✓	✓	✓*	✓
Lithuania	✓	✓	✓*	✓	✓	✓	✓*
Luxembourg	✓	✓	✓	✓	✓	✓	✓*
Malaysia	✓	✓	✓	✓	✓	✓	
Mexico	✓	✓		✓	✓	✓	✓
Netherlands	✓	✓			✓	✓*	✓*
New Zealand	✓*					✓	✓
Norway	✓	✓		✓	✓	✓	
Peru	✓	✓		✓	✓	✓	✓
Poland	✓	✓*	✓*	✓	✓	✓*	✓*
Portugal	✓	✓	✓	✓	✓	✓*	✓*
Russia	✓	✓	✓	✓		✓	✓
Serbia	✓	✓	✓				
Slovak	✓	✓	✓	✓	✓	✓	
Slovenia	✓	✓	✓	✓	✓	✓*	✓
South Africa	✓	✓		✓	✓	✓	
Spain	✓	✓		✓	✓	✓*	✓*
Sweden	✓	✓		✓	✓	✓*	
Switzerland	✓						
Thailand	✓		✓	✓	✓	✓	
Ukraine		✓	✓	✓			
Turkey	✓	✓	✓	✓	✓	✓	✓
United	✓	✓		✓	✓	✓	✓
United States	✓	✓		✓		✓	
European	✓	✓		✓	✓	✓	✓
	* For exporting firms only	* In cooperation with the EU only				* In cooperation with the EU only	
							**At the regional level only

Based on information from participating countries, a number of broad emerging trends can be discerned and are presented along with recent policy examples in the following sections. Full country profiles provide more detailed information on policy initiatives. In addition, the thematic chapter of this publication highlights broad policy trends since the financial crisis. The following recent trends can be distinguished and are discussed in more detail below:

- Credit guarantee volumes continue to rise;
- Public support for equity finance instruments remains strong;
- Regulatory approaches and targeted policies to support Fintech developments are becoming more widespread;
- Initiatives to foster "open banking," whereby financial institutions are obliged to share their data with third-party financial service providers, are emerging;
- Financial support for internationalisation is gaining importance;
- Governments are implementing online tools for SMEs and entrepreneurs to find the appropriate financial support;
- The spread of the coronavirus led to liquidity shortages in many businesses, and many governments and supra-national institutions have taken action to dampen the impact.

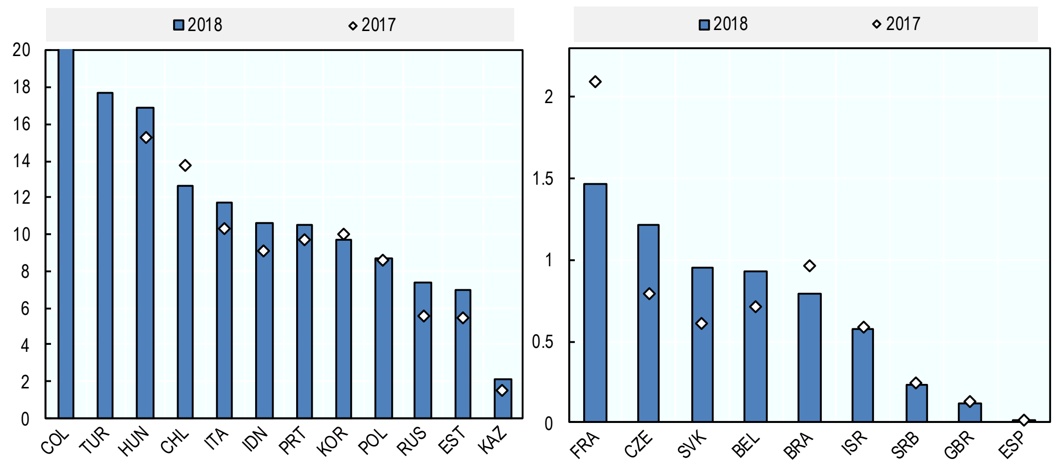
Credit guarantee volumes continue to rise

Credit guarantee schemes have traditionally been the most widespread policy tool to enhance SMEs access to finance. For the sixth year in a row, credit guarantee volumes were up in a majority of Scoreboard countries, as evidenced by the median value, although with considerable cross-country variance. In 2018, volumes increased in 14 out of 23 countries with available data. After a strong expansion in middle-income countries such as Turkey and Brazil in 2017, these economies experienced a contraction of credit guarantee volumes in 2018 (respectively -64.63% and -20.42%).

As a share of SME loan stock, guaranteed loans remain significant in economies like Colombia, Turkey and Hungary, all with figures superior to 15%. Recent trends in government loan guarantees also involve digitisation and optimisation of processes, with a cost reduction which increased the attractiveness of these instruments (written exchanges with experts from the European Association of Guarantee Institutions – AECM).

Figure 1.29. Government guaranteed loan volumes as share of SME loan stock

As a percentage



Note: The 2017 figure for Turkey is not represented in the graph (51.17%). 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.

StatLink https://doi.org/10.1787/888934115958

Support for equity finance instruments remains strong

A variety of measures have been implemented in recent years in order stimulate private equity, including the establishment of funds of funds, direct investment and co-investment, the setting up of networks and associations, new regulatory frameworks and tax incentives.

In the United Kingdom, for instance, various policy initiatives as well as direct government investments made through the British Business Bank (BBB) have had a clear effect on the diversification of supply, as shown in a recent report (UK Finance, 2018[15]). It has been estimated that BBB programmes supported 9% of equity deals in the UK between 2016 and 2018, representing approximately 13% of all investments in this period (British Business Bank, 2019[34]). In Portugal, the fund of funds that was established in 2017 in cooperation with the EIF (European Investment Fund) is yielding strong results, with more than a fourfold increase in venture and growth capital volumes in 2018.

There has also been a strong theoretical backlash against the idea that public intervention in equity markets “crowds out” private capital (Howell, 2017[35]). Nonetheless, equity financing remains concentrated in a few hubs and the offer remains insufficient in most countries to support strongly innovative firms. In 2018, the three Baltic states and the European Investment Fund (EIF) continued preparing for the launch of Baltic Innovation Fund II, with a planned volume of EUR 156 million. In Greece, 9 funds were chosen to provide equity to Greek SMEs EquiFund. The fund provides equity to enable high value-added investments, through an initial budget of EUR 320 million, funded jointly by ERDF, the EIF and the EIB.

In China, the regional equity trading market has played an important role in supporting direct financing for SMEs. By the end of 2018, there were 34 regional equity trading markets in China with over 24 808 listed companies and a total financing value of CNY 906.3 billion. The National SME Development Fund, focused on VC/PE investments to seed-stage and early-stage SMEs, completed 208 investment projects totalling CNY 6.05 billion in 2018 since its launch in 2015. Meanwhile, the National Guide Fund for Venture Investment in Emerging Industries, which aims to invest in venture phases of potential companies in high-tech fields accounted for an aggregate investment of over CNY 22.5 billion.

The Australian government has introduced a crowdsourced equity funding (CSEF) framework providing a new avenue of funding for early stage businesses, while still ensuring appropriate investor protection. The CSEF framework commenced in September 2017 for small public companies and was extended to private companies in October 2018. The Government is committing AUD 100 million to establish the Australian Business Growth Fund and partnering with other financial institutions to give an initial investment capacity of AUD 540 million. The Fund will provide longer term equity funding to SMEs. In Brazil, In July 2017, the Securities and Exchange Commission (CVM) promulgated new regulations on investment-based crowdfunding, aiming at making it more attractive through accredited private platforms. Until recently, gaining approval was a time consuming and burdensome process. The regulation covers the public offering of securities issued by small businesses (with gross annual revenue limited to BRL 10 million) through electronic platforms.

Policy makers around the world have also been active in encouraging listings and junior stock market activity for SMEs. In addition, exchanges increasingly engage in market outreach to potential businesses and dedicated support to raise the attractiveness of being listed (WFE, 2018[36]). The European Union has been particularly active in promoting SMEs' access to capital markets (see Box 1.3). Recent research on South-East Asia has shown that the domestic financial development (e.g. the development of domestic capital markets) that has taken place in emerging economies since the global financial crisis has benefited smaller businesses more than larger businesses. The study also shows that domestic markets have played a strong role in the region and have complemented international markets (Abraham, Cortina and Schmukler, 2019[37]). Crucially, domestic markets often open access to relatively smaller firms (Abraham, Cortina and Schmukler, 2019[37]).

Box 1.3. SME access to capital markets in the context of the European Union's capital markets union (CMU)

Junior stock markets in continental Europe were originally modelled on NASDAQ as part of the Euro New Markets alliance in the late 1980s (Granier, Revest and Sapio, 2019[21]). They were conceived mostly as means of exit for venture capitalists wishing to "cash out". Following the dot-com bubble in the early 2000s, most of these markets were closed down. Since then, markets have re-opened under different names, and in the context of a strong push from the European Commission (as part of its capital markets union agenda), these markets have expanded and listing requirements have become more accommodating for SMEs in order to enhance their access to capital (Granier, Revest and Sapio, 2019[21]). Recent developments in the EU since the Markets in Financial Instruments Directive – MiFID I (2004) and II (2014) – include the Prospectus Regulation (2017), which introduced lighter regulation for instruments issued by SMEs (European Parliament, 2019[38]). The results of a public consultation, published in May 2018, pointed towards three directions for future legislative action on this issue (European Parliament, 2019[38]):

- "reduce the administrative burden and the high compliance costs faced by SME growth market issuers while ensuring a high level of market integrity and investor protection"
- "foster the liquidity of publicly listed SME shares to make these markets more attractive for investors, issuers and intermediaries"
- "facilitate the registration of multilateral trading facilities as SME growth markets"

A political agreement between member states and the Parliament was reached in April 2019 on future technical amendments to the Market Abuse Regulation and to the Prospectus Regulation.

Regulatory approaches and targeted policies to support Fintech developments are becoming more widespread

Some countries have made their legislative framework more favourable to innovation in the financial sphere. In addition to new regulations concerning investment-based crowdfunding Fintechs implemented in 2017, Brazil decided to regulate credit Fintechs in 2018. Two specific business models have been authorised. The peer-to-peer lending model is regulated as a *Sociedade de Crédito entre Pessoas* (SEP) and the balance-sheet lending is regulated as a *Sociedade de Crédito Direto* (SCD).

In the United Kingdom, the Credit Referral Scheme is in place since November 2016, and by June 2018, nearly 19 000 small businesses which were rejected for finance from one of the 9 big banks in the country had been referred under the scheme. After information started being shared from the banks through the platforms and to alternative finance providers, more than GBP 15 million of funding was secured by 900 small businesses. Since the last quarter of 2017, the conversion rate for SMEs which make contact with one of the 4 platforms accredited in the scheme has been over 10%, falling in line with market expectations (UK HM Treasury, 2018[39]). The UK government has also supported digital challenger banks (See Box 1.2).

The first cross-border pilot for Fintech firms wishing to test innovative products, services or business models across multiple jurisdictions was put in place in 2019. The Global Financial Innovation Network (GFIN) was formally launched in January 2019 to support financial innovation while protecting the interests of consumers. An international group of 11 coordinating regulators, 20 members and 7 observers among national and subnational authorities as well as international organisations and fora gathered to create a platform for sharing experiences and approaches. The global sandbox selected 8 firms among 44 applicants and this first cohort will pilot their services in Australia, Bahrain, Bermuda, Canada (British

Columbia, Ontario and Québec), Hong Kong, Hungary, Kazakhstan (Astana), Lithuania, Singapore, United Arab Emirates (Abu Dhabi, Dubai), United Kingdom, Guernsey and Jersey (Global Financial Innovation Network and Financial Conduct Authority, 2019[40]).

Initiatives to foster "open banking" are emerging

As in previous years, many governments across the world are taking initiatives to foster financial innovation in a stable environment, mostly through the changes to legislation and supervisory oversight.

As part of this trend, some jurisdictions are moving towards open banking. Traditionally, banks have full control and ownership over the data they collect from their clients. Open banking legislation forces banks to allow third party access to consumers' bank data (with their consent) through application programming interfaces (APIs).

Policy makers around the world are encouraging open banking in the expectation that this will spur competition in the financial industry, as small business owners and entrepreneurs can share banking data securely and easily within a well-functioning open banking protocol. Such regulation could also encourage financial innovation by making banking data available to financial sector start-ups, as well as established actors.

The Australian government, for instance, agreed to the recommendations made in a review on open banking in May 2018. Over the 2019-22 period, open banking will be implemented in several phases in the country.

Similarly, the PSD2 (Revised Payment Service Directive) is being implemented in the European Union since 2018 (with certain provisions becoming mandatory only later, so as to allow the financial sector time to adapt). PSD2 obliges banks operating in the area to provide third-party financial providers access to their customers' accounts through open APIs.

In 2018, the United Kingdom initiated its own open banking initiative, under which the nine biggest banks have to release their data in a secure, standardised form, so that it can be shared more easily between authorised organisations online.

Japanese banks are encouraged to set up APIs since 2018, and most large banks in the country have plans to do so by 2020. Singapore and Hong Kong, China, are also encouraging financial institutions to share their APIs. Regulators in Canada and the United States are discussing open banking with financial institutions, some of which already have open APIs. In Canada, the discussion has taken the form of a consultation process that started in 2019.

Financial support for SME internationalisation is on the rise in some countries

Many governments have increased their (financial) support to enable small businesses to become active in foreign markets in recent years. With the aim of increasing the number of exporting companies, Brazil introduced modifications to its MSMEs Export Credit Insurance scheme in April 2018. The eligibility criteria, premium price and risk coverage among were all modified in order to increase the take-up.

Canada announced its Export Diversification Strategy in 2018. A total of CAD 1.1 billion will be invested over a period of six years to reach the objective to expand total exports by 50% or more by 2025. As part of the strategy, the Government of Canada will invest an additional CAD 100 million over six years in CanExport, the five-year, CAD 50 million program launched by the Government in January 2016 to provide direct financial assistance to eligible Canadians, and related funding programs to support businesses looking to reach new overseas markets. In addition, other non-financial support has been established and or expanded, such as awareness raising programmes and export capacity building activities for SMEs with potential to become active in foreign markets or to scale up activities. A key component of the strategy is to enhance trade services for exporters and ensure that Canadian businesses have enough resources to execute their export plans.

In Finland, one of the key focuses of Finnvera, its state-owned financing company, is on supporting small companies to export. To that aim, export credit activities rose by more than 50% between 2017 and 2018, standing at a post-crisis peak in 2018. Two-thirds of export guarantees were also accompanied with export credit to further address the financing needs of its beneficiaries.

The United Kingdom launched its export strategy in 2018. To reach the ambition of increasing exports from 30% of GDP to 35% of GDP, the government is deploying an awareness campaign to UK exporters most likely to benefit from export finance and insurance support, among other support measures such as providing information, advice and practical assistance on exporting.

Governments are implementing online tools for SMEs and entrepreneurs to find the appropriate (financial) support

Many entrepreneurs and small business owners find it hard to navigate the policy support landscape and therefore often do not apply for (financial and non-financial) assistance for which they could otherwise qualify. Governments across the world are increasingly putting into place online tools, sometimes based on artificial intelligence, to inform SMEs and guide them to appropriate support measures for their business.

In March 2019, the Irish government updated its site, Supportingsmes.gov.ie, designed to assist small businesses and entrepreneurs find information on over 170 government support instruments to which they may have access. Visitors can fill in a short questionnaire, after which the tool will generate a customised list of supports tailored to their business requirements with further information and contact details.

Also in 2019, the Hellenic Ministry for Economy & Development created a single online portal to inform SMEs about up to date available financial instruments currently available in Greece. The web page is client-oriented, provides information regarding each financial instrument, and guides SMEs to accredited organisations that provide these various financial instruments in Greece.

New Zealand aims to improve the user experience of its main online portal, https://www.business.govt.nz. In 2018, the government developed a "digital assistant, Tai." Its main purpose is to make it easier for businesses to navigate across several government agencies by using artificial intelligence (AI). Ten partner organisations, responsible for an estimated 83% of interactions between businesses and government bodies, strive to further improve the website and digital assistant under the umbrella of the "better for business initiative".

Policy makers are taking measures to address cash flow problems caused by the novel coronavirus pandemic

The COVID-19 pandemic is affecting the economy and SMEs in several ways. Among the many challenges, liquidity constraints represent a crucial concern for many firms, especially smaller ones. A recent survey in China, for example, highlights that one third of surveyed SMEs only had enough cash reserves to cover fixed expenses of one month and another third for two months (http://www.oecd.org/coronavirus/en/). Policy makers around the globe are taking action to prevent viable firms from going bankrupt because of temporary liquidity shortages. 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.

The deferral of tax and social security payments, debt payments and rent and utility payments, are among the policy approaches that governments are increasingly adopting. Likewise, some government agencies, as well as commercial banks, have introduced debt repayment moratoria for SMEs facing liquidity shortages. Governments are also setting up or expanding financial instruments for small businesses which have been hit hard by the economic crisis. These include loan guarantees, direct lending facilities and grants and/or subsidies.

Policy makers are also employing different tax relief measures to cushion the blow of the crisis, as well as initiatives related to shortening of working time, temporary lay-offs and sick leave. Finally, some jurisdictions are also supporting SMEs with structural measures, for example to enable them to digitalise and facilitate teleworking[8].

Recommendations for data improvements

Data gaps on SME finance remain significant and further efforts to improve the collection of data and evidence on SME finance should be pursued. First, the SME population is very heterogeneous, and financing conditions and challenges differ substantially along parameters such as the age of the firm, its size, location, sector, growth potential as well as the characteristics of the principal business owner, such as their gender or business experience. Data from Canada's Survey on Financing and Growth of SMEs show pronounced differences in SME financing needs and outcomes based on different business characteristics, with the main sector of operation playing an important role. Indeed, owner characteristics appear to be less important when controlling for business characteristics.

Despite the widespread recognition of the need to tailor policies to the different needs of the enterprise population, data collection efforts do not always capture granular information along these parameters. This limits policy makers' ability to assess the impact and effectiveness of initiatives on these different segments. In addition, the absence of more granular data limits the analysis of the Scoreboard data. Recent research, for example, shows that financing patterns differ substantially between micro-enterprises and large SMEs, at least in Europe, with the former making more use of self-financing options, short term credit, and less of state subsidies, asset-based financing and trade credit (Masiak et al., 2019[42]).

The observed trends may mask very different developments among different segments of SMEs. Quantitative surveys, either directed to a representative group of SMEs or to senior loan officials, can provide valuable additional insights alongside more qualitative information. These surveys are not undertaken in all countries, however. In addition, there differences in terms of methodology, questions asked, coverage and scale of existing surveys are significant, hindering international comparisons. Analysis of Scoreboard data on credit rejections, credit applications and collateral requirements, for instance, is hampered by limitations in the number of countries with data on these indicators, as well as by limited cross-country comparability. Greater international harmonisation of demand-side survey methods in particular would enable more meaningful analysis of the drivers of trends in SMEs' access to finance and financial conditions. The OECD is supporting new efforts in this area.

In addition, the evidence base on most sources of finance other than straight bank debt continues to be weak. Often, data are not SME-specific, incomplete, hard to compare from one country to the other, and questions sometimes arise about the reliability and methodology of data collection efforts. Initiatives to promote the use of alternative sources of financing by SMEs have proliferated in recent years, but their impact often remains hard to gauge due to the lack of data. More systematic and harmonised efforts to collect data on alternative financing instruments and sources would be crucial in order to understand the trends and the potential of these instruments for SMEs.

The OECD will continue to advance and support national and international efforts in these areas. In this context, and to further strengthen the utility of the Scoreboard in the years ahead, work is being undertaken along several avenues:

- A stocktaking exercise on the availability of disaggregated data along a number of dimensions, including sector of operation, firm size, geographic location of the firm within countries, age of the firm and gender of the principal owner, with a view to include this type of data where they are available and encourage broader collection of disaggregated SME financing data;

- A mapping of current practices in demand-side surveys, with a view to improve the comparability and coverage of demand-side data in order to enable a better understanding of the drivers of SME financing trends, and to disentangle supply- and demand-side factors;
- Tracking of government policy responses towards SMEs in the context of the COVID-19 pandemic, analysis of its longer-term implications for SME access through the SME finance indicators of this publication.

Notes

[1] The distinction between high-income and middle-income countries is drawn by the World Bank, which assigns the world's economies into different income groups. This assignment is based on GNI per capita calculated using the Atlas method. More information on this classification can be found here: https://blogs.worldbank.org/opendata/new-country-classifications-income-level-2018-2019.

[2] The definition of short-term loans vary in some of the countries with available data for this variable. Some countries, like Denmark and Spain, include, as a proxy, loans with the rate fixation of 1 year or less. Others, like Austria and Spain, exclude overdrafts, credit lines and credit cards from the calculations.

[3] Small businesses are businesses with annual sales of less than USD 50 million.

[4] Senior loan officers are asked how the demand of small business loans changed over the last three months. Possible answers range from a "substantially stronger" demand to a "substantially weaker" demand. Subtracting the percentage of respondents who answered that demand was (substantially or moderately) weaker from the percentage who thought demand was (substantially or moderately) stronger, provides an indicator of overall demand for loans of small businesses.

[5] In order to provide an accurate picture of business trends, a representative and large-scale sample of the Japanese business population is asked to choose between different alternatives to best describe prevailing business conditions. One question pertains to the "lending attitude of financial institutions", where the respondents can choose between "accommodative," "not so severe" and "severe" as best describing their view of lending attitudes. A single indicator is derived on the basis of these answers.

[6] In the United Kingdom, the Bank of England surveys lenders about changes in trends. The survey covers secured and unsecured lending to households and small businesses; lending to non-financial corporations, as well as to non-bank financial firms.

[7] Data on factoring volumes are sourced from Factors Chain International (FCI), a sector organisation

[8] See https://read.oecd-ilibrary.org/view/?ref=119_119680-di6h3qgi4x&title=Covid-19_SME_Policy_Responses for an overview.

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