Chapter 1

Recent trends in SME and entrepreneurship finance

This chapter analyses trends in SME and entrepreneurship finance over 2007-14, based on data collected for the country scoreboards and information from demand-side surveys. A short overview of the global business environment sets the framework for the analysis of SME financing trends and conditions, focusing in particular on the changes which occurred in participating countries between 2013 and 2014. These recent developments are compared with trends during the 2008-09 crisis and early recovery stages. The pre-crisis year 2007 serves as a benchmark. The chapter concludes with an overview of government policy responses put in place to improve SMEs' access to finance in light of recent developments.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West bank under the terms of international law.

Within the context of global macro-economic and financial conditions, this chapter examines the emerging trends in SMEs' and entrepreneurs' access to finance conditions for 37 countries over the 2007-14 period. Following the major financial and economic crisis in 2008, which severely impacted access to finance for SMEs, recovery has been very uneven, with the situation deteriorating in some participating countries, while improving in others. 2007 serves as the benchmark year from which trends over the entire period are measured. Particular attention is devoted to developments in 2013, 2014 and early 2015.

Business environment and macroeconomic context

The financial crisis led to a severe contraction of economic output in the OECD area in 2009 and, although GDP growth rates generally turned positive between 2009 and 2013, this recovery often proved uneven. The picture for 2014 seems to be broadly positive. While the Japanese economy contracted by 0.1% in 2014, growth in the United States and the United Kingdom remained relatively robust. 2014 was also a turning point for the Euro area, with growth at 0.9%, and further improvements expected in 2015 and 2016. Compared with the pre-crisis period, the pace of growth in emerging economies such as China, Colombia or Turkey decelerated significantly in 2014, partly as a result of lacklustre growth in Europe.

For the OECD and the Euro areas, overall GDP growth is expected to recover over 2015-16, as economic growth increased between 2012 and 2014, and increased further in 2015 (see Table 1.1). Continued loose monetary policies and a generally neutral fiscal stance in most major economies, in combination with low energy and commodity prices, contribute to these higher growth forecasts. This overall trend masks significant diversity among participating countries, however. Some major economies such as Australia, Canada, China, the United Kingdom and the United States, for instance, display a slowdown of growth in 2015 vis-a-vis 2014. In 2016, growth is expected to accelerate in all but nine participating countries (China, Czech Republic, Hungary, Ireland, Israel, New Zealand, Slovenia, Spain and the United Kingdom). GDP growth for the OECD area for 2016 is forecast at 2.2%, not much lower than in the baseline year of 2007. Overall growth prospects are positive, but decreased consumer confidence in the Euro area, the United States and other OECD countries suggests that there is a degree of uncertainty in the major advanced economies. Following three years of weak expansion, global trade is expected to continue its recovery in 2015 and 2016, although only gradually, and trade growth prospects are lower than previously forecast.

Although GDP growth in the OECD area is forecast to increase from 1.9% in 2014 to 2.2% in 2016, the outlook has worsened recently for many emerging markets. Low commodity prices have hit many economies which are relatively dependent on the export of oil and other natural resources, such as Brazil and the Russian Federation, which are both facing

Table 1.1. **Real GDP Growth in participating countries, 2007-14 and 2015-16 forecast**

As a percentage

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Australia	4.5	2.5	1.6	2.3	2.6	3.7	2.0	2.7	2.2	2.6
Austria	3.5	1.2	-3.6	1.8	3.0	0.7	0.3	0.5	0.8	1.3
Belgium	3.4	0.7	-2.3	2.7	1.8	0.2	0.0	1.3	1.3	1.5
Canada	2.0	1.2	-2.7	3.4	3.0	1.9	2.0	2.4	1.2	2.0
Chile	5.2	3.2	-1.0	5.7	5.8	5.5	4.3	1.8	2.2	2.6
China	14.2	9.6	9.2	10.6	9.5	7.7	7.7	7.3	6.8	6.5
Colombia	6.9	3.5	1.7	4.0	6.6	4.0	4.9	4.6	2.8	3.0
Czech Republic	5.5	2.5	-4.7	2.1	2.0	-0.8	-0.5	2.0	4.3	2.3
Denmark	0.8	-0.7	-5.1	1.6	1.2	-0.7	-0.5	1.1	1.8	1.8
Estonia	7.4	-5.0	-14.3	1.8	7.5	5.1	1.7	2.9	1.8	2.5
Finland	5.2	0.7	-8.3	3.0	2.6	-1.4	-1.1	-0.4	-0.1	1.1
France	2.3	0.1	-2.9	1.9	2.1	0.2	0.7	0.2	1.1	1.3
Georgia*	12.3	2.3	-3.8	6.3	7.2	6.2	3.3	4.8	2.0	3.0
Greece	3.4	-0.4	-4.4	-5.3	-8.9	-6.6	-4.0	0.7	-1.4	-1.2
Hungary	0.4	0.8	-6.6	0.7	1.8	-1.7	1.9	3.7	3.0	2.4
Ireland	5.5	-2.2	-5.7	0.4	2.6	0.1	1.4	5.2	5.6	4.1
Israel	6.2	3.2	1.2	5.4	5.0	2.9	3.4	2.6	2.5	3.2
Italy	1.4	-1.1	-5.5	1.7	0.7	-2.9	-1.8	-0.4	0.8	1.4
Japan	2.2	-1.0	-5.5	4.7	-0.5	1.7	1.6	-0.1	0.6	1.0
Korea	5.5	2.8	0.7	6.5	3.7	2.3	2.9	3.3	2.7	3.1
Malaysia*	6.3	4.8	-1.5	7.4	5.2	5.6	4.7	6.0	4.7	5.0
Mexico	3.1	1.2	-4.5	5.1	4.0	3.8	1.6	2.1	2.3	3.1
Netherlands	3.7	1.7	-3.8	1.3	1.7	-1.1	-0.4	1.0	2.2	2.5
New Zealand	3.7	-0.8	0.5	2.0	1.4	2.9	2.5	3.0	2.3	1.9
Norway	2.9	0.4	-1.6	0.6	1.0	2.7	0.7	2.2	1.2	1.1
Portugal	2.5	0.2	-3.0	1.9	-1.8	-4.0	-1.1	0.9	1.7	1.6
Russian Federation	8.5	5.2	-7.8	4.5	4.3	3.4	1.3	0.6	-4.0	-0.4
Serbia*	4.5	3.8	-3.5	1.0	1.4	-1.0	2.6	-1.8	-0.5	1.5
Slovak Republic	10.8	5.7	-5.5	5.1	2.8	1.5	1.4	2.5	3.2	3.4
Slovenia	6.9	3.3	-7.8	1.2	0.6	-2.7	-1.1	3.0	2.5	1.9
Spain	3.8	1.1	-3.6	0.0	-1.0	-2.6	-1.7	1.4	3.2	2.7
Sweden	3.5	-0.7	-5.1	5.7	2.7	0.0	1.2	2.4	2.9	3.1
Switzerland	4.1	2.3	-2.1	3.0	1.8	1.1	1.8	1.9	0.7	1.1
Thailand*	5.0	2.5	-2.3	7.8	0.1	7.3	2.8	0.9	3.5	4.0
Turkey	4.7	0.7	-4.8	9.2	8.8	2.1	4.2	2.9	3.1	3.4
United Kingdom	2.6	-0.5	-4.2	1.5	2.0	1.2	2.2	2.9	2.4	2.4
United States	1.8	-0.3	-2.8	2.5	1.6	2.2	1.5	2.4	2.4	2.5
Euro area	**3.0**	**0.4**	**-4.5**	**2.0**	**1.6**	**-0.8**	**-0.3**	**0.9**	**1.5**	**1.8**
Total OECD	**2.7**	**0.2**	**-3.4**	**3.0**	**1.9**	**1.3**	**1.2**	**1.9**	**2.0**	**2.2**

Source: OECD (2015a), World Bank (2015) for countries with an asterisk.

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deep recessions. As a result, global GDP growth is estimated to have reached 3% in 2015, far below its long-term average and lower than in recent years. Furthermore, questions about China's ability to rebalance its economy towards a new growth model pose significant downward risks to the health of the global economy (OECD, 2015a, b).

Inflationary pressures decreased even further in the Euro area in 2014, because of persistent weak demand, high unemployment levels, and falling energy and commodity prices. They however registered a slight increase in the United States, with an inflation rate of 1.6%, compared to 1.46% in 2013. Japan's inflation rate registered a significant

increase from 0.36% to 2.7% year-on-year, while countries like Estonia, Greece, Hungary, Portugal, the Slovak Republic, Spain and Sweden experienced negative inflation rates in 2014 (see Table 1.2). With the exception of emerging and transition economies, inflation is expected to increase slightly until 2016, with countries in the Euro area running the risk of persistent deflationary pressures (OECD, 2015a).

Table 1.2. **Inflation in participating countries, 2007-14**

As a percentage

Country	2007	2008	2009	2010	2011	2012	2013	2014
Australia	2.30	4.40	1.80	2.80	3.40	1.80	2.40	2.50
Austria	2.17	3.22	0.51	1.81	3.27	2.49	2.00	1.60
Belgium	1.82	4.49	-0.05	2.19	3.53	2.84	1.11	0.30
Canada	2.14	2.37	0.30	1.78	2.91	1.52	0.94	1.90
Chile	..	..	..	1.41	3.34	3.01	1.79	4.40
China	4.75	5.86	-0.70	3.31	5.41	2.65	2.63	2.00
Colombia	5.54	7.00	4.20	2.28	3.41	3.18	2.02	2.90
Czech Republic	2.93	6.35	1.04	1.41	1.94	3.30	1.43	0.30
Denmark	1.71	3.40	1.33	2.30	2.76	2.41	0.78	0.60
Estonia	6.60	10.37	-0.08	2.98	4.98	3.93	2.79	-0.10
Finland	2.51	4.07	0.00	1.21	3.42	2.81	1.48	1.00
France	1.49	2.81	0.09	1.53	2.12	1.96	0.86	0.50
Georgia	9.20	10.00	1.70	7.10	8.50	-0.90	-0.50	3.10
Greece	2.90	4.15	1.21	4.71	3.33	1.20	-0.92	-1.30
Hungary	7.94	6.07	4.21	4.88	3.96	5.71	1.73	-0.20
Ireland	4.88	4.05	-4.48	-0.95	2.58	1.69	0.50	0.20
Israel	0.51	4.60	3.32	2.63	3.46	1.71	1.53	0.50
Italy	1.82	3.38	0.75	1.54	2.74	3.04	1.22	0.20
Japan	0.06	1.37	-1.35	-0.72	-0.28	-0.03	0.36	2.70
Korea	2.53	4.67	2.76	2.96	4.00	2.19	1.31	1.30
Malaysia	2.00	5.40	0.60	1.70	3.20	1.70	2.10	3.10
Mexico	3.97	5.13	5.30	4.16	3.41	4.11	3.81	4.00
Netherlands	1.61	2.43	1.19	1.28	2.34	2.45	2.51	1.00
New Zealand	2.38	3.96	2.12	2.30	4.43	0.88	0.92	0.80
Norway	0.73	3.77	2.17	2.40	1.30	0.71	2.13	2.00
Portugal	2.81	2.59	-0.84	1.40	3.65	2.77	0.27	-0.30
Russian Federation	9.01	14.11	11.65	6.86	8.44	5.07	6.76	7.80
Serbia	6.39	12.41	8.12	6.14	11.14	7.33	7.69	2.10
Slovak Republic	2.76	4.60	1.62	0.96	3.92	3.61	1.40	-0.10
Slovenia	3.61	5.65	0.86	1.84	1.81	2.60	1.76	0.20
Spain	2.79	4.08	-0.29	1.80	3.20	2.45	1.41	-0.10
Sweden	2.21	3.44	-0.49	1.16	2.96	0.89	-0.04	-0.20
Switzerland	0.73	2.43	-0.48	0.70	0.23	-0.67	-0.24	0.00
Thailand	2.24	5.47	-0.85	3.27	3.81	3.01	2.18	1.90
Turkey	8.76	10.44	6.25	8.57	6.47	8.89	7.49	8.90
United Kingdom	2.32	3.61	2.17	3.29	4.48	2.82	2.55	1.50
United States	2.85	3.84	-0.36	1.64	3.16	2.07	1.46	1.60

Source: World Bank (2015).

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In 2014, unemployment rates decreased in a majority of OECD countries, most notably in Japan and in the United States, but have not reached pre-crisis levels for the overall OECD area. Especially in the Euro area, unemployment levels remain stubbornly high (OECD, 2015a). Consumer confidence increased in the first half of 2014, but has decreased since (Composite Leading Indicators (MEI): Confidence Indicators - OECD Standardised). At the

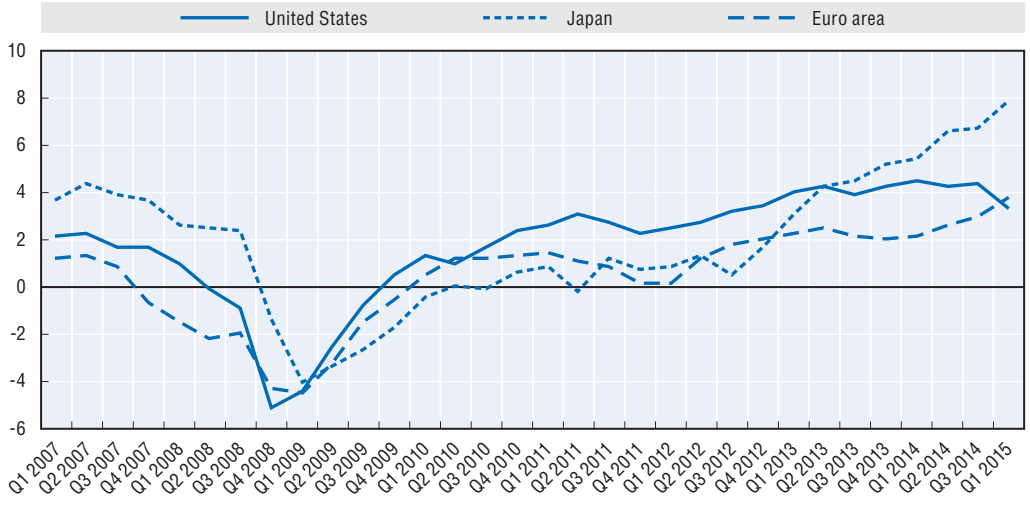
same time, while the United States is expected to move towards normalisation, monetary policy is still very expansionary in most OECD countries. The pace of fiscal consolidation is expected to be roughly neutral in the United States and in the Euro area as a whole. In contrast, the fiscal stance in Japan has shifted from fiscal easing to fiscal consolidation and remained mildly restrictive in 2015 (OECD, 2015a, b).

Financial conditions

Financial conditions became more favourable in the Euro area and Japan, but show a decline for the first quarter of 2015 in the United States. The OECD financial conditions indices illustrate that the US dollar appreciation has brought a tightening of financial conditions in the United States, even though credit standards have, on balance, been eased, and demand for credit is on the increase. For all three areas, bond and equity prices have risen, both boosting household wealth and lowering financial costs for enterprises through monetary policy support (Figure 1.1).[1]

Figure 1.1. **Financial conditions indices in the Euro area, Japan and the United States, 2007-15**

Year-on-year growth rate, as a percentage



Note: A unit increase (decline) in the index implies an easing (tightening) in financial conditions sufficient to produce an average increase (reduction) in the level of GDP of 0.5% to 1% after four to six quarters. Based on information available up to 5 June 2015.

Source: OECD (2015a) and OECD calculations.

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In Japan, financial conditions improved substantially in recent years and were more favourable in 2014 and the first quarter of 2015 compared to pre-crisis levels, in part thanks to continued quantitative easing, a depreciation of the yen, a rise in stock prices, and a moderate expansion of credit.

In the Euro area, financial conditions were also favourable overall, remaining roughly unchanged in 2013, and improving in 2014 and the first quarter of 2015. Moreover, spreads in government bond yields (German Bunds) and sovereign CDS spreads[2] dropped significantly and stabilised at low levels for all Euro countries except Greece, for which they show a steep increase (OECD, 2015a). Financial markets in other countries on the Euro periphery also stabilised to a great extent thanks to the Outright Monetary Transaction (OMT) facility

of the ECB (under which the central bank purchases government bonds issued by member states on the secondary market). As a result, financial conditions have converged to some extent among Euro area members, although differences are still significant at present. Even though there is continued uncertainty around the situation in Greece, the relative calm in financial markets reflects the low exposure of private investors to the country. Nevertheless, market sentiment could change abruptly, depending on the stability of the Greek Government and the solidity of their agreement with their main creditors (OECD, 2015a)[3].

Lending to SMEs

SME loans and SME loan shares

SME lending fell in the aftermath of the financial crisis in a majority of participating countries and, while credit lending rebounded in some economies, this pattern does not hold true across the board. Despite a general recovery in economic growth and relatively favourable financial conditions in most participating countries, the picture for 2014 remains mixed. While 11 countries experienced negative growth in SME lending in 2014 (Belgium, Canada, the Czech Republic, Ireland, Italy, Portugal, the Russian Federation, Slovenia, Switzerland, the United Kingdom and the United States), SME lending expanded in 16 countries (Australia, Chile, Colombia, Estonia, France, Georgia, Greece, Ireland, Israel, Japan, Korea, Malaysia, Mexico, New Zealand, Serbia and Turkey).

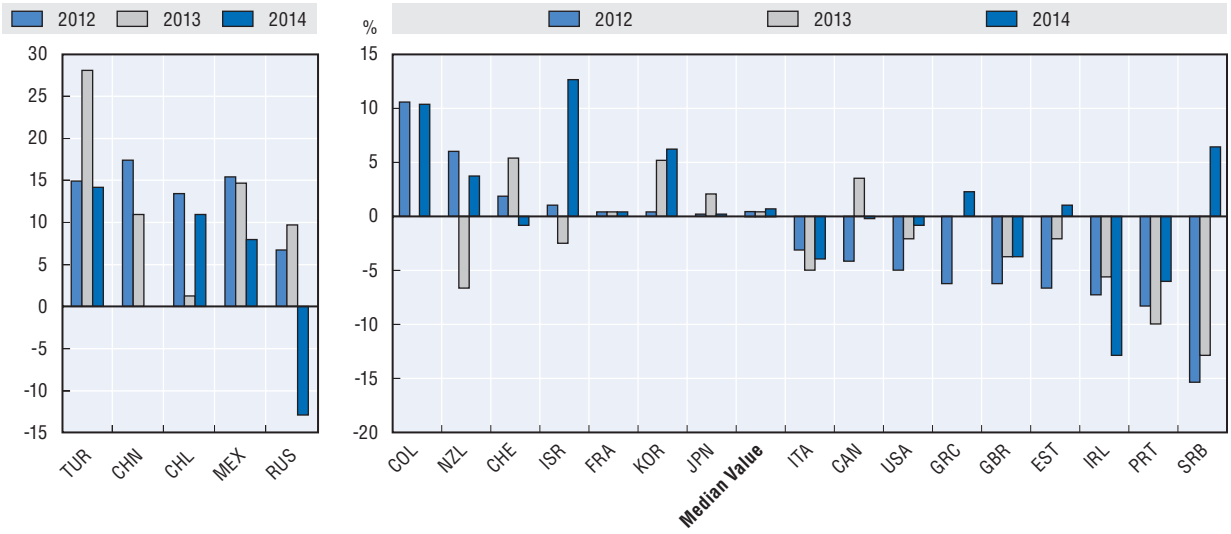
Loan growth in 2014 surpassed 2013 levels in a majority of countries for which data is available. In Estonia, Ireland, Israel, New Zealand and Serbia, growth rates turned positive in 2014. However, in Belgium, Italy, Portugal, Slovenia, the United Kingdom and the United States, the outstanding stock of SME loans is still shrinking, but at a slower pace than in 2013, while SME loan growth is positive and accelerating in Australia, Chile, Estonia, Greece, Ireland, Israel and Serbia. In contrast, in Canada, the Czech Republic, the Russian Federation and Switzerland, SME loan growth turned negative in 2014. In Georgia, Japan, Malaysia, Mexico and Turkey, lending to SMEs increased in 2014, but at a slower pace than in 2013.

It is important to note that the data from Figure 1.2 and following are in real terms, i.e. inflation-adjusted, in contrast to previous editions of this publication, to provide a more accurate picture of the evolution of SME lending, undistorted by general price evolutions.

The inflation-adjusted outstanding stock of SME loans in 2014 was still below 2007 pre-crisis levels in 12 out of the 30 countries for which comparable data was available (Canada, Estonia, Hungary, Ireland, Italy, New Zealand, Norway, Portugal, Serbia, Slovenia, the United Kingdom and the United States). In all of these countries, SME lending declined, especially between 2010 and 2014, suggesting that the financial crisis had a long-lasting effect on SME lending in many affected countries. This fall in the outstanding stock of SME lending coincided with a recovery of GDP figures in Canada, Estonia, New Zealand, Norway, the United Kingdom and the United States. An important caveat is that lending volumes in the run-up to the financial crisis may have been very high in an overall historical context and therefore unsustainable in the long run in some countries. More research is thus needed to better interpret the data presented below.

Figure 1.2. **Trends in outstanding SME loans, 2012-14**

Year-on-year growth rate, as a percentage



Notes: 1. All data represented are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank. 2. Definitions differ across countries. Refer to table of definitions in each respective country profile in Part 2 of this publication. 3. Countries with flow data only are not included. 4. Belgium is excluded because of methodological changes in the data in 2012. 5. 2013 data for Greece is excluded because of methodological changes in the data in 2013. 6. Due to methodological changes in 2012, Colombian data does not present data for the year-on-year growth from 2012 to 2013. 7. 2014 data for Denmark is excluded due to methodological changes.

Source: Data compiled from the individual country profiles.

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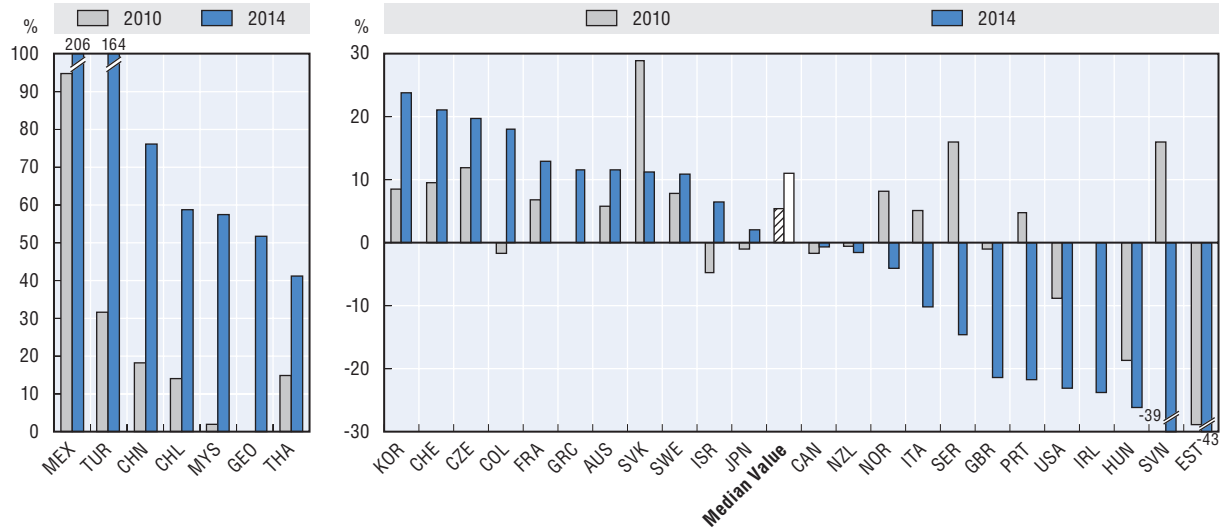
Figure 1.3. **Trends in outstanding SME loans, 2007-14**

Relative to 2007, percentages (2007=0)



Notes: 1. Definitions differ across countries. Refer to table of definitions in each respective country profile in Part 2 of this publication. 2. Data for 2014 was unavailable for China, Norway, the Slovak Republic, Sweden and Thailand. The analysis uses 2013. 3. Countries with flow data only are not included. 4. Belgium is excluded because of methodological changes in the data in 2012. 5. Due to methodological changes, Colombia and Denmark use 2012 and 2013 data, respectively, instead of 2014. 6. Base year differs across countries. China and New Zealand use 2009. Georgia, Greece and Ireland use 2010. 7. The median value depicted in the graph on the right refers to all countries in both graphs. 8. All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank.

Source: Data compiled from the individual country profiles.

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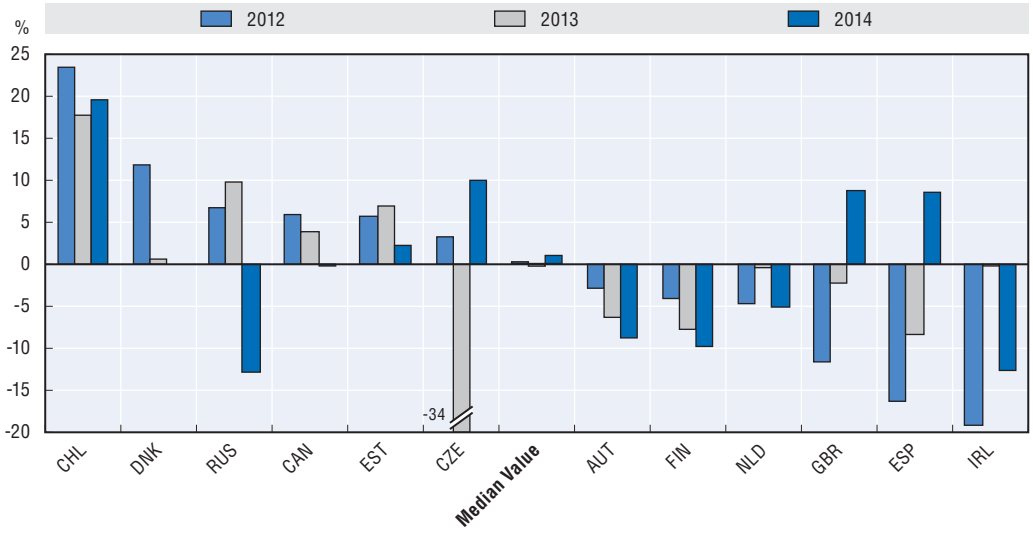
Twelve countries provided data on new business lending, again depicting a mixed picture (see Figure 1.4). The results with respect to recent developments are equally varied, as Figure 1.4 illustrates. In 2014, the contraction in SME lending accelerated in Austria, Ireland and the Netherlands, and growth turned sharply negative in Finland and the Russian Federation. This contrasts with the evolution of the Czech Republic, Spain and the United Kingdom, where new lending was on the increase in 2014, after declining between 2012 and 2013.

Figure 1.4. **Trends in new SME lending, 2012-14**

Year-on-year growth rate, as a percentage



Notes: 1. Definitions differ across countries. Refer to table of definitions in each respective country profile in Part 2 of this publication. 2. Countries with stock data only are not included. 3. Due to a methodological change in 2014, data for that year is excluded for Denmark. 4. All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank.

Source: Data compiled from the individual country profiles.

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An analysis of both stock and flow data suggests that the fall in credit flowing to SMEs is slowly bottoming out in those countries where SME lending suffered most in the aftermath of the financial crisis. In Estonia, Greece, Italy, Portugal, Slovenia, Spain, the United Kingdom and the United States, credit lending in 2014 either turned positive or decreased at a slower rate than in 2013. Austria and Finland, where new lending to SMEs has been in continuous decline since 2009 and 2007, respectively, are notable exceptions to this trend. The median value in business lending also rose from a decline of 0.92% in 2013 to a growth of 0.81% in 2014 for countries with stock data. The median value for countries with stock data was negative in 2014 at -0.16%, up from a decline of 0.31% in 2013 (see Table 1.3).

Figure 1.5 examines the consistency of growth patterns over time, by comparing the growth of outstanding SME loans between 2013 and 2014 with the growth trend recorded over the 2007-14 period. The graph illustrates that the outstanding stock of SME loans, adjusted for inflation, declined in 8 out of 17 countries year-on-year in 2014 (Canada, Italy, Norway, Portugal, Sweden, Switzerland, the United Kingdom and the United States).

Table 1.3. **Growth of SME business loans, 2008-14**

Year-on-year growth rate, as a percentage

Country	2008	2009	2010	2011	2012	2013	2014
Outstanding SME business loans (stocks)							
Australia	1.56	-0.07	4.15	0.5	1.83	0.01	3.11
Belgium	5.44	-1.22	3.5	4.14	7.42	-1.62	-0.23
Canada	-3.82	5.92	-3.43	1.79	-4.03	3.58	-0.1
Chile	10.71	2.99	-0.02	9.57	13.26	1.08	10.92
China	..	..	18.15	14.59	17.39	10.83	..
Colombia	3.77	-10.1	5.55	8.46	10.55	..	10.29
Czech Republic	14.18	-7.39	5.83	7.09	-1.09	1.87	-0.84
Estonia	-4.94	-14.89	-12.18	-13.91	-6.56	-1.99	0.98
France	2.32	0.18	4.13	4.36	0.53	0.45	0.48
Georgia	..	..	..	0.97	10.94	18.87	13.76
Greece	..	..	..	-7.7	-6.09	…	2.34
Hungary	5.09	-11.12	-12.92	-1.88	1.1	-1.91	-6.57
Ireland	..	..	..	6.15	-0.46	-0.92	0.64
Israel	-0.69	-9.34	6.04	0.34	0.97	-2.37	12.67
Italy	-0.4	-0.76	6.31	-3.37	-3.15	-4.91	-3.88
Japan	0.68	-1.81	0.29	0.73	0.05	2.15	0.17
Korea	11.22	1.4	-3.64	1.52	0.47	5.12	6.22
Malaysia	-1.71	8.48	-4.26	10.94	12.7	11.43	10.57
Mexico	9.97	65.82	6.87	10.02	15.44	14.58	7.8
New Zealand	..	..	-0.58	-3.71	6.03	-6.62	3.85
Norway	13.27	-2.46	-1.93	-1.94	-2.98	-6.99	..
Portugal	7.64	-0.21	-2.27	-3.81	-8.22	-10.02	-5.94
Serbia	26.33	-8.3	0.06	-6.15	-15.33	-12.85	6.39
Slovak Republic	28.68	0.7	-0.38	-13.39	2.82	-3.32	..
Slovenia	13.52	-3.58	6	-4.71	-7.45	-25.23	-20.83
Sweden	10.14	4.09	-5.73	-1.79	5.73	-1.39	..
Switzerland	4.69	-0.68	5.41	3.66	1.9	5.51	-0.8
Thailand	5.33	5.36	3.43	-1.08	17.49	5.96	..
Turkey	-1.28	-6.53	42.59	19.51	14.77	28.08	14.04
United Kingdom	8.02	-3.69	-4.83	-8.68	-6.09	-3.78	-3.66
United States	1.61	-3.06	-7.3	-8.72	-4.91	-2.04	-0.71
Median Value	**5.21**	**-0.99**	**0.18**	**0.73**	**0.53**	**-0.92**	**0.81**
New SME business loans (flows)							
Austria	..	..	-7.21	-1.22	-2.89	-6.4	-8.76
Canada	..	..	..	..	5.84	3.82	-0.16
Chile	..	..	..	14.2	20.5	14.7	17.1
Czech Republic	-2.5	-30.4	-15.4	0.8	3.2	-34.4	9.9
Denmark	-17.1	-19.7	19.4	-3.1	11.8	0.5	..
Estonia	-8.9	-39.9	-13.6	1.7	5.6	6.9	2.1
Finland	-0.4	-17.9	-16.8	-7.2	-4.2	-7.8	-9.8
Ireland	-10.4	-24.6	-42.2	-37.7	-19.2	-0.1	-12.7
Netherlands	..	-24.5	3.8	17.5	-4.8	-0.5	-5.2
Russian Federation	..	-27.7	36.6	11.1	6.7	9.7	-12.9
Spain	-11.4	-26.5	-20.1	-17.3	-16.3	-8.5	8.5
United Kingdom	..	-22.7	-9	-19.2	-11.6	-2.2	8.7
Median Value	**-9.67**	**-24.64**	**-11.27**	**-1.22**	**0.13**	**-0.31**	**-0.16**

Notes: 1. Definitions differ across countries. Refer to table of definitions in each respective country profile in Part 2 of this publication. 2. 31 countries reported outstanding SME loans (stocks), 12 countries reported new SME loans (flows). 3. Due to methodological changes, 2014 data for Denmark, 2013 data for Colombia and 2013 data for Greece are excluded from the analysis. 4. All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank.

Source: Data compiled from the individual country profiles.

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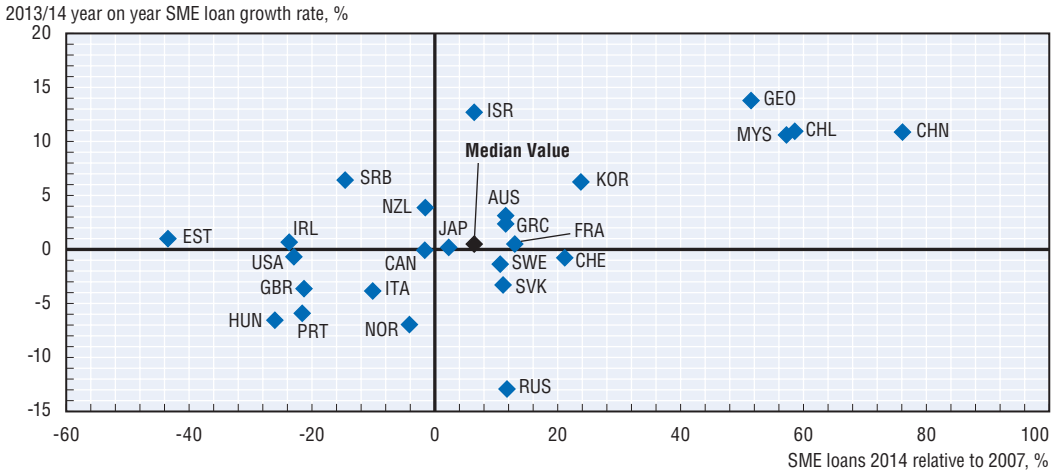
Figure 1.5. **Growth patterns of outstanding SME loans, 2014 relative to 2007 and 2013/14**

As a percentage



Notes: 1. Definitions differ across countries. Refer to table of definitions in each respective country profile in Part 2 of this publication. 2. Includes only countries reporting stock data. 3. Norway, the Slovak Republic and Sweden use data for 2013 and not 2014. 4. The base year for China is 2009. 5. All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank.

Source: Data compiled from the individual country profiles.

StatLink http://dx.doi.org/10.1787/888933330665

The graph suggests a strong degree of consistency in trends, with a clear positive relationship between the historical performance of the SME loan portfolio and the growth rate recorded in 2013. SME lending in 2014 generally declined in countries which were most affected by the credit contraction in the aftermath of the financial crisis, such as Hungary, Italy, Portugal, the United Kingdom and the United States. Conversely, SME loan growth remained positive in 2014 in countries where the outstanding stock of loans had already recovered from the financial crisis in 2013, such as Australia, France, Israel, Japan and Korea. Loan growth in emerging economies such as Chile, China, Georgia and Malaysia also remained very high in 2014. The Russian Federation, the Slovak Republic, Sweden and Switzerland are notable exceptions, experiencing negative growth in the outstanding stock of loans despite positive growth over the 2007-14 period.

SME loan shares

The evidence on outstanding SME loan shares, defined as the share of SME loans over total business loans, helps to set the above indicators on SME lending into the context of general business lending conditions in the participating countries. Table 1.4 summarises the evolution of loan shares over the 2007-14 period. The median value for SME loan shares as a proportion of all corporate loans for countries reporting stock data on SME lending decreased from 38% in 2007 to 34.2% in 2008, but followed a general upward trend between 2008 and 2014. In 2014, the median value amounted to 44.2%, up from 40.9% in the previous year, potentially signalling SMEs' easier access to bank credit in 2014.

SME loan shares should be interpreted in tandem with the evolution of total business loans and SME business loans. Changes in SME loan shares could signal several developments: Rising shares might imply that SME loans were increasing more than business loans

Table 1.4. **Share of SME loans in total business loans, 2007-14**

As a percentage of total business loans

Country	2007	2008	2009	2010	2011	2012	2013	2014
SME business loans as stocks								
Australia	..	26.7	28.7	32.7	33.1	32.7	32.6	32.2
Belgium	61.7	59.6	62.7	62.3	65.1	65.4	67.2	67.8
Canada	17.4	15.6	17.9	17.5	17.7	15.9	15.3	14.2
Chile	16.7	15.2	17.5	18.2	17.5	18.5	16.9	18
China	..	..	54.6	56.7	60.5	64.6	64.9	..
Colombia[2]	32.7	30.2	27.7	25.6	24.8	24.9	51	49.4
Czech Republic	63.9	65.2	67.3	70.2	70.7	70.1	70.1	69.8
Estonia	35.8	34.5	31	29.4	28.3	26.2	26.5	26.4
France	20.8	20.4	20.2	20.5	20.8	21.2	21.1	21.2
Georgia	..	..	..	36.4	34.4	34.8	36.2	36.1
Greece[3]	..	..	..	38.5	36.8	38.8	49.8	50.6
Hungary	62.4	60.6	60	54.5	54.4	63.5	66.2	62.2
Ireland	..	..	..	63.9	67.8	67.5	66.9	67.3
Israel	40.9	37.1	38	39.6	38.7	41.5	41.9	47.3
Italy	18.8	17.9	18.3	19	18.3	18.4	18.7	18.9
Japan	69.6	67.3	66.7	67.8	66.9	65.8	65.3	65
Korea	86.8	82.6	83.5	81.5	77.7	74.7	74.7	74
Malaysia	44	42.3	41.3	37.6	39.2	40.3	42.5	44.2
Mexico	13	12.3	20	20.5	20.5	22.6	24	24.8
New Zealand	..	..	42.2	44	43	44.1	40.9	40.9
Norway	42.9	43.7	40.4	41	40.4	40	36.2	..
Portugal	82	82	81	81.6	81.3	80.6	79.6	80.2
Serbia	21	21.6	21.1	21.7	22	19.3	18.9	..
Slovak Republic	65.7	77.1	79.4	79.4	65.8	71.1	71.1	..
Slovenia	55.2	53.7	53.9	57.5	60.5	62.6	51.5	48.6
Sweden	12.1	11.4	12.2	12.9	12.1	12.0	11.6	..
Switzerland	80.4	80.9	79.3	79.3	78.5	78.6	78.8	76.4
Thailand	28.1	26.6	26.9	38.4	36.8	37.6	38.7	..
Turkey	40.2	33.9	31.8	35.7	35.7	38.2	38.5	38.2
United Kingdom	19.8	18.1	20	21.4	21.1	21.5	22.1	22.5
United States	30.9	28.4	28.4	29	26.5	23.7	22.5	21.2
Median Value	**40.2**	**34.2**	**34.9**	**38.4**	**36.8**	**38.8**	**40.9**	**44.2**
SME business loans as flows								
Austria	..	..	11.8	12.6	13	11.6	12.1	11.3
Canada	..	..	..	n.a.	16	15.3	15.1	13.7
Czech Republic	24.4	23.9	19	18.5	20.7	18.7	17.3	17.9
Denmark[4]	12.3	9.1	9	11.2	11.7	16.3	12.4	11.5
Estonia	42.1	48.2	47.7	43.8	38.6	37.8	38.4	38.4
Finland	27.1	21.9	19.6	15.3	21.1	22.3	18.5	18.9
Russian Federation	n.a.	n.a.	15.8	22.8	21.3	22.9	22.3	19.8
Spain	28.5	27.7	23.2	24	24.8	23.1	25.5	29.1
United Kingdom	..	..	..	..	..	14.1	12.5	11.9
Median Value	**27.1**	**23.93**	**18.95**	**18.47**	**20.91**	**18.68**	**17.31**	**17.95**

Notes: 1. Definitions differ across countries. Refer to table of definitions in each respective country profile in Part 2 of this publication. 2. The 2013 and 2014 SME loan share of Colombia are not comparable with previous levels due to changes in the methodology. 3. The 2013 SME loan share of Greece is not comparable with previous levels due to changes in the methodology. 4. The 2014 SME loan share of Denmark is not comparable with previous levels due to changes in the methodology. 5. The Netherlands is excluded from the analysis because of differences in the measurement units of SME business loans and total business loans.

Source: Data compiled from the individual country profiles.

StatLink http://dx.doi.org/10.1787/888933331864

in general; that SME loans were stable or on the rise while business loans shrank; or that SME loans declined less than overall business loans. This indicator should therefore be interpreted carefully and in context.

Table 1.5 describes the recent changes in SME loan shares in terms of business credit scenarios and highlights the different dynamics in total business and SME lending that underlie similar trends.

Table 1.5. **Trends in SME loan shares and credit market scenarios, 2013-14**

SME loan share change	Countries	Trends in SME and total business loan stock	Credit market scenarios
SME loan shares increased	Chile, China, France, Greece, Malaysia, Mexico, Thailand	SME loans increased more than total loans increased	Increased share of a growing business loan stock
SME loan shares increased	Israel, Spain	SME loans increased but total loans decreased	Larger share of a shrinking business loan stock
SME loan shares increased	Belgium, Finland, Ireland, Italy, Portugal, United Kingdom	SME loans decreased slower than total loans decreased	Larger share of a shrinking business loan stock
SME loan shares decreased	Austria, Czech Republic, Hungary, Russian Federation, Serbia, Slovak Republic, Slovenia	SME loans decreased faster than total loans decreased	Smaller share of a shrinking business loan stock
SME loan shares decreased	Canada, Norway, Sweden, Switzerland, United States	SME loans decreased while total loans increased	Smaller share of a growing business loan stock
SME loan shares decreased	Australia, Colombia, Denmark, Estonia, Georgia, Japan, Korea, New Zealand, Turkey	SME loans increased but not as fast as total loans increased	Smaller share of a growing business loan stock

Note: Austria, Denmark, Finland, the Netherlands, the Russian Federation and Spain use flows. China, Norway, the Netherlands, Serbia, the Slovak Republic, Sweden and Thailand refer to 2012-13 data.

Source: Data compiled from the individual country profiles.

StatLink *http://dx.doi.org/10.1787/888933331870*

When interpreting the data on SME loan shares, it is important to keep in mind that large firms are generally less dependent on bank finance than SMEs and thus better able to finance themselves directly through the market, for example by launching public offerings for debt and equity. SMEs usually have far narrower financing sources available, making them more vulnerable to the changing conditions in credit markets, so an increasing SME loan share could be attributed to more favourable access to bank lending for SMEs vis-à-vis large firms, but also to the greater use of non-bank financing instruments of large enterprises. Hence, an increase in SME loan shares potentially reflects trends in financing opportunities and strategies by large firms, rather than increased access to finance of SMEs, especially when occurring at a time of general lending contraction when large enterprises are expected to be resorting to other forms of finance. This can be observed in Belgium, Finland, Ireland, Italy, Portugal and the United Kingdom, where the increase in SME loan shares over the period did not necessarily indicate better access to debt, since the overall loan volume decreased.

Similarly, a decline in SME loan shares can occur in rather different financing environments. In the case of Australia, Colombia, Denmark, Estonia, Georgia, Japan, Korea, New Zealand and Turkey, this decline took place in the framework of expanding business loan activity over 2013-14. SME loans grew during this period, but not as much as total business loans, with large enterprises getting a larger share of the expanding business credit market. In Austria, the Czech Republic, Hungary, the Russian Federation, Serbia the Slovak Republic and Slovenia, in contrast, enterprises received less credit in 2014 than in 2013, with SME lending taking a larger hit than lending to large businesses.

Short-term versus long-term lending

The use of short-term lending varies substantially from one country to the other. For example, it is almost non-existent in Malaysia, but comprises the vast majority of all new loans in Spain. The share of short-term loans showed a continuous decline between 2007 and 2013 in Austria, Belgium, France, Ireland, Italy, Korea, Portugal, Serbia and Spain. A majority of 10 out of 15 countries (Austria, Belgium, China, France, Greece, Italy, Portugal, the Netherlands, the Slovak Republic and Spain) observed a lower proportion of short-term SME lending in 2014 compared to 2013 (see Table 1.6).

Table 1.6. **Share of short term SME loans as a proportion of all SME loans, 2007-14**

As a percentage

Country	2007	2008	2009	2010	2011	2012	2013	2014
Austria	..	..	59.82	54.59	52.17	52.43	51.06	48.76
Belgium	38.52	37.91	32.08	31.45	31.5	29.48	28.74	28.02
Canada	41.62	..	43.4	36.3	35.13	39	46	55.6
Chile	..	..	..	60.2	63.27	60.28	58.11	56.29
China	..	..	..	..	..	..	56.1	49.24
Colombia	19.44	26.3	23.11	22.02	16.19	21.73	37.65	38.02
Denmark	64.7	74.57	78.79	64.73	70.53	51.49	38.95	11.98
Estonia	19.73	19.09	17.74	16.76	19.39	18.74	19.2	19.62
Finland	..	..	..	20.2	20.4	20.9	17.9	18.3
France	27.2	25.69	22.69	22.08	22.03	21.9	22.63	21.87
Greece	51.66	51.23	47.84	38.26	37.25	40.13	36.92	34.16
Hungary	64.2	67.7	77.4	78.6	77.1	78.8	56.9	59.7
Ireland	89.07	88.62	89.09	86.69	86.9	85.08	83.34	75.46
Italy	33.94	31.87	29.25	26.83	26.35	26.6	25.64	25.14
Malaysia	..	..	..	..	..	..	2.32	2.56
The Netherlands	..	54.6	57.1	47.9	52.6	49.2	49.8	44.89
Norway	19.26	18.6	16.79	16.82	16.72	18.87	18.73	..
Portugal	32	31	32.9	31.05	29.78	23.87	23.07	19.55
Serbia	34.98	31.67	34.2	34.17	30.28	27.21	29.77	29.89
Slovak Republic	50.45	39.67	41.4	41.4	39.51	40.6	42.2	35.2
Slovenia	35.15	38.04	35.29	31.75	33.89	34.61	31.94	21.09
Spain	96.16	96.98	93.69	93.43	95.14	95.24	94.03	92.25
Sweden	15.12	14.68	13.62	14.39	14.67	14.79	14.92	..
Median Value	**35.15**	**37.91**	**35.29**	**34.17**	**33.89**	**34.61**	**36.92**	**28.96**

Note: Data for Austria, Canada, Chile, Denmark, Finland, Hungary, Ireland, the Netherlands and Spain refer to flows.
Source: Data compiled from the individual country profiles.

StatLink http://dx.doi.org/10.1787/888933331882

Credit conditions for SMEs

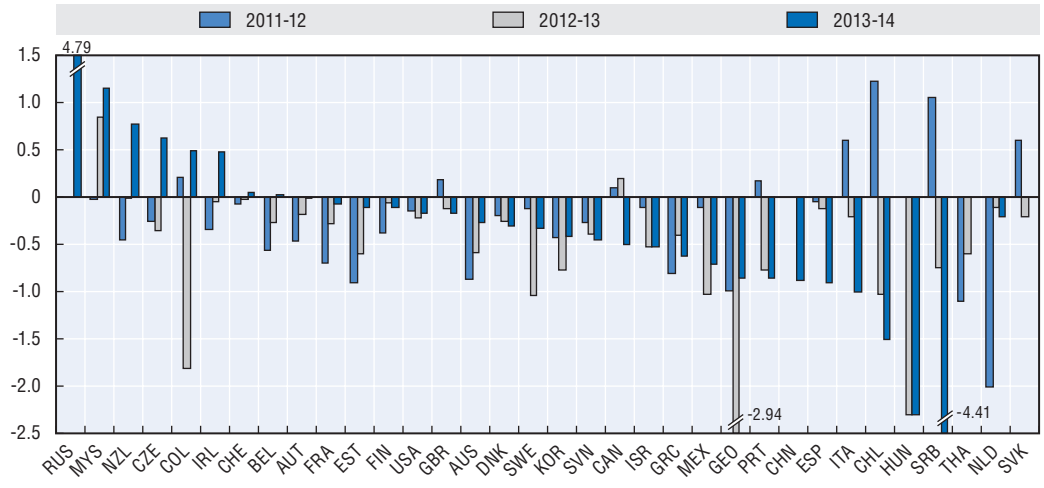
This section describes credit conditions for SMEs and entrepreneurs based on data on the cost of bank finance, collateral requirements and rejection rates. It also draws on findings from supply-side and demand-side surveys. It is important to note that credit conditions can vary substantially for SMEs with different characteristics, such as size, age, risk profile and other factors. Box 1.1 illustrates this point with information on the credit conditions for micro-enterprises (i.e. firms with fewer than 10 employees) compared with larger SMEs in France. More granular data is needed to be able to systematically distinguish credit conditions within the SME population.

Cost of credit

As monetary policy was very accommodative in most regions of the world over the last few years, SME interest rates have decreased significantly between 2011 and 2013, with Malaysia being the only exception. This downward trend also continued in 2014, with SME interest rates in decline in 26 out of 34 countries for which data is available, suggesting that financing conditions have improved since 2013. Belgium, Colombia, the Czech Republic, Ireland, Malaysia, New Zealand, the Russian Federation and Switzerland are the only countries in which SME interest rates rose between 2013 and 2014 (see Figure 1.6).

Figure 1.6. **Change in SME interest rates, 2012-14**

In percentage points



Source: Data compiled from the individual country profiles.

Table 1.7 illustrates that SME interest rates usually increased between 2007 and 2008, but then almost universally declined, especially between 2012 and 2014. 2014 levels were often less than half of their 2008 level. Large differences in the absolute values are noticeable. In emerging economies with relatively high inflation rates, such as Chile, China, Colombia, Georgia, the Russian Federation, Malaysia, Mexico, Serbia and Thailand, interest rates were significantly higher than the median value of participating countries. In the economies most affected by the financial crisis, such as Greece, Hungary, Ireland, Portugal, Slovenia and Spain, interest rates did not drop as much between 2008 and 2011, and thus remained at a comparatively high level in 2014.

Table 1.8 depicts the interest rate spread between SMEs and large enterprises between 2007 and 2014. The interest rate spread remained positive for every country included over the whole period, with large firms consistently being offered credit at lower average interest rates than SMEs. The spread in interest rates increased between 2007 and 2009 for 19 out of 23 countries, with the exception of Korea, Slovenia, Sweden and the United States. This suggests that the established practice of financial institutions lending to SMEs at less favourable conditions has worsened since the crisis and the perception of the riskiness of

SME lending has changed over time, resulting in relatively higher average interest rates charged to SMEs. Between 2009 and 2014, the picture is very divergent, with the number of countries where the interest rate spread rose roughly in balance with economies observing a narrowing spread. The year-on-year trend between 2013 and 2014 also shows a divergent pattern. The median spread between interest rates charged to SMEs and to large enterprises rose steadily over the 2007-14 period, suggesting that increases in this spread were, on average, more pronounced than decreases. In 7 out of 21 countries (Belgium, Greece, Korea, Portugal, Serbia, Sweden and the United States), the interest rate spread was less pronounced in 2014 than in 2007.

Table 1.7. **SME interest rates, 2007-14**

As a percentage

	2007	2008	2009	2010	2011	2012	2013	2014
Australia	8.56	7.99	7.56	8.29	7.94	7.07	6.49	6.22
Austria	5.11	5.47	2.89	2.43	2.92	2.46	2.28	2.27
Belgium	5.45	5.70	3.01	2.51	2.88	2.32	2.06	2.09
Canada	7.50	..	6.20	5.80	5.30	5.40	5.60	5.10
Chile	..	..	..	9.22	11.32	12.55	11.53	10.03
China	..	..	..	..	..	..	8.39	7.51
Colombia	20.09	23.13	20.43	18.66	21.53	21.74	19.94	20.43
Czech Republic	5.03	5.57	4.64	4.01	3.73	3.48	3.13	3.76
Denmark	5.99	6.65	5.43	4.46	4.57	4.38	4.13	3.83
Estonia	6.10	6.70	5.30	5.00	4.90	4.00	3.40	3.30
Finland	5.39	5.58	3.02	2.66	3.23	2.86	2.81	2.71
France	5.10	5.41	2.86	2.48	3.12	2.44	2.16	2.09
Georgia	..	..	..	16.51	15.50	14.52	11.58	10.73
Greece	6.83	6.18	4.70	6.34	7.26	6.46	6.06	5.44
Hungary	10.19	11.25	12.31	8.99	9.38	9.70	7.40	5.10
Ireland	6.23	6.67	3.98	3.88	4.68	4.34	4.30	4.78
Israel	..	..	..	5.00	5.62	5.52	5.00	4.48
Italy	6.30	6.30	3.60	3.70	5.00	5.60	5.40	4.40
Korea[1]	6.95	7.49	6.09	6.33	6.25	5.83	5.06	4.65
Malaysia	..	6.39	5.50	5.69	5.74	5.72	6.57	7.72
Mexico[2]	..	..	11.68	11.67	11.40	11.30	10.28	9.58
Netherlands	..	5.70	4.50	6.00	6.40	4.40	4.30	4.10
New Zealand	12.15	11.19	9.88	10.19	10.05	9.60	9.59	10.37
Portugal	7.05	7.64	5.71	6.16	7.41	7.59	6.82	5.97
Russian Federation	..	..	..	..	..	..	13.10	17.89
Serbia	18.85	21.33	20.48	16.50	17.95	19.01	18.27	13.85
Slovak Republic	5.50	4.60	3.00	3.20	3.20	3.80	3.60	n.a.
Slovenia	5.78	6.52	6.21	6.31	6.58	6.32	5.94	5.49
Spain	5.96	5.51	3.63	3.78	4.95	4.91	4.79	3.89
Sweden	4.86	5.66	2.42	2.58	4.15	4.04	3.00	2.68
Switzerland	..	..	2.21	2.11	2.08	2.01	1.99	2.04
Thailand	5.94	6.34	6.60	7.14	8.10	7.00	6.40	..
United Kingdom	..	4.54	3.47	3.49	3.52	3.71	3.59	3.43
United States	7.96	5.16	3.82	4.09	3.90	3.76	3.55	3.39
Median Value	**6.17**	**6.32**	**4.70**	**5.34**	**5.30**	**5.46**	**5.23**	**4.78**

Notes: 1. Korea uses average interest rate for all companies and not SME interest rate 2. Mexican data refers to small enterprises alone. 3. Slovenian data refers to new SME loans, smaller than EUR 1 million.

Source: Data compiled from the individual country profiles.

StatLink http://dx.doi.org/10.1787/888933331895

Table 1.8. **Interest rate spreads between loans to SMEs and to large enterprises, 2007-14**

In percentage points

	2007	2008	2009	2010	2011	2012	2013	2014
Australia	0.96	1.84	1.71	1.63	1.57	1.78	1.87	1.75
Austria	0.42	0.43	0.56	0.47	0.37	0.48	0.51	0.53
Belgium	0.73	0.65	0.92	0.81	0.63	0.58	0.3	0.32
Canada	1.40	..	3.10	3.20	2.30	2.40	2.60	2.10
Chile	..	..	..	6.51	6.64	6.99	6.50	6.07
China	..	..	..	..	..	..	0.67	0.04
Colombia	7.56	8.89	10.34	11.43	12.28	12.33	11.97	12.36
Czech Republic	0.97	0.73	1.18	0.68	1.11	0.98	1.24	1.75
Denmark	0.83	1.07	2.02	2.20	2.39	2.54	2.85	2.87
Estonia	0.40	0.70	1.10	1.10	1.10	1.00	0.60	0.60
Finland	0.56	0.5	0.78	0.8	0.64	0.79	0.9	0.68
France	0.58	0.66	0.91	0.93	0.89	0.71	0.71	0.77
Georgia	..	..	..	2.89	1.40	1.68	0.37	0.69
Greece	1.04	1.11	1.46	1.36	0.62	0.39	1.33	0.69
Hungary	1.22	0.97	1.24	1.74	1.3	3.2	3.1	2.7
Ireland	0.28	0.48	0.76	1.02	1.35	1.53	1.54	1.8
Israel	..	..	..	2.00	2.47	1.91	1.5	1.44
Italy	0.6	1.4	1.4	1.5	1.7	1.8	2.0	1.8
Korea	0.76	0.79	0.56	0.54	0.55	0.43	0.24	0.18
Malaysia	..	0.31	0.42	0.69	0.82	0.94	3.29	2.73
Mexico[1]	..	..	3.55	3.75	3.71	3.71	3.72	3.54
Netherlands	..	..	..	..	2.90	0.20	0.50	1.30
New Zealand	3.15	2.96	4.20	3.90	4.01	3.59	4.20	4.43
Portugal	1.76	1.72	1.87	2.25	2.01	2.16	1.85	1.60
Russia	..	..	..	..	..	..	2.00	..
Serbia	5.09	5.02	5.21	3.07	3.54	5.11	4.33	4.01
Slovak Republic	..	..	..	..	..	1.90	1.80	1.80
Slovenia	0.21	0.21	0.03	-0.02	-0.23	-0.03	0.31	0.33
Spain	0.63	1.20	1.46	1.21	1.59	2.31	2.10	1.91
Sweden	0.87	0.82	0.73	0.96	1.14	0.98	0.64	0.56
Switzerland	..	..	0.86	0.88	0.92	0.9	0.83	0.88
Thailand	1.20	1.31	1.42	..	2.65	1.50	1.30	..
United Kingdom	..	1.05	1.12	1.39	1.27	1.31	1.36	0.97
United States	1.21	0.88	0.83	0.86	0.88	0.97	1.02	0.92
Median Value	**0.87**	**0.93**	**1.18**	**1.36**	**1.35**	**1.52**	**1.43**	**1.52**

Notes: 1. Data for Mexico represents the spread between large and small companies. 2. Slovenian data refers to the interest rate spread between SMEs and large firms for loans smaller than EUR 1 million.

Source: Data compiled from the individual country profiles

StatLink http://dx.doi.org/10.1787/888933331909

Box 1.1. **Financing conditions for micro-enterprises: Evidence from France**

Financing conditions differ substantially from one SME to another. Micro-enterprises, employing less than 10 employees, typically face more constraints and tighter conditions when applying for a bank loan. At the request of the Ministry of Economy and Finance, the French *Observatoire du financement des entreprises* investigated in detail the financing needs of micro-firms and whether they are being met. The Observatory report on the funding of micro-enterprises, published in June 2014, highlighted the vast diversity of micro-enterprises in terms of their size, development prospects and investment projects, and underlined the high levels of turnover within the micro-enterprise segment, with one third of businesses failing after three years, and half of them after five years.

Box 1.1. **Financing conditions for micro-enterprises: Evidence from France** *(Cont.)*

When it came to analysing access to credit, the Banque de France's observation that it is more complicated for micro-enterprises than for larger SMEs to obtain cash credit, was confirmed. According to the Observatory, this was not just due to the failure of bankers and entrepreneurs to see eye to eye, but also resulted from the fact that many micro-enterprises have an unbalanced financial situation. One third of micro-enterprises have either zero or negative equity. Problems with their financial structure and cash flow could also explain the fact that some micro-enterprises make significant use of payment deadlines to improve their cash position. In the B2B sector, where the question of payment deadlines is the most relevant, it is noticeable that, on average when compared to larger SMEs, micro-enterprises are paid more quickly by their clients but take more time paying their suppliers.

The Observatory's findings revealed that French micro-enterprises mainly use overdrafts to finance their cash flow. The fact that they are flexible and easy to put in place works well for bankers and, in many cases, for the entrepreneurs, too. However, they subsequently turn out to be more expensive than loans with regular repayments. An increasing number of micro-enterprises are also using factoring to finance their working capital requirements. The Observatory considers that this expensive service only suits a very small proportion of micro-enterprises.

Micro-enterprises had good access to investment loans for the most part, and their cost is the lowest in Europe. This positive trend in credit for micro-enterprises is exclusively driven by investment loans, and more specifically by property investment. Some micro-enterprises deliberately show restraint when seeking bank financing, for fear of being refused or because they underestimate their creditworthiness, and consequently prefer self-financing. Micro-enterprises also report that banks are asking for more guarantees than before. For the Observatory, this can be traced back, among other things, to the asset management approach used for businesses, which often results in business leaders removing their commercial properties from their operating companies and placing them in non-trading, real estate companies, or SCI (*sociétés civiles immobilières*). The mutual guarantee schemes designed for micro-enterprises (SIAGI and SOCAMA) are not sufficiently well-known, and Bpifrance guarantees are often used in their place, mainly for convenience.

In Q1 2015, access to cash credits and investment loans improved for micro-enterprises in comparison with Q4 2014. However, there was a decline in the number of investment loans granted to micro-enterprises over one year, and an increasingly visible disparity compared to the situation for other SMEs.

Table 1.9. **Acceptance rates for micro-enterprises and SMEs in France, 2014-15**

Fully or over 75%, as a percentage

%		Q1 2014	Q4 2014	Q1 2015
Grants of new cash credits	SMEs	70	80	80
	Micro-enterprises	61	62	65
Grants of new investment loans	SMEs	92	93	94
	Micro-enterprises	84	74	78

Source: Observatoire du financement des entreprises, 2014.

StatLink http://dx.doi.org/10.1787/888933331913

The observation, that access to finance seems to pose more problems for micro-enterprises than larger SMEs, has clear policy implications. As a follow-up to the study described above, the French Government has undertaken policy initiatives specifically targeting micro-enterprises[4] whose implementation is being overseen by the Observatory.

Source: Observatoire du financement des entreprises.

Other fees associated with SME lending

Currently, no data are available for most participating countries on other costs associated with SME lending in addition to interest rates, such as loan application fees, other fees and commissions.[5] It would be desirable to collect this information in the future on a systematic basis, in order to provide a more detailed picture of the total costs of borrowing for SMEs. Available data are very sparse, however, as information on non-interest charges are usually held privately by the banking sector and are not collected on a systematic basis by authorities. This is an area which could be developed further in the future.

Collateral requirements

Data on collateral are difficult to obtain and represent an area, where reporting improvements are needed to better assess the evolution in SME financing conditions. Eleven countries reported on collateral requirements between 2012 and 2014. As the data comes from demand-side surveys and the methodology, sample and questionnaire from these surveys differ from one country to the other, some caution is advised when making cross-country comparisons.

In most countries, more than half of all SME loans were collateralised. The main exception is the United Kingdom, where only about one in three SME loans were collateralised in 2014. In Switzerland, more than three out of four loans were collateralised, while in the Slovak Republic, the percentage of collateralised loans amounted to 100%, as the country has a mandatory collateral requirement[6]. While banks often require collateral of some sort before providing credit, especially to customers with whom they have no prior relationship, some financial services innovators have found new ways of assessing and mitigating risk, relying on alternative data sources (see Box 1.2).

There is no clear discernible pattern in collateral requirements in 2014, compared with 2013 data. In 5 out of 12 countries (Colombia, Finland, Portugal, Serbia and the United Kingdom), collateral requirements have loosened in 2014, whereas in six other countries (Canada, Greece, Italy, Malaysia, Spain and Switzerland), more loans were collateralised in 2014 than in 2013, albeit in varying degrees (see Figure 1.7).

Rejection rates

As with data on collateral, rejection rates are usually gathered from demand-side surveys and are currently unavailable for many participating countries. The comparability across countries is likewise often limited. Nonetheless, this indicator helps shed light on the supply of credit to SMEs and gauge the overall financing conditions they face. Higher rates of rejection are indicative of constraints in the credit supply, which are a particular concern for SMEs, as rejection rates are traditionally lower for large enterprises. A high number of loan application rejections illustrates that loan demand is not being met, either because the terms and conditions of the loan offers are deemed unacceptable, the average creditworthiness of the loan applications has deteriorated, or banks are rationing credit. It should be noted that these figures do not include information on discouraged borrowers – entrepreneurs who are in need of finance, but do not apply for a bank loan for fear of being rejected – nor on so-called "happy non-seekers", i.e. firms who have not applied for external financing because they do not experience a need for it. Further information on both phenomena would contribute to a better interpretation of the data on rejection rates and on financing conditions more generally.

Box 1.2. **Using alternative data for credit reporting to enhance SME access to finance**

Information asymmetries and difficulties in assessing the risk of financing small businesses at reasonable costs constitute a longstanding stumbling block to SME financing. The emergence of FinTech – combining technology and innovative business models in financial services – has the potential to overcome some of these failures and increase SME access to a range of financial instruments, including peer to peer and marketplace lending, merchant finance, invoice finance, supply chain finance, and trade finance.

Many FinTech companies make use of techniques which rely on alternative sources of data. One of these techniques involves credit scoring based on payment/ e-commerce transactions. These risk models use payments and other related data captured by wholesale suppliers and online merchants in assessing the credit worthiness of its customers which are small businesses and their owners. Other credit scoring solutions, which enable finance providers predictions and gauge the creditworthiness of small businesses and their owners, are based on the payment history and usage of utilities (water, electricity, gas, etc.); prepaid mobile history and phone usage; psychometric testing to measure knowledge, abilities, attitudes and personality traits of an applicant seeking financial services; social media usage and other online activity.

Alternative credit scoring on small business lending offers the possibility to identify, differentiate, and evaluate more efficiently and at a lower cost the creditworthiness of small businesses and owners. Experience suggests that these new techniques can enable higher approval rates while reducing default rates simultaneously. Additionally, financial service providers have been able to grant a variety of financial services and products to enterprises that were previously excluded from access to formal providers of capital, most notably very small businesses in emerging economies. In Mexico, for example, several new providers of finance select customers through psychometrics or by analysing information from social media, while other companies provide micro-loans to prepaid mobile phone users with insufficient account balances, using data from their mobile use. The development and utilisation of alternative credit scoring solutions is taking place in both, developed and developing countries, however. As a case in point, more than 40 000 businesses in Canada and the United States were being financed by a company that uses data aggregation and electronic payment technology to evaluate the financial health of SMEs between 2007 and the first half of 2015.

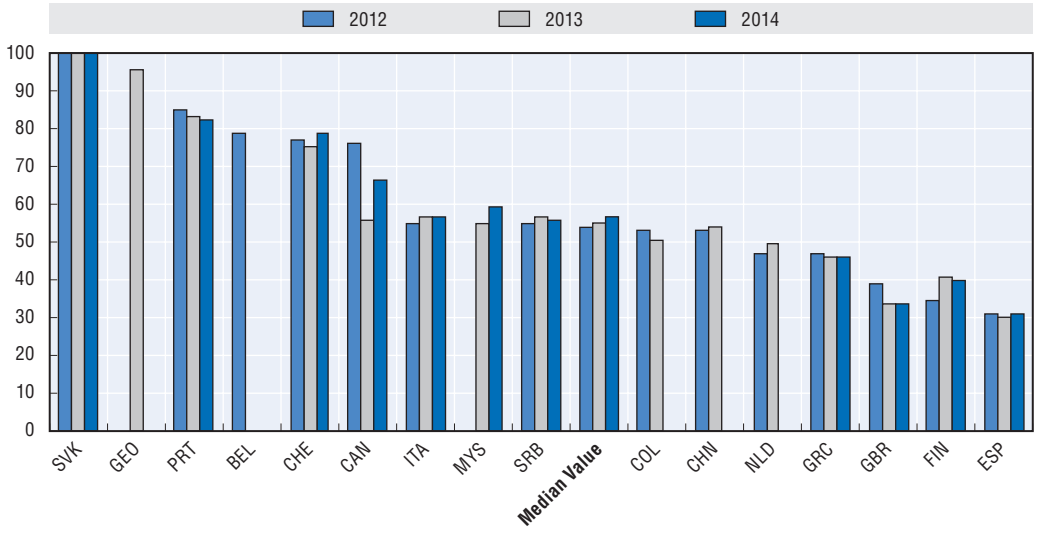
While at a very nascent stage, these innovative credit scoring systems are seen as promising to provide finance to business ventures that are often excluded from other sources of finance, at short notice and with relatively flexible conditions. There is a clear need to monitor these developments closely, as well as to consider potential regulatory implications, notably concerning the need to protect data and respect privacy laws, while still allowing for innovation.

Source: World Bank Group.

Between 2013 and 2014, 12 out of 15 participating countries reported a decrease in rejection rates, with Canada, China and Korea being the only exceptions. This follows a decline of rejection rates in a majority of countries between 2012 and 2013 and is indicative of an overall loosening in credit conditions in recent years (see Table 1.10).

Figure 1.7. **Trends in SME collateral requirements, 2012-14**

As a percentage of SME bank loans requiring collateral



Notes: Definitions differ across countries. Refer to table of definitions in each respective country profile in Part 2 of this publication. 2013 and 2014 data for Belgium is not available; 2014 data for China is unavailable; 2012 and 2014 data for Georgia is not available; 2012 data is not available for Malaysia.

Source: Data compiled from the individual country profiles.

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Table 1.10. **Trends in SME loan rejection rates, 2007-14**

As a percentage

	2007	2008	2009	2010	2011	2012	2013	2014	Change 2014-13
Belgium	22.2	20.9	19.3	19.9	19.8	22.5	22.2	22.0	-0.2
Canada	6	..	..	9	8	7	9	12.8	3.8
Chile	..	..	..	..	13.0	..	11.0	..	..
China	..	..	..	..	..	..	6.2	12.0	5.78
Colombia	2.0	4.0	9.0	5.0	3.0	4.0	7.0	3.0	-4
Denmark	3.0	..	..	12.0	..	..	..	14.0	..
France	12.3	12.2	12.8	13.6	13.0	12.4	12.7	12.5	-0.2
Finland	..	..	..	..	1.0	5.0	10.0	8.0	-2
Georgia	..	..	..	..	..	..	4.6	..	..
Greece	..	..	25.8	24.5	33.8	28.3	26.0	21.5	-4.5
Ireland	..	..	..	..	30.0	24.0	20.0	14.0	-6
Italy	3.1	8.2	6.9	5.7	11.3	12.0	9.0	8.4	-0.6
Korea	41.5	47.2	40.7	48.7	43.4	41.7	39.8	46.7	6.9
Malaysia	..	..	..	..	..	..	15.1	8.6	-6.5
New Zealand	6.0	13.0	18.0	28.0	13.0	14.0	10.0	..	..
Serbia	18.7	17.2	28.4	27.1	15.8	31.5	31.8	24.7	-7.1
Slovak Republic	..	..	..	..	57.2	..	53.2	..	..
Spain	..	..	23.0	16.0	14.0	18.0	13.0	12.0	-1.0
Switzerland	29.0	30.4	29.2	30.3	31.1	28.7	28.1	27.9	-0.2
Thailand	28.5	25.9	14.7	26.9	..	..	..	..	..
United Kingdom	..	..	..	27.0	30.1	31.1	32.8	21.6	-11.2
Median Value	**14.40**	**17.20**	**21.15**	**22.21**	**14.90**	**20.27**	**13.00**	**13.85**	**-1.00**

Source: Data compiled from the individual country profiles.

StatLink http://dx.doi.org/10.1787/888933331927

Additional evidence on credit conditions from survey data

In this section, information provided by country experts is complemented by data from surveys. Both demand-side information, where SME owners and entrepreneurs report on how they perceive credit conditions and credit availability, and supply-side surveys asking senior loan officials about how they gauge the state of play regarding SME finance, are included. They provide useful insights, especially with respect to disentangling demand and supply factors behind changes in SME lending.

For Euro zone countries, the ECB Survey on SME access to finance, undertaken every six months, is of particular interest to gauge the perception of SMEs on how the credit conditions are evolving.[7] It shows an increase in the net balance of SMEs stating that the availability of loans had deteriorated for the second half of 2014, contrasting with the first half of 2014, when the number of respondents reporting a decrease in the availability of loans was similar to those stating an increase. The willingness to lend follows a similar pattern; the data illustrates that this willingness reached a low point in the first half of 2012, and picked up afterwards, with the pace gathering momentum in the second half of 2014. The number of loan applications granted in full rose from 60% in the first half of 2014, to 65% in the second half of 2014. The net balance of respondents reporting an increase of the average interest rate also declined significantly over the last few years and even turned negative in 2014. The net balance stating an increase in collateral requirements also fell from its 2012 peak, registering its lowest level since 2011 in the latest survey (Table 1.11).

In the Euro area, the access to finance and finance conditions appear to be consistently more favourable for large enterprises than for SMEs, with a smaller percentage of large firms reporting supply restrictions in the provision of bank loans, consistently higher rates of success, lower rejection rates and a considerably lower net percentage of large firms reporting an increase in interest rates and collateral requirements.

Table 1.11. **ECB Survey on SME access to finance**

As a percentage of total SMEs surveyed

Category	H1 2011	H2 2011	H1 2012	H2 2012	H1 2013	H2 2013	H1 2014	H2 2014
Availability of loans								
Deteriorated (net)	-10	-15	-15	-9	-7	-4	-1	7
Willingness to lend								
Deteriorated (net)	-22	-25	-29	-23	-18	-11	-2	9
Applied for a loan	27	31	30	31	31	32	30	30
Granted in full	65	63	61	65	66	68	60	65
Rejected	9	12	14	10	11	10	12	8
Interest rate								
Increased (net)	54	43	27	17	19	9	-9	-25
Collateral requirements								
Increased (net)	33	36	39	35	31	26	29	20

Note: The net percentage is the difference between the percentage of firms reporting that the given factor has improved and the percentage reporting that it has deteriorated or the difference between the percentage reporting that it had increased and the percentage reporting that it has decreased.

Source: ECB (2015).

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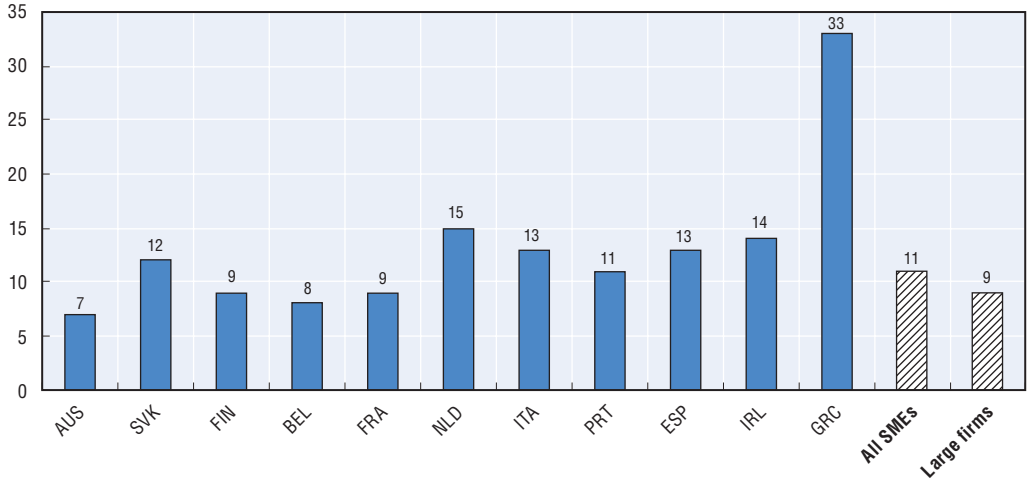
Access to finance was considered to be the most pressing concern for 11% of Euro zone SMEs in the October 2014-March 2015 SAFE survey (see Figure 1.8). This is down from 13.2% in the survey conducted 6 months earlier and from 13.4% in the October 2013-March 2014 survey, suggesting a continued improvement of credit access for SMEs. Wide differences across

countries persist, however, as Figure 1.12 illustrates. While less than 10% of Austrian, Belgian, Finnish and French SMEs rank access to finance as their most pressing concern, this proportion rises to 13% and more in countries such as Ireland, Italy, the Netherlands and Spain, with Greece being the outlier at 33%. As was the case in previous surveys, more SMEs than large firms describe access to finance as their most pressing concern (11% and 9%, respectively).

Figure 1.8. **The proportion of Euro zone SMEs reporting access to finance as their most pressing concern, October 2014-March 2015**

As a percentage (October 2014-March 2015)



Source: ECB (2015).

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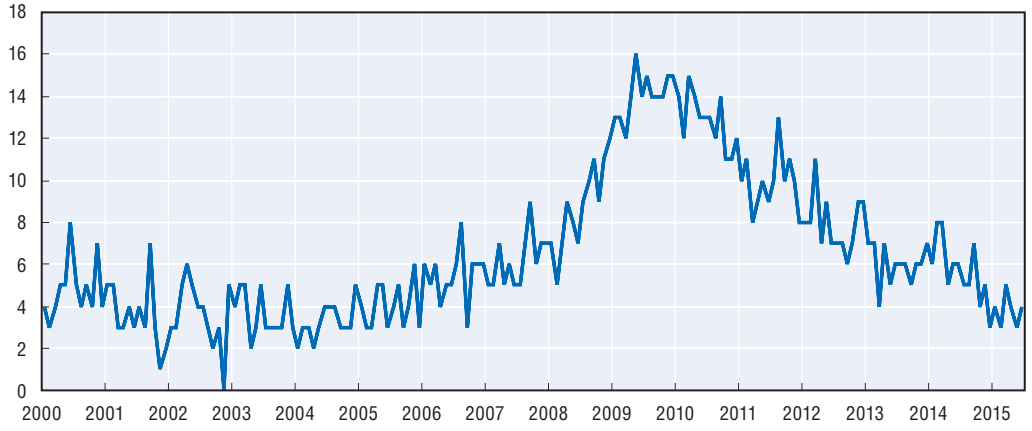
In the United States, the NFIB Research Foundation collects Small Business Economic Trends data on a monthly basis since 1986. A record low of 1% of small business owners considered finance to be their single most important problem according to the June 2015 survey and 5% of respondents reported that their financing needs were not being met. The financial crisis had a marked impact on the reported loan availability, which dropped to a bottom in 2007, and steadily recovered afterwards to levels broadly comparable to the pre-crisis period in the first half of 2015 (see Figure 1.9).

Figure 1.9. **Loan availability *in the United States*, 2000-15**



Note: Net percentage "Harder" minus "Easier" compared to three months ago.

Source: Dunkelberg and Wade (2015).

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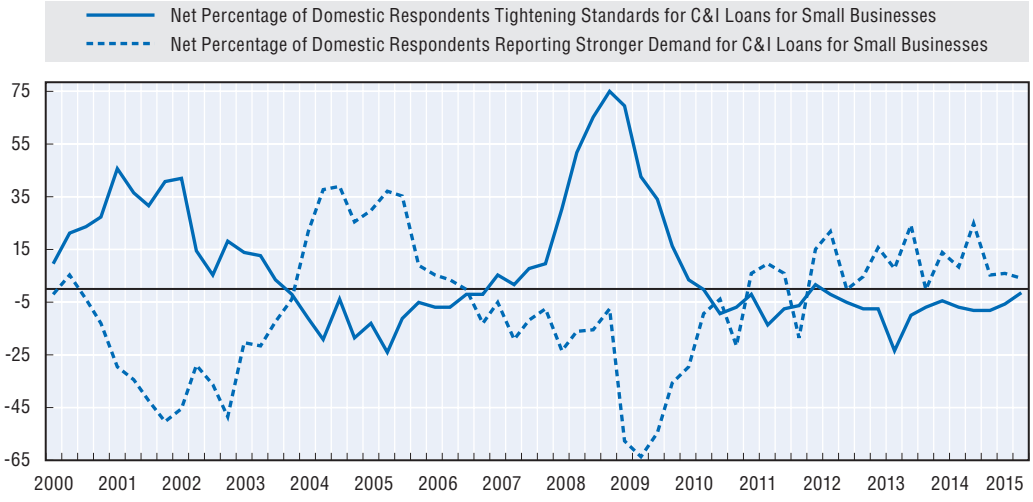
The United States Federal Reserve Board surveys senior loan officers on their banks' lending practices on a quarterly basis, including a question on the evolution of credit standards for approving small business loans or credit lines (where small businesses are businesses with annual sales of less than USD 50 million). According to this survey, credit standards for small businesses in the United States tightened dramatically between 2008 and 2010, and loosened afterwards, especially since 2013.

The same survey also includes a question regarding the demand for bank credit from small businesses. Senior loan officers are asked how the demand of small business loans changed over the last three months. Possible answers range from a "substantially stronger" demand to a "substantially weaker" demand. Subtracting the percentage of respondents who answered that demand was (substantially or moderately) weaker from the percentage who thought demand was (substantially or moderately) stronger, provides an indicator of overall demand for loans of small businesses (Figure 1.10). The reported demand for loans from small businesses broadly mirrors the tightness of lending standards. Responses show that demand plummeted when the financial crisis hit the American economy and began a hesitant recovery in 2011 which persists up to the first half of 2015.

Figure 1.10. **Small business lending environment in the United States, 2000-15**



Source: Federal Reserve Board (2015).

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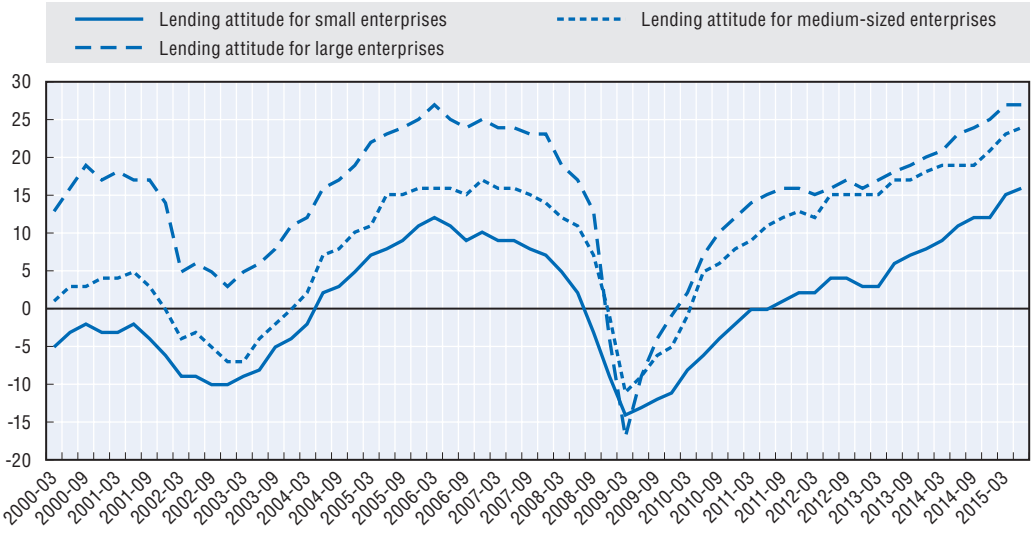
In Japan, the TANKAN survey of Japanese businesses (literally translated as the Short-Period Economy Observation), is a quarterly poll of business confidence published by the Bank of Japan. In order to provide an accurate picture of business trends, a representative and large-scale sample of the Japanese business population is asked to choose between different alternatives to best describe prevailing business conditions. One question pertains to the "lending attitude of financial institutions", where the respondents can choose between "accommodative," "not so severe" and "severe" as best describing their view of lending attitudes. A single indicator is derived on the basis of these answers.

As in many other countries, perceived lending attitudes deteriorated sharply between 2008 and 2009, and improved afterwards, according to the TANKAN survey. In the first quarter of 2015, financing conditions for large enterprises – as viewed by Japanese businesses – were broadly in line with the pre-crisis period of 2005-07, and presented even

better results for small and medium-sized companies. It is noteworthy that larger firms consistently describe financing conditions as more accommodative compared to medium-sized firms and especially small businesses, which regard the lending attitudes as the most restrictive (see Figure 1.11).

Figure 1.11. **Lending attitudes in Japan, 2000-15**



Source: Bank of Japan (2015a).

StatLink http://dx.doi.org/10.1787/888933330710

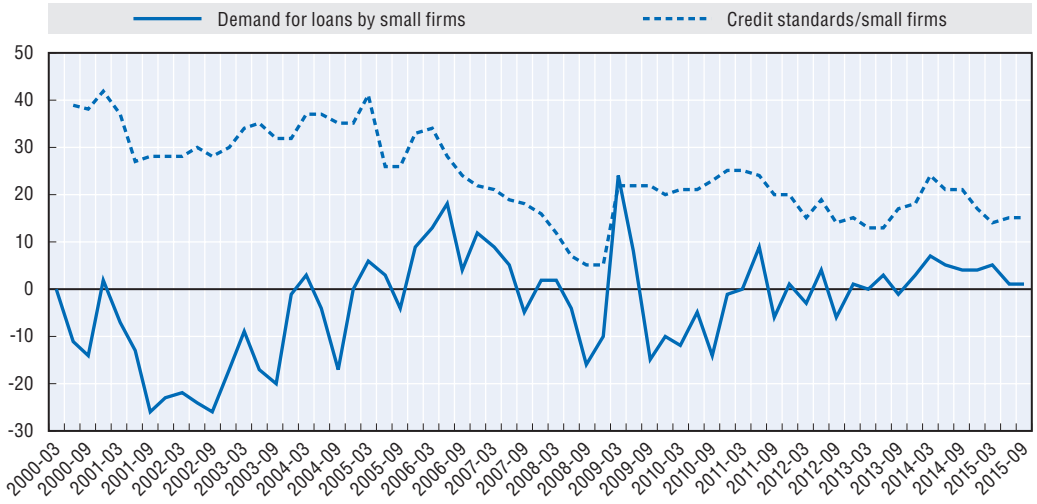
The Bank of Japan also initiated the quarterly "Senior Loan Officer Opinion Survey on Bank Lending Practices at Large Japanese Banks" in April 2000, broadly modelled on the survey from the American Federal Reserve Board. It aims to quantitatively measure the view of senior loan officials concerning the loan market, more particularly the demand for loans, standards and terms of loans, and other matters. The result of each question is then expressed as a percentage of the total response.

Demand for credit in Japan again suffered under the financial crisis, with the exception of a sharp spike in demand in the first quarter of 2009. In the 2008-13 period, demand for loans by Japanese small firms remained mostly negative. Only data from the third quarter of 2013 and 2014 indicates an uptick in the demand for loans from small firms, with 2015 showing once again a return to a lower demand. Somewhat remarkably, Japanese loan officials report a loosening of credit standards for small firms over the 2007-15 period, the financial crisis notwithstanding, credit standards have been reported to become less restrictive, although the pace of the reported loosening declined considerably (Figure 1.12).

In the United Kingdom, the quarterly Credit Conditions Survey from the Bank of England surveys lenders about changes in trends. The survey covers secured and unsecured lending to households and small businesses; and lending to non-financial corporations, as well as to non-bank financial firms. Data for SMEs is available from the fourth quarter of 2009 up to the second quarter of 2015. During most of this period, lending conditions generally deteriorated (Figure 1.13). Apart from collateral requirements – which have remained flat – a reversal of the downward trend can be observed from the second quarter of 2013 as maximum credit lines, spreads on loans and fees/commissions on loans became more

favourable. From the second quarter of 2014 onward, and even though fees/commissions on loans displayed high volatility, all the concerned variables eventually flatlined according to UK lenders.

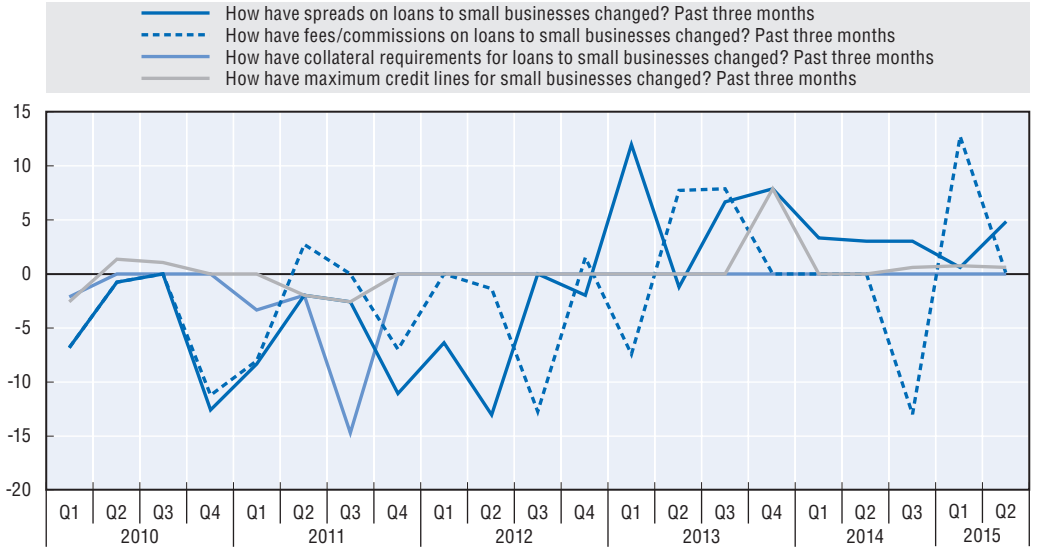
Figure 1.12. **Credit standards and demand for loans by small firms in Japan, 2000-15**



Source: Bank of Japan (2015b).

StatLink http://dx.doi.org/10.1787/888933330727

Figure 1.13. **Credit conditions in the United Kingdom, 2010-15**



Source: Bank of England (2015).

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The evidence from this section suggests a continued easing of credit conditions and standards in most participating countries between 2010 and the first half of 2015. In the same vein, the cost of credit has fallen substantially in recent years as a result of loose monetary policies around the world. Despite this trend, SME lending often decreased in recent years, indeed often in the same countries where credit conditions improved.

Portugal provides a most striking example of a country where easier credit conditions coincided with a fall in SME lending over the same period. Rejection rates in 2014, at 11%, were much lower than in 2013 (27%). Collateral requirements in the country were also down in 2013 and 2014, although more modestly. The average interest rate charged for an SME loan also dropped by almost 100 basis points year-on-year from 2013 to 2014. Whereas 21% of all SMEs described access to finance as their most pressing problem in the October 2012-March 2013 survey conducted by the ECB, that proportion fell to 18% one year later. Despite these four indications that credit conditions for Portuguese SMEs were indeed improving since 2012, business lending to SMEs did not pick up. On the contrary, the inflation-adjusted outstanding stock of SME loans in Portugal shrank by 10% year-on-year between 2012 and 2013, and by another 5.9% between 2013 and 2014. Belgium, Italy[8], the United Kingdom and the United States all witnessed a similar (but not as clear-cut) coincidence of more accommodating credit conditions on the one hand and a fall in SME lending on the other over the 2012-14 period.

The dual phenomenon of lower SME lending at a time of easing of costs and conditions was apparent in 2013 and continues to hold true for some countries in 2014. Several factors can explain this observation. First, a lack of demand for bank loans rather than the unavailability of supply might explain the drop in SME lending observed in many countries. Second, it is possible that credit has become easier to obtain and cheaper only for some SMEs, while other SMEs still find it very difficult, potentially even more difficult, to access bank finance. It should also be noted that despite the recent easing, credit conditions remained relatively tight in many places, especially where economic growth was still weak in 2014 and 2015.

Third, an easing of credit conditions might not immediately translate into increased SME lending, and may involve a time lag. The most recent evidence suggests that this explanation might be most plausible, especially when measuring changes in lending with stock variables. In Belgium, Italy, Portugal, the United Kingdom and the United States, the outstanding stock of SME loans still fell between 2013 and 2014 when adjusting for inflation, but the decline was less pronounced than the year-on-year change between 2012 and 2013. In contrast, Spain recorded a positive year-on-year SME loan growth in 2014 and seems to have turned the corner. The difference between Portugal and Spain could be due to the nature of their data collection (in particular the greater "responsiveness" of flow data used by Spain but not Portugal to credit demand and supply) than to a difference in SMEs' access to finance in the two countries. The data from Estonia and the United Kingdom, which provide information on new lending as well on the outstanding stock of SME lending, is illustrative in that respect. Credit to SMEs turned positive in 2011 in Estonia according to their data on new lending and remained so in 2012, 2013 and 2014, while the outstanding stock of SME loans kept decreasing until 2014. Similarly, UK flow data report a relatively robust recovery of lending to SMEs between 2013 and 2014, while the outstanding stock still declined over the same period, but at a slightly slower pace than previously.

Equity financing

Data on venture capital investments come from the OECD's *Entrepreneurship at a glance 2015* report. This annual publication covers recent and comparable data on venture capital activities for 28 countries participating in the Scoreboard on SME and entrepreneurship finance. All the data in this section are expressed in USD, where the annual exchange rates (National currency per USD, period-average) are sourced from the OECD Annual National Accounts database.

Table 1.12 illustrates that equity markets were severely impacted by the financial crisis. Most countries experienced a sharp decline in venture capital and growth capital investments between 2008 and 2010. In 17 countries, venture capital investments in 2014 had not yet surpassed pre-crisis 2007 levels. Venture capital investments were higher in 2014 than in 2007 in only nine countries, i.e. the Czech Republic, Estonia, Hungary, Ireland, Korea, the Russian Federation, the Slovak Republic, Slovenia and the United States. Considering the median in this sample, venture capital investments dropped by almost 30% between 2007 and 2014, in nominal terms[9].

The data regarding the year-on-year change in venture capital activities from 2012 to 2013, and from 2013 to 2014 show no clear trend, with the number of countries experiencing a decline and those displaying an increase roughly in balance. The increases in venture capital in some countries were encouraging, however. Indeed, measures intended to support venture capital investment seem to have produced a positive effect in a number of countries, with public and private co-investment in venture capital programmes being the prominent tool, alongside direct government funding. Regulatory changes also contributed to stimulating equity investment, as was the case in Ireland, Finland and Turkey.

Table 1.12. **Venture capital investments**

In USD million and 2007-14 percentage change

	2007	2008	2009	2010	2011	2012	2013	2014	2007-14 change (%)
Australia	680.3	755.8	532.7	367.8	246.5	331.3	252.9	265.9	-60.9
Austria	109.3	74.4	105.4	57.7	130.3	54.7	83.9	81.8	-25.2
Belgium	247.5	171.6	216.6	109.8	126.7	121.1	118.8	151.2	-38.9
Canada	..	..	..	..	..	..	..	1464.8	..
Czech Republic	5.7	46.6	39.2	30.5	14.6	6.7	3.8	12.0	109.7
Denmark	284.3	279.3	114.2	91.1	174.1	101.0	106.7	87.5	-69.2
Estonia	2.6	5.5	3.8	7.7	1.8	7.7	8.2	5.8	122.1
Finland	180.9	175.8	126.3	131.1	119.1	101.6	171.1	163.7	-9.5
France	1403.2	1599.7	1171.9	995.2	878.1	727.8	905.8	835.8	-40.4
Greece	26.0	47.9	23.2	6.6	13.7	0.0	6.4	0.3	-99.0
Hungary	14.4	18.8	1.7	23.7	55.6	84.1	22.2	42.6	196.9
Ireland	118.1	134.7	105.8	61.2	78.2	118.4	150.7	119.4	1.1
Israel	1196.0	1395.0	739.0	884.0	1226.0	868.0	895.0	1165.0	-2.6
Italy	179.2	163.2	88.1	97.1	96.1	101.6	80.7	44.8	-75.0
Japan	n.a.	n.a.	267.7	1283.4	1553.7	1284.6	1862.8	..	..
Korea	798.9	495.5	397.6	527.3	633.2	606.6	635.5	865.6	8.3
Netherlands	383.9	440.0	236.9	194.5	236.9	232.4	259.0	224.6	-41.5
New Zealand	60.2	46.5	21.2	68.0	28.9	21.7	44.9	46.3	-23.1
Norway	356.6	231.9	167.3	227.0	173.9	151.5	94.6	157.2	-55.9
Portugal	140.4	89.8	47.4	73.0	16.5	21.5	50.4	65.9	-53.1
Russian Federation	108.3	161.8	123.8	153.3	272.2	152.0	335.2	250.7	131.5
Slovak Republic	1.5	0.0	0.3	2.7	0.0	0.0	0.0	6.2	312.2
Slovenia	0.7	4.2	2.5	1.5	3.2	1.7	5.3	3.3	404.2
Spain	468.0	766.3	227.4	154.6	210.7	150.1	138.8	132.4	-71.7
Sweden	564.0	560.7	300.0	338.6	344.9	287.2	307.0	376.2	-33.3
Switzerland	379.4	249.2	312.9	240.7	280.3	233.4	243.8	224.1	-40.9
United Kingdom	2055.9	2237.7	1089.5	1021.2	1112.8	845.7	758.3	1112.6	-45.9
United States	3 2063.4	3 0397.7	2 0332.5	2 3444.3	2 9878.1	2 7592.5	3 0097.2	4 9532.4	54.5
Median Value	**214.21**	**173.69**	**126.29**	**131.10**	**173.91**	**121.09**	**138.84**	**151.17**	**-29.26**

Source: OECD (2015d).

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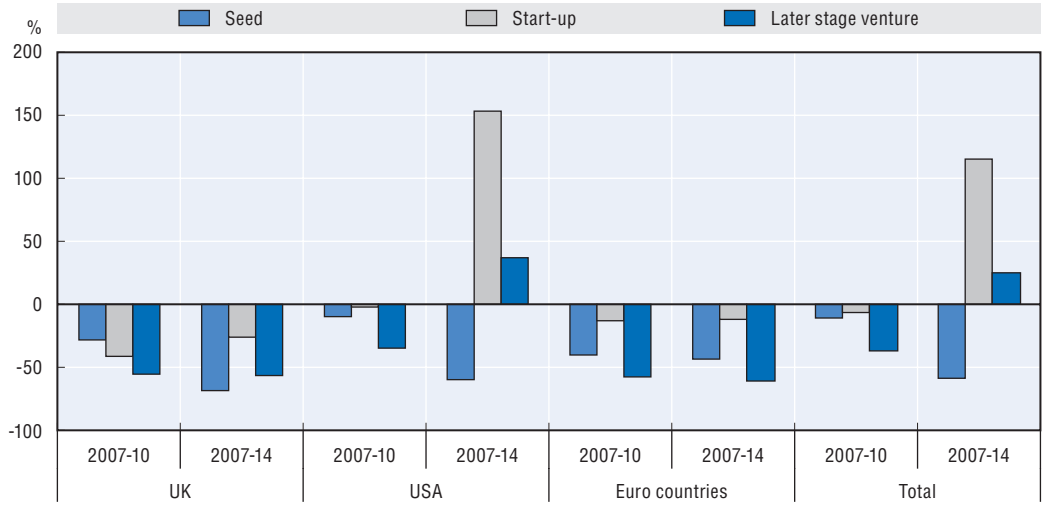
Between 2007 and 2014, venture capital investments in the seed stages of a company's life cycle more than halved, whereas investments in the start-up phase more than doubled and investments in the later stage expanded by around 25%, strongly suggesting that venture capitalists are moving away from financing ventures in their seed stage (see Figure 1.14)[10]. This trend is mostly driven by developments within the United States (which accounts for the majority of venture capital investments within the countries listed in Figure 1.14). Moreover, this trend is relatively recent; seed early stage investing declined only very modestly between 2007 and 2010, and then very sharply between 2010 and 2014.

Figure 1.14. **Change in venture capital investments by development stage, 2007-10 and 2007-14**

As a percentage



Notes: The Euro countries group 13 economies from the Euro area: Austria, Belgium, Estonia, Finland, France, Greece, Ireland, Italy, Netherlands, Portugal, the Slovak Republic, Slovenia and Spain.

Source: OECD (2015d).

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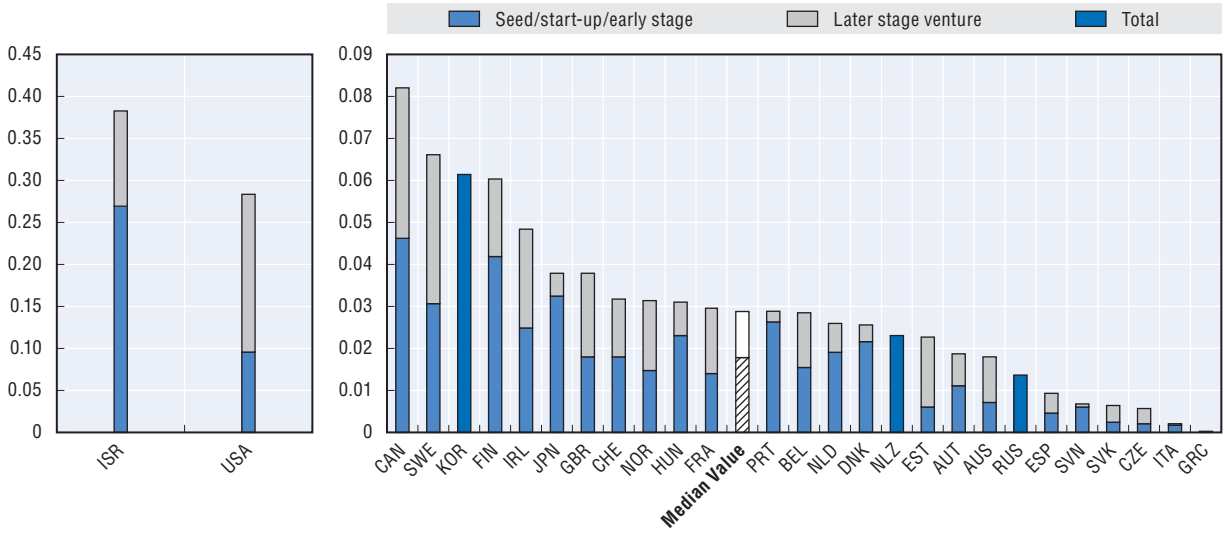
It should be noted that venture and growth capital investments continue to be very small compared with other funding sources, such as bank lending, asset-based finance or trade credit. Figure 1.15 illustrates that, except in Canada, Israel, Korea, Finland, and the United States, venture capital investments accounted for less than 0.05% of GDP in 2014. Even in Israel and the United States, where the venture capital markets are especially well developed, VC investments still account for less than 0.4% of GDP.

Venture capital markets are also traditionally underdeveloped in emerging economies. In 2012, for example, around 85% of all venture capital investments occurred in Europe and the United States. Recent developments suggest that some emerging economies are catching up, however, especially due to a very rapid expansion of venture capital activities in China and India, which accounted for respectively 18% and 6% of the worldwide venture capital investments in 2014 (Ernst & Young, 2015).

Figure 1.15. **Venture capital investments, 2014**

As a percentage of GDP



Note: Japan uses 2013 data. The median value refers to data from both graphs.

Source: OECD (2015d).

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Trends in venture capital investment are difficult to analyse and interpret because of the extreme volatility in the data. In particular, just one large deal can cause volatility in countries where the market is not very well developed. Also, equity financing is only relevant to a small subset of SMEs with specific needs and characteristics. In the United States, despite its vibrant equity market, data from the Small Business Administration shows that only around 300 of the 600 000 annual start-ups are funded by venture capitalists annually. Nonetheless, the importance of venture and growth capital should not be understated, as it commonly funds SMEs with very high growth potential who usually find it hard to access sufficient financing through other sources.

Business angel investing constitutes another source of equity financing, especially at the early stages of a firm's life. Evidence suggests that angel investments constitute a more important source of finance for SMEs than venture capital investments and were much less affected by the financial crisis. While data on venture capital investments are relatively reliable and comparable across countries, angel activities are currently not quantified in a satisfactory manner. The thematic chapter of the 2016 edition of the scoreboard is devoted to business angel activities. It outlines the importance of angels in the financial ecosystem, describes some recent developments and policy initiatives to encourage business angel activities, and suggests a way forward to improve the evidence base so as to explore possibilities to systematically collect information on angel investing in future editions of this publication. Public listings offer another potential source of equity capital for SMEs (see Box 1.3).

Box 1.3. **Public equity markets for SMEs**

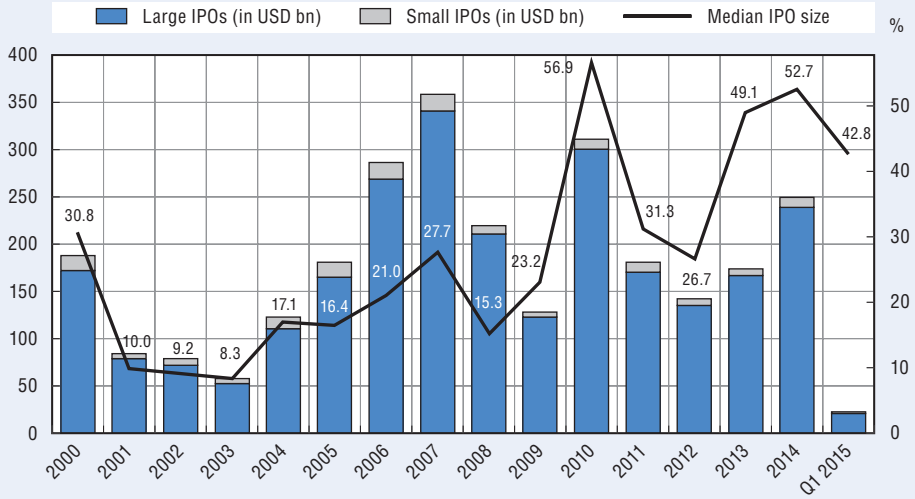
Public equity markets can provide suitable platforms for equity financing of SMEs with important growth prospects, offering an attractive and abundant alternative long-term financing source. A number of growth segments in regulated markets, multilateral trading facilities and specialised SME equity platforms have been established as an alternative, and precursor, to main exchange listings. SME growth markets offer more flexible listing criteria, eased disclosure requirements and comparatively low admission costs so as to cater to SMEs' inherent characteristics.

The benefits of public equity financing for SMEs extend beyond initial access to capital (Initial Public Offering – IPO) to repeat access to financing (follow-on raisings), increased creditworthiness, transparency, visibility and credibility by association with a dedicated ecosystem. Public accountability and increased reporting encourage better management, governance and monitoring. The investor base is extended (retail and institutional investors) and risk gets distributed more efficiently.

Public equity markets are to a large extent tapped by fast-growing, young companies, with a specific focus on the firms' risk and performance characteristics (Figure 1.16 and Figure 1.17). In terms of size, public equity markets are currently considered to be most beneficial to the upper end of the SME size spectrum, with bank intermediation still recognised as essential for coping with information asymmetries inherent in smaller seekers of finance.

Figure 1.16. **Global small IPOs issuance by proceeds and by age, 2000 – Q1 2015**

Issuance proceeds in USD billion, median IPO size in USD million (LHS), in number of IPOs and in % of total IPOs by age at the time of listing (RHS)



Notes: Global IPOs as defined in Footnote 6. Assuming a USD 50 million threshold as the cut-off for small IPOs. Excluding real estate investment trusts (REITs) and blank check companies or special purpose acquisition vehicles (SPACs).

Source: Factset, OECD calculations.

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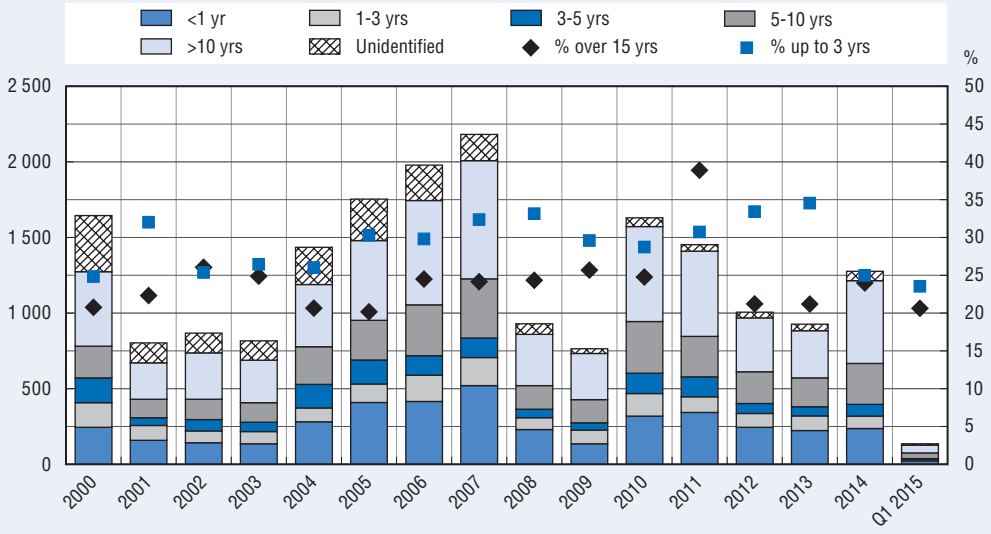
Accessibility of public equity markets by SMEs is mainly impeded by listing and compliance costs which are disproportionately high for small issuers, as one-size-fits-all regulation and stock market structures cannot equally serve large and small stocks. Proportionate regulatory and listing requirements are a way to ensure that the cost of public listing is appropriate for SMEs, while ensuring that this is not done at the expense of financial market stability. The entire market infrastructure for growth equity markets needs to be adapted to the inherent characteristics of SMEs, as is the case with growth markets in Europe under the Directive on markets in financial instruments (MiFID 2).

SMEs are faced with an educational gap that is prominent when it comes to tapping the equity markets. On the supply side, a dearth of investors is partially due to the lack of 'equity culture' in certain parts of the world, particularly when it comes to retail investors, as well as due to imbalances in the tax treatment

Box 1.3. **Public equity markets for SMEs** *(Cont.)*

Figure 1.17. **Breakdown of global IPOs by age of company at the time of listing, 2000 – Q1 2015**

In number of IPOs (l.h.s.) and in % of total IPOs (r.h.s.)



Notes: Excluding real estate investment trusts (REITs) and blank check companies or special purpose acquisition vehicles (SPACs), assuming a USD 50 million threshold as the cut-off for small IPOs. Age from year of founding to year of listing, rounded to full years for calculation purposes.

Source: Factset, OECD calculations.

StatLink http://dx.doi.org/10.1787/888933330772

of debt *vs*. equity. Retail as well as institutional investors may be dissuaded by inadequate liquidity in growth markets. There is a need for SME-specialised ecosystems (platforms, brokers, market-makers, advisors, equity research, investors) that can support small offerings, and improved economic incentives for participants that might help foster such healthy ecosystems.

Recognising the need for better access of SMEs to equity capital markets, there is a role for policy makers to catalyse institutional long-term investor participation in SME equities and reduce asymmetric tax treatment of debt and equity. High monitoring costs, absence of track records and information asymmetries are prominent obstacles for SME financing across the board, but can be addressed through measures and tools that improve transparency and that may also involve the public sector. Policy makers can help bridging the educational gap of SMEs, raising awareness of capital market financing options for SMEs and equipping them with the skills required to tap public markets.

Source: Nassr and Wehinger (2015).

Asset-based finance and crowdfunding activities

As deleveraging of the financial sector continues, SME dependence on bank finance is increasingly considered as problematic, and alternatives to traditional bank lending are being explored and encouraged by governments. Asset-based finance, through which firms obtain financing based on the value of a particular asset generated in the course of its business, rather than on its own credit standing, is a well-established and widely used alternative for many SMEs.

Asset-based finance comprises every form of finance that is based on the value of specific assets rather than on the credit standing and covers different instruments. Among these, leasing and factoring are most known and widely used in most parts of the OECD. In the case of leasing, 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 is a financial transaction whereby a business sells its accounts receivable to another party at a discount. Data from national sources, complemented by information from Leaseurope,[11] illustrate that the new production of leasing almost universally decreased dramatically after the financial crisis, and has not reached pre-crisis levels since. For the median country, leasing volumes fell by almost one-third between 2009 and 2008, and only recovered to 79% of the 2007-08 volumes. In Estonia, Portugal, Slovenia and Spain, new production of leasing more than halved in real terms between 2007 and 2014. China, Colombia, Sweden, Switzerland and Turkey are the only countries in this sample where inflation-adjusted leasing volumes were higher in 2014 than in 2007, with the 100-fold use of leasing in China being an absolute outlier (see Table 1.13).

Table 1.13. **New production in leasing, 2007-14**

Relative to 2007

Country	2007	2008	2009	2010	2011	2012	2013	2014
Data from Leaseurope								
Austria	1	1.06	0.69	0.74	0.77	0.60	0.67	0.59
Belgium	1	1.09	0.79	0.92	1.01	1.03	0.91	0.98
Czech Republic	1	0.96	0.48	0.54	0.57	0.52	0.51	0.54
Denmark	1	1.11	0.74	0.70	0.86	0.80	0.85	0.91
Estonia	1	0.72	0.24	0.28	0.45	0.56	0.50	0.48
Finland	1	0.94	0.73	0.74	0.85	0.82	0.75	0.80
France	1	1.01	0.82	0.88	0.95	0.93	0.88	0.94
Hungary	1	0.94	0.32	..	..	..	..	..
Italy	1	0.83	0.55	0.58	0.53	0.35	0.31	0.34
Netherlands	1	0.97	0.66	0.58	0.69	0.76	0.70	0.69
Norway	1	0.92	0.69	0.76	0.87	0.91	0.88	0.94
Portugal	1	0.94	0.68	0.68	0.42	0.26	0.26	0.33
Slovak Republic	1	1.11	0.64	0.68	0.77	0.76	0.74	0.80
Slovenia	1	1.14	0.57	0.54	0.51	0.41	0.41	0.37
Spain	1	0.68	0.34	0.42	0.34	0.27	0.26	0.35
Sweden	1	1.02	0.72	0.90	0.94	1.12	1.09	1.09
Switzerland	1	1.15	0.95	1.10	1.29	1.25	1.12	1.31
Data from the Individual Country Profiles								
Australia	1	0.92	0.68	0.66	0.68	0.78	0.67	0.75
China	1	5.98	14.38	25.54	31.49	51.43	68.50	103.36
Colombia	1	1.04	1.05	1.11	1.31	1.51	1.69	1.93
Greece	1	1.04	0.96	0.93	0.87	0.79	0.56	0.54
Japan	1	0.82	0.62	0.64	0.68	0.70	0.82	..
Turkey	..	1	0.73	0.67	0.87	0.92	1.27	1.40
United Kingdom	1	0.96	0.66	0.65	0.66	0.70	0.73	0.79
United States	1	1.01	0.83	0.73	0.57	0.58	0.61	0.61
Median Values (both data sources combined)	**1**	**1.00**	**0.69**	**0.69**	**0.77**	**0.77**	**0.73**	**0.79**

Note: 1. Data for Australia refers to leasing and hire purchases as flows. Japan refers to leasing alone, as stocks. Turkey uses 2008 as base year and has data on leasing and hire purchases. Other countries use leasing and hire purchases as stocks. 2. All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank.

Source: Leaseurope (2015) and data compiled from the individual country profiles.

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In recent years, a patchy and uneven recovery of leasing volumes is noticeable, however. New production in leasing rose in 16 countries year-on-year in 2014, while only five countries marked a decline, and volumes remained constant in two countries. More analysis is needed to assess the relative importance of demand-side factors, especially the potential decline or postponement of new investments in equipment, real estate, automobiles and so on, as well as supply-side factors in order to explain these divergent trends.

Data on factoring volumes are sourced from Factors Chain International (FCI), which provides data for 32 countries between 2007 and 2014[12]. With the exception of Hungary, Ireland, Japan, Norway, Serbia, the Slovak Republic and the United States, factoring volumes have generally expanded since 2007; volumes have often doubled between 2007 and 2013, and increased more than tenfold in China and Korea, albeit from a relatively low base. Between 2013 and 2014, factoring volumes further expanded in 23 out of 32 countries for which data is available; Chile, Japan, Mexico, Portugal, the Russian Federation, Serbia, the Slovak Republic, Spain and Sweden are the exceptions to this upward trend. This implies that factoring has generally become and is still becoming a more widely used and accepted alternative to liquidity-strapped SMEs over the last seven years. The data also suggest that the availability of factoring was not severely impeded by the outbreak of the financial crisis, in contrast with many other sources of finance. Table 1.14 summarises factoring volumes, and Box 1.4 provides background information on the use of factoring by SMEs in recent years.

Table 1.14. **Factoring volumes, 2007-14**

Relative to 2007

Country	2007	2008	2009	2010	2011	2012	2013	2014
Austria	1.00	1.20	1.23	1.52	1.62	1.94	2.46	2.81
Belgium	1.00	1.15	1.21	1.59	1.85	2.01	2.23	2.58
Canada	1.00	0.68	0.75	0.84	1.15	1.52	1.20	1.21
Chile	1.00	1.08	0.95	0.99	1.25	1.38	1.44	1.34
China	1.00	1.54	1.90	4.10	6.74	8.30	8.98	9.55
Colombia	1.00	0.96	1.06	1.19	1.99	1.77	2.70	3.39
Czech Republic	1.00	1.02	0.75	0.89	1.04	1.04	1.04	1.13
Denmark	1.00	0.62	0.80	0.87	0.99	0.93	0.93	1.08
Estonia	1.00	1.02	0.71	0.86	0.79	1.25	1.21	1.25
Finland	1.00	0.97	0.81	0.93	0.95	1.21	1.23	1.41
France	1.00	1.08	1.03	1.22	1.37	1.45	1.54	1.73
Hungary	1.00	0.98	0.75	0.97	0.80	0.73	0.71	0.74
Ireland	1.00	1.07	0.90	0.96	0.86	0.92	0.97	1.16
Israel	1.00	1.72	1.65	1.92	1.88	1.56	1.13	3.19
Italy	1.00	1.02	0.97	1.12	1.34	1.37	1.32	1.35
Japan	1.00	1.39	1.10	1.32	1.52	1.34	1.07	0.70
Korea	1.00	0.92	2.88	4.83	7.58	7.42	11.36	11.64
Mexico	1.00	0.98	0.21	1.38	1.90	2.27	2.40	2.10
Netherlands	1.00	0.92	0.92	1.06	1.39	1.49	1.53	1.56
Norway	1.00	0.80	0.85	0.79	0.81	0.87	0.76	0.80
Portugal	1.00	1.05	1.02	1.19	1.60	1.32	1.26	1.19
Russia	1.00	1.05	0.54	0.68	1.02	1.57	1.77	1.13
Serbia	1.00	1.48	1.51	1.74	2.95	2.85	1.93	0.85
Slovak Republic	1.00	1.13	0.81	0.70	0.82	0.71	0.73	0.71
Slovenia	1.00	1.37	1.32	1.34	1.12	1.32	1.25	1.12
Spain	1.00	1.17	1.22	1.32	1.42	1.44	1.34	1.30
Sweden	1.00	0.71	0.82	0.81	1.25	1.40	1.28	1.17
Switzerland	1.00	1.01	1.94	1.55	1.33	1.16	1.20	1.48
Thailand	1.00	1.02	0.89	0.85	1.20	1.67	1.27	1.55
Turkey	1.00	0.82	0.88	1.59	1.16	1.12	1.06	1.27
United Kingdom	1.00	0.64	0.65	0.73	0.85	0.90	0.94	1.05
United States	1.00	1.01	0.89	0.94	1.02	0.74	0.79	0.90
Median Value	**1.00**	**1.02**	**0.91**	**1.09**	**1.25**	**1.38**	**1.25**	**1.26**

Notes: All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank.

Source: Factors Chain International (2015).

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Box 1.4. **Factoring for SMEs**

Even though there is no direct information on the amount of factoring volumes directly flowing to SMEs, the vast majority of global users of factoring are small and medium sized enterprises[13]. In the United Kingdom, one of the most mature, established and penetrated markets, the national association's ABFA (the Asset Based Finance Association) data shows that almost all of their close to 44 000 clients, by number, fall within the European SME definition of sub EUR 50 million turnover: 90% of companies who used factoring as a source of finance report turnover below GBP 10 million, 8% between GBP 10 and 50 million and only 2% above GBP 50 million (AFBA, 2015).

There is no simple explanation as to why factoring has been growing relatively fast in recent years (Compound annual growth rate of 13%, 2009-14)[14] in contrast to other sources of finance (such as bank debt, venture capital, leasing). Several elements, both from a lender and user perspective probably contribute to the growth of the factoring industry.

From a lender's point of view, SMEs usually display diverse customer bases. Since the factor advances funds against the security of debts from them and not the SME itself, factoring therefore takes advantage of a better distributed spread of risk than SME loans. This feature has become more attractive in a world where financial institutions have become more averse to risks and are deleveraging. Moreover, realistic knowledge of the condition of the outstanding collectable debt is constantly kept up to date. In case of default by the SME, recovery is made from the debtors, not the SME, so the factor is well placed to advance (and recover) securely. This form of funding is therefore associated with low loss given default (LGDs) and non-performing loans are likely to bear a proportionately lower impact. Finally, factoring includes a value added service beyond the provision of funding. It therefore attracts a premium price over traditional lending and consequently has higher potential returns on equity and assets.

From a user's perspective, one of the main advantages of factoring is that users do not need to have other assets or be in business for a long time to access credit. The relative ease of attracting funding from factors and the "lightness" of their contracts has attracted more users in the aftermath of the financial crisis, as lending standards of commercial banks tightened in many countries. Moreover, the facility naturally grows with sales and is revolving and renewable without renegotiations. The factor can also provide ledger management, collection services and credit advice (and insurance, if required) as an integral, holistic approach to their cash flow management. Given the risk that late or non-payments entail to the cash flow position (and sometimes even the survival) of small businesses, this expertise is increasingly seen as a service worth its price.

Source: AFBA (2015), IFG (2014).

Crowdfunding is a financial technique to raise external finance from a large audience, rather than a small group of specialised investors, whereby each individual provides a small amount of the funding requested. An internet platform is typically used to match investors with businesses and other ventures seeking finance (OECD, 2014b). Although there is a paucity of systematically and internationally comparable data on crowdfunding activities around the globe, evidence strongly suggests that crowdfunding activities have been expanding very rapidly in recent years (see Box 1.5).

Box 1.5. **Crowdfunding and SMEs**

Based on data from 1 250 active crowdfunding platforms, Massolution, a research and advisory firm, estimates that crowdfunding volumes rose by 145% between 2013 and 2014 in North America to USD 9.46 billion. In Europe, a similar growth of 141% over the same period was observed, reaching volumes of EUR 3.26 billion. In Asia, crowdfunding activities increased by 340% year-on-year to a volume of USD 3.4 billion, thereby overtaking Europe and following an equally striking growth between 2012 and 2013. Massolution expects global crowdfunding volumes to roughly double in size between 2014 and 2015 with volumes again forecasted to expand most rapidly in Asia than in any other region of the world (see Table 1.15). Crowdfunding investing is expanding in Africa, Oceania and South-America as well, but from a very low base; 2015 volumes are not expected to surpass USD 100 million in each of these continents.

Crowdfunding's application to fund entrepreneurial ventures in return for a financial return has been gaining traction in recent years. Despite this trend, it should be noted that more than half of crowdfunding activities do not fund for-profit businesses and entrepreneurs, but rather social causes, artistic causes and real estate activities. In 2014, 41.3% of all crowdfunding activities were directed to for-profit business ventures for a total of USD 6.7 billion, sharply up from 30.7% in 2013.

Table 1.15. **Crowdfunding volumes in North America, Asia and Europe, 2012-15**

		2012	2013	2014	2015 (expected)
North America	Expected growth (%)		139.8	145	82
	Crowdfunding volumes, USD billion	1.61	3.86	9.46	17.3
Asia	Expected growth (%)		2600	320	210
	Crowdfunding volumes, USD billion	0.03	0.81	3.4	10.5
Europe	Expected growth (%)		42.1	141	98.6
	Crowdfunding volumes, USD billion	0.95	1.35	3.26	6.48

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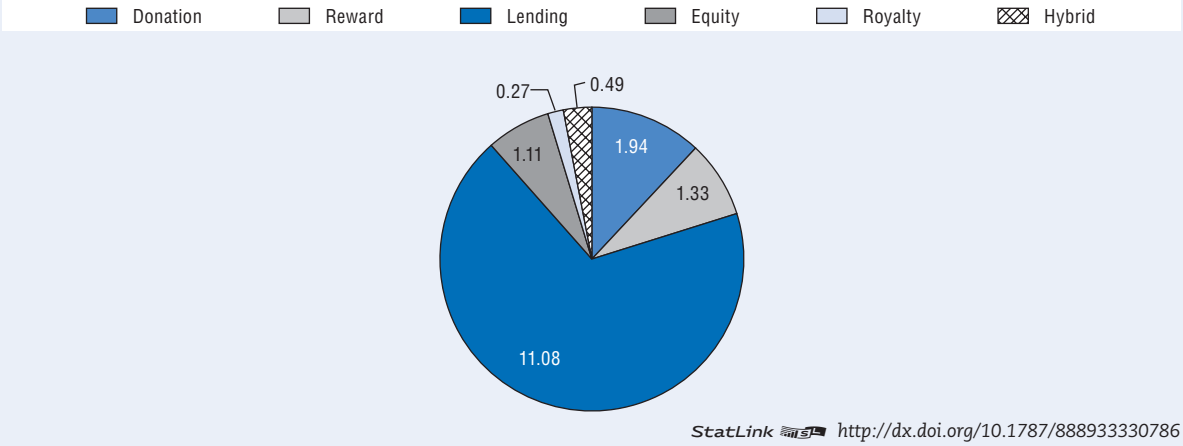
In 2014, more than two-thirds (68.3%) of global crowdfunding volumes were lending based, up from 56.5% in 2013 and 44.2% in 2012 (see Figure 1.18). The share of equity-based crowdfunding also rose from 4.3% in 2012 and 6.5% in 2013 to 6.9% in 2014, while hybrid and royalty-based models, almost non-existent a few years ago, are somewhat emerging. In contrast, the share of donation- and reward-based models is declining fast from a combined share of more than half of all crowdfunding volumes in 2012 to one-fifth in 2014.

Figure 1.18. **Global crowdfunding volumes by model**

In USD billion



StatLink http://dx.doi.org/10.1787/888933330786

Box 1.5. **Crowdfunding and SMEs** *(Cont.)*

It is important to keep in mind that, although crowdfunding activities have been following a logarithmic growth path in recent years, they remain a marginal source of finance in comparison with bank lending. In 2014, for example, new business loans for a value of more than EUR 73 billion were approved in Austria (with a population of roughly 8.5 million people), more than double the global forecasted crowdfunding volumes in 2015. In the United Kingdom, which is a frontrunner in the European crowdfunding market, only 2.2% of total visible equity investments were attributed to crowdfunding in H1 2014, up from 1.2% in 2013 and 0.2% in 2012 (British Business Bank, 2015).

Source: Massolution (2015).

Payment delays, bankruptcies and non-performing loans

Statistics on payment delays, bankruptcies and non-performing loans reflect problems in maintaining cash flows under different economic conditions. It was difficult to maintain cash flows when the recovery stalled and credit terms tightened, as was the case in many OECD countries after the financial crisis in 2008. This uneven recovery, and even reversal, in many places, is underlined by the decline in SME loan shares, as well as by an increase in interest rates and collateral requirements.

Payment delays

Information on payment delays covers 28 countries, some only partially, usually for the business-to-business (B2B) sector of all sizes. Most countries experienced a rise in payment delays, starting in 2009, which peaked in 2011 and 2012. Increases in payment delays are usually due to insufficient availability of funds, cash flow constraints in companies, liquidity constraints among clients, counterparties entering bankruptcy or going out of business – all of which are affected by the economic environment with a considerable time lag. In 2014, B2B payment delays decreased in 8 out of 18 countries with available data, remained flat in Finland and Switzerland, and increased in 8 countries (Austria, Belgium, Chile, Colombia, the Czech Republic, Greece, Korea and Sweden). Whereas between 2012 and 2013, the overall trend in B2B payment delays was generally down, most recent data show no clear discernible pattern. In countries like Canada, Finland, Korea, New Zealand and the Slovak Republic, payment delays in 2014 were lower than at the pre-crisis level of 2007. In other countries such as Austria, Israel, the Netherlands, Spain, the United Kingdom and, most notably, Greece, payment delays remain higher in 2013 and 2014 than in 2007 (Table 1.16).

Bankruptcies

The relatively favourable macro-economic conditions appear to significantly impact the number of SME bankruptcies. In comparison with 2013, bankruptcies were down in 20 out of 25 countries for which data are available, and increased in Hungary (where bankruptcy rates almost doubled), Italy, Norway, the Russian Federation and the Slovak Republic. In Australia, Denmark, Greece, Korea, the Netherlands, New Zealand, Portugal, Spain, Switzerland and the United States, bankruptcies decreased by 10% or more. This general downward trend is novel; year-on-year changes in the bankruptcy data showed a much more diverse picture between 2011 and 2013, and were almost universally on the rise in the aftermath of the financial crisis. Bankruptcy rates in 2014 were below pre-crisis levels

Table 1.16. **Trends in payment delays, 2007-14**

Country	Definition	2007	2008	2009	2010	2011	2012	2013	2014	2013-14 Growth rate *(in %)*
Austria	B2B average days overtime	..	8	8	11	12	11	12	13	8.33
	B2C average days overtime	..	20	16	6	11	11	9	9	0.00
Belgium	B2B average days overtime	..	..	17	17	15	19	18	19	5.56
	B2C average days overtime	..	..	12	12	16	16	14	12	-14.29
Chile	B2B	..	..	..	..	45	43	41	44	7.32
China	B2B average days overtime	..	..	..	..	..	..	95.91	72.31	-24.61
	B2C average days overtime	..	..	..	..	..	..	48.38	42.64	-11.86
Colombia	Average days overtime	48.8	50.2	60.8	62.3	66.4	25.6	82.2	91.4	11.19
Czech Republic	B2B average days overtime	..	..	..	15	17	16	14	15	7.14
	B2C average days overtime	..	..	..	12	13	11	10	10	0.00
Denmark	B2B average days overtime	7.2	6.1	12	12	13	12	10	9	-10.00
Estonia	B2B average days overtime	9	8	13	13	10	10	9	7	-22.22
Finland	B2B average days overtime	6	5	7	7	7	7	6	6	0.00
Greece	B2B average days overtime	4.6	4.3	6.7	8.7	14.1	23.4	31.8	33.5	5.35
Hungary	B2B average days overtime	16.3	19	19	15	22	20	..	..	..
Israel	Days Payable Outstanding		74	80	90	122	110	109	..	..
Italy	B2B average days overtime	..	23.6	24.6	20.0	18.6	20.2	19.9	18.5	-7.04
Korea	SMEs average days overtime	11	12.1	9.9	12.1	11.7	9.1	9.7	10	3.09
Netherlands	B2B average days	..	13.9	16	17	18	18	17	16	-5.88
New Zealand	B2B average days	43.1	50.8	44.5	44	45.6	40.1	39.6	37	-6.57
Portugal	B2B average days overtime	39.9	33	35	37	41	40	35	33	-5.71
	B2C average days overtime	..	..	30	32	34	30	30	30	0.00
Serbia	% all businesses overtime	..	..	33	31	35	28	28	..	..
Slovak republic	B2B average days overtime	19.7	8	13	17	20	21	19	17	-10.53
Spain	B2B average days overtime	7	6	16	14	9	13	21	..	..
Sweden	B2B average days overtime	6.9	7	8	8	8	7	7	8	14.29
Switzerland	B2B average days overtime	..	12	13	13	11	10	9	9	0.00
Thailand	B2B average days overtime	33	..	..	..	..	..	..	..	..
United Kingdom	B2B average days overtime	19.13	21.51	22.82	22.64	25.7	24.66	25.16	24.45	-2.82
United States	% B2B	..	..	..	..	..	..	25.9	..	..

Source: Data compiled from the individual country profiles.

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in 9 out of 25 countries (Australia, Austria, Canada, Greece, Japan, Korea, the Netherlands, New Zealand and the United States). In contrast, the number of bankruptcies more than doubled in the Czech Republic, Estonia, Hungary, Italy, the Slovak Republic and Spain over the same period (see Table 1.17).

While bankruptcy data over time are broadly indicative of the cash flow situation of enterprises, it should be highlighted that there are differences in the length of the bankruptcy procedures between countries, so that insolvent enterprises are not declared bankrupt at the same pace. Comparisons across countries, especially with respect to absolute levels of bankruptcies, should therefore be treated with caution. Legal and regulatory reforms that were introduced over this period can also affect the numbers. Switzerland, for example, simplified the de-registration procedure for inactive firms, which came into force at the beginning of 2008, and this reform significantly impacted the data on bankruptcies in the following years. Similarly, the sharp increase in the number of bankruptcies in Turkey between 2009 and 2012 can be largely attributed to a shortening of the procedures.

Table 1.17. **Trends in bankruptcies, 2007-14**

Relative to 2007 (2007=1)

		Relative to 2007 (2007=1)								2013-14 growth rate (in %)
		2007	2008	2009	2010	2011	2012	2013	2014	
Australia	per 10 000 firms	1	1.04	1.04	1.11	1.13	1.18	1.09	0.87	-20.41
Austria	all firms	1	1.00	1.10	1.01	0.93	0.96	0.87	0.86	-0.66
Belgium	all firms	1	1.10	1.23	1.25	1.33	1.38	1.53	1.40	-8.55
Canada	per 1 000 firms	1	0.95	0.84	0.65	0.61	0.55	0.51	0.48	-4.96
Chile	all firms	1	1.05	1.04	1.13	1.22	1.22	1.39	..	..
Colombia	all firms	1	2.88	4.52	4.82	5.39	3.52	4.73	4.27	-9.62
Czech Republic	all firms	1	1.07	1.49	1.62	1.78	1.95	2.25	2.15	-4.45
Denmark	all firms	1	1.54	2.38	2.69	2.28	2.27	2.08	1.69	-18.91
Estonia	SMEs	1	2.09	5.22	5.09	3.08	2.45	2.27	2.12	-6.75
Finland	% of firms	1	1.11	1.33	1.11	1.22	1.22	1.33	..	..
France	all firms	1	1.08	1.23	1.18	1.16	1.19	1.22	1.22	-0.08
Greece	all firms	1	0.70	0.69	0.69	0.87	0.81	0.76	0.64	-15.82
Hungary	per 10 000 firms	1	1.10	1.39	1.52	1.83	1.97	2.46	4.22	71.32
Italy	all firms	1	1.22	1.52	1.83	1.97	2.04	2.30	2.55	11.22
Japan	all firms	1	1.11	1.10	0.95	0.90	0.86	0.77	0.69	-10.35
Korea	all firms	1	1.19	0.87	0.68	0.59	0.54	0.44	0.37	-15.98
Netherlands	all firms	..	..	1.00	0.89	0.88	1.05	1.18	0.95	-19.49
New Zealand	all firms	1	0.69	0.70	0.85	0.76	0.68	0.61	0.53	-13.37
Norway	only SMEs	1	1.50	2.16	1.90	1.81	1.60	1.87	1.92	2.98
Portugal	all firms	1	1.35	1.46	1.57	1.82	2.56	2.31	1.54	-33.35
Russian Federation	all firms	..	1.00	1.11	1.15	0.92	1.01	0.94	1.04	10.32
Slovak Republic	all firms	1	1.49	1.63	2.04	2.22	2.13	2.33	2.43	4.06
Spain	only SMEs	1	2.79	5.02	4.74	5.49	7.47	8.28	5.72	-30.92
Sweden	only SMEs	1	1.09	1.32	1.26	1.20	1.29	1.33	1.24	-7.05
Switzerland	all firms	1	0.98	1.21	1.45	1.54	1.59	1.51	1.36	-9.67
United Kingdom	all firms	1	1.12	1.19	1.18	1.34	1.29	1.32	1.28	-2.82
United States	all firms	1	1.54	2.15	1.99	1.69	1.41	1.17	0.95	-18.76
Median Value		**1**	**1.11**	**1.23**	**1.25**	**1.33**	**1.29**	**1.33**	**1.32**	**-7.80**

Notes: 1. The Russian Federation uses 2008 as base year. The Netherlands uses 2009. 2. Finland uses the percentage of firms in bankruptcy proceedings.

Source: Data compiled from the individual country profiles.

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Non-performing loans

Data on non-performing loans have to be interpreted carefully, as the definition and methodology vary substantially from one country to the other. As Table 1.18 illustrates, a first hurdle to the comparability of available data is that not every country has specific data on SME non-performing loans as a percentage of SME loans, but some rather provide evidence on NPLs as a proportion of all business lending. As NPLs are generally more prevalent among smaller enterprises, this poses a first challenge to the comparability of the data. OECD (2015c) gives more insight into other limitations of the data in this publication on NPLs, why there is a clear need for harmonisation, as well as an analysis of the broader implications of NPLs for access to finance and economic growth.

Despite these shortcomings, the data clearly suggest an almost universal increase of NPLs in the aftermath of the financial crisis between 2007 and 2009, with only Malaysia and Thailand bucking this trend. In Australia, Canada, China, Colombia, Estonia, Georgia, Korea, Malaysia, Sweden, Thailand, Turkey and the United States, NPLs decreased sharply after 2009, often bottoming out at a level lower than was observed in the pre-crisis period.

The median value for the proportion of NPLs also declined considerably between 2009 and 2014. Contrasting this general trend, NPL rates kept rising between 2010 and 2014 in Hungary, Ireland, Italy, Greece, Portugal, Serbia and Spain (see Table 1.18).

Table 1.18. **Non-performing loans, 2007-14**

As a percentage of loans

Country	2007	2008	2009	2010	2011	2012	2013	2014
SME NPLs as a percentage of total SME loans								
Canada	0.69	1.03	1.41	0.79	0.58	0.42	0.33	0.35
Chile	..	..	7.12	6.61	6.47	6.33	7.09	7.06
China	..	..	3.83	2.52	1.75	1.65	1.66	..
Colombia	2.52	3.66	5.05	3.68	2.80	2.91	1.15	1.54
Estonia	0.95	3.59	7.36	8.17	6.31	5.18	3.27	2.96
Finland	1.10	1.80	3.40	4.00	4.50	4.60	5.40	..
Georgia	..	..	..	10.33	8.68	6.40	4.97	4.16
Italy	6.83	7.27	8.53	9.42	10.55	11.95	14.33	16.72
Korea	0.93	1.83	1.54	2.27	1.74	1.64	1.64	1.49
Malaysia	..	7.12	6.28	7.50	5.77	4.52	3.70	3.17
New Zealand	..	..	2.73	2.91	2.79	2.74	2.39	1.70
Portugal	2.15	2.89	4.97	5.44	8.20	12.17	15.62	17.34
Russian Federation	..	2.90	7.56	8.80	8.19	8.39	7.08	7.71
Serbia	6.72	10.56	18.86	21.00	22.64	26.39	28.43	28.88
Slovak Republic	..	..	..	..	..	9.90	9.40	9.80
Thailand	7.90	6.80	7.60	4.50	3.60	3.30	3.10	..
Turkey	3.75	5.04	8.28	4.70	3.20	3.27	3.22	3.38
United States	2.10	2.62	3.37	2.65	1.92	1.42	1.20	1.23
Median value	**2.15**	**3.59**	**5.67**	**4.70**	**4.50**	**4.56**	**3.48**	**3.38**
NPLs as a percentage of total business loans								
Australia	0.50	2.07	3.27	3.55	3.16	2.68	2.03	1.39
Chile	..	..	2.47	2.17	2.13	2.24	2.44	2.59
China	..	..	2.58	1.76	1.26	1.21	1.25	..
Colombia	0.95	1.27	1.59	1.07	0.99	1.02	0.85	1.02
Czech Republic	3.06	4.15	7.90	8.96	8.17	7.31	7.12	6.50
Finland	0.31	0.39	0.67	0.62	0.96	1.03	1.01	1.06
France	2.77	2.85	3.60	3.42	3.01	3.12	3.23	3.20
Georgia	4.05	22.17	29.89	20.41	14.82	16.23	13.96	14.72
Greece	4.60	5.10	7.80	10.50	16.00	24.50	31.90	33.80
Hungary	..	..	..	9.49	13.09	16.11	14.70	12.38
Ireland	..	..	..	..	23.53	28.21	28.89	29.09
Japan	4.67	4.69	4.66	4.73	4.96	5.06	4.55	..
Malaysia	..	5.38	4.16	4.60	3.64	2.69	3.50	3.08
Mexico	..	..	1.92	1.93	2.17	2.09	3.61	3.19
New Zealand	..	..	1.74	2.08	1.77	1.46	1.04	..
Portugal	1.82	2.44	4.23	4.62	6.97	10.56	13.45	15.04
Russian Federation	..	..	3.79	3.57	2.84	2.96	2.64	3.31
Serbia	..	14.56	19.84	20.70	22.33	19.20	24.50	..
Slovak Republic	..	..	6.81	8.36	8.29	7.85	8.27	8.61
Spain	0.74	3.67	6.25	8.09	11.64	16.06	..	..
Sweden	0.08	0.46	0.83	0.78	0.65	0.70	0.61	0.56
Turkey	5.44	5.63	8.35	5.69	4.16	4.48	4.21	4.18
United States	1.14	1.70	3.66	3.54	2.08	1.38	1.03	0.80
Median value	**1.82**	**3.67**	**3.79**	**4.09**	**3.64**	**3.12**	**3.56**	**3.25**

Notes: 1. Canada reports a 90-day delinquency rate for small businesses, as a percentage of loans outstanding. 2. The United States reports total non-performing loans as a percentage of total SME loans.

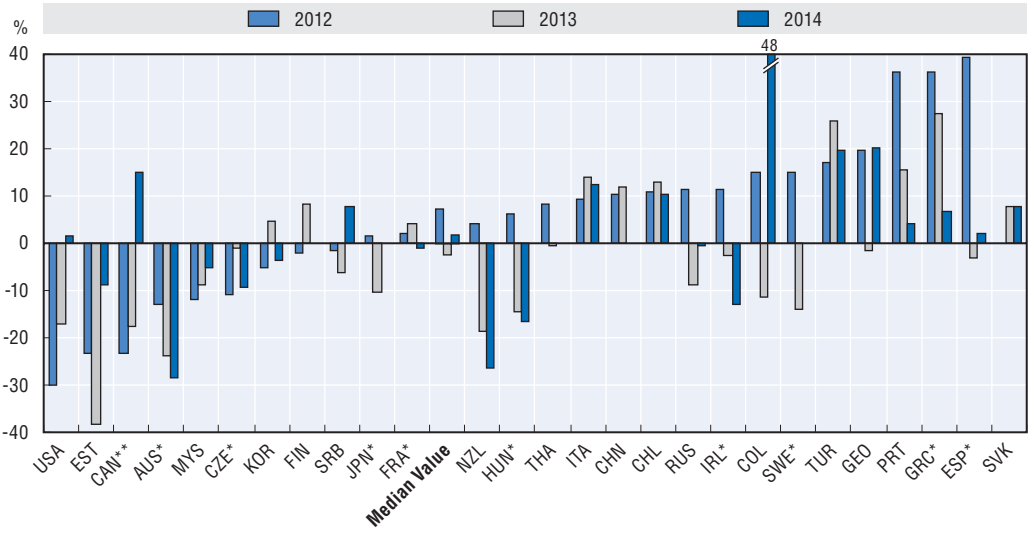
Source: Data compiled from the individual country profiles.

StatLink http://dx.doi.org/10.1787/888933332008

Figure 1.19 confirms the divergent pattern in SME NPLs in recent years. Whereas NPL rates have declined since 2007 in countries such as Australia, the Czech Republic, Estonia, Malaysia and the United States, and remained roughly constant in Finland, France, Japan, Korea, the Russian Federation, Serbia, the Slovak Republic and Sweden, NPL rates (further) increased in China, Greece, Italy, Portugal, Spain and Turkey over the last three years.

Figure 1.19. **Trends in non-performing loans, 2012-14**

Year-on-year percentage change



Notes: *Data on total non-performing loans. **Canada reports on the 90-day delinquency rate for small businesses.

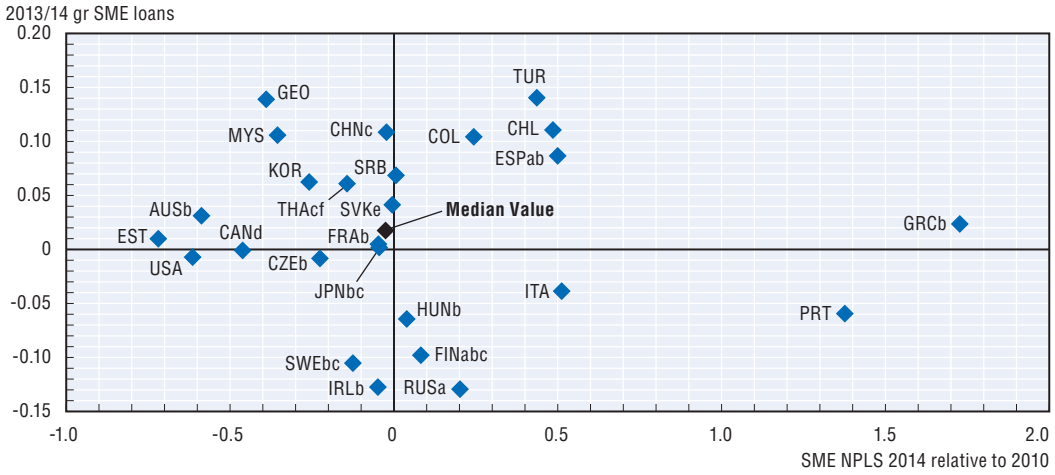
Source: Data compiled from the individual country profiles.

StatLink http://dx.doi.org/10.1787/888933330798

Figure 1.20 suggests a negative correlation between SME loan growth in 2014 and the evolution of NPLs between 2010 and 2014. Countries where NPLs increased over the last four years, most notably Finland, Italy, the Russian Federation and Portugal, also observed a fall in credit lending for SMEs in 2014. Conversely, 2014 SME loan growth was positive in a majority of participating countries which experienced a fall in the NPL rate since 2010. Greece and Spain observed a rise in the level of NPLs in combination with an increase in SME lending, but only after credit lending had declined dramatically between 2010 and 2013. Turkey, where both NPLs and credit lending increased substantially in 2014, is an outlier. The pattern depicted in Figure 1.20 suggests that high and rising levels of NPLs have a significant impact on business lending, in particular for small and medium-sized enterprises.

Figure 1.20. **Trends in SME loan growth in 2014 and increase in SME NPLs over 2010-14**

As a percentage



Notes: Data on total non-performing loans. a. Refers to countries with flow data on SME loans. b. Refers to countries with data on total NPL c. Refers to countries with SME NPLs 2013 and 2012/13 growth. d. Canada reports on the 90-day delinquency rate for small businesses. e. Data for SME NPLs in Slovak Republic is relative to 2012. Definitions differ across countries.

Source: Data compiled from the individual country profiles.

StatLink http://dx.doi.org/10.1787/888933330800

Government policy responses in 2014-15

SME finance remains high on the political agenda in most areas of the world, and many participating countries developed policy initiatives in 2014 and the first half of 2015 to ease access to sources of finance, in addition to the wide range of policy instruments many governments already had in place. Based on information from the 37 participating countries, five broad emerging policy developments can be discerned and are highlighted with recent examples below. Part 2 of this publication provides more information on policies in this area for each participating country.

a. Credit guarantees remain the most widely used instrument to ease access to finance for SMEs

Governments responded to the global financial crisis and its effects on SME financing with a variety of instruments. The use of government loan guarantees to secure bank lending to SMEs continued to be the most widespread measure among participating countries. Most countries have a credit guarantee scheme in place, with the exception of Australia, China, Georgia, Malaysia, New Zealand and Sweden. As Table 1.19 illustrates, these instruments gained importance in many countries as SME lending came under duress. In 2014, government loan guarantees continued to be a prominent policy to support lending to SMEs. This comes after a major increase in the use of government loan guarantees in 2009 in countries like Belgium, Chile, the Czech Republic, Estonia, France, Israel, Italy, the Netherlands, Spain and Turkey.

A majority of these countries decreased the scope of their loan guarantee schemes in the following years, particularly in 2011. More recently, government spending on loan guarantees shows a more diverse picture. While the value of loan guarantees for all

participating countries combined remained roughly constant in real terms between 2013 and 2014, the real-term value of loan guarantees increased in nine countries and declined in eight others. As a consequence, government loan guarantees most often remained much more important in scope in 2014 than in 2007. The inflation-adjusted median value of credit guarantees provided to SMEs rose by 45% between 2007 and 2014. All participating countries, except for Austria, Finland, Greece and the Slovak Republic, which have adopted a credit guarantee system and for which data are available, spent more resources on guaranteeing bank loans in 2014 than in 2007, even when adjusting for inflation. The amounts invested increased by a multiple over the 2007-14 period in Belgium, Chile, Colombia, Denmark, Estonia, Israel and Turkey.

Table 1.19. **Government loan guarantees for SMEs, 2007-14**

Country	Unit	2007	2008	2009	2010	2011	2012	2013	2014	Change 2014-13	Change 2014-07
Austria	EUR million	341	161	206	165	134	146	152	154	1.35	-54.85
Belgium*	EUR million	78	154	400	527	295	242	431	..	78.10	452.56
Canada	CAD billion	1.20	1.25	1.18	1.25	1.20	1.00	0.99	1.33	33.95	10.62
Chile*	CLP billion	203	190	529	896	994	1829	1622	..	-11.00	700.00
Colombia	COP trillion	564	1 288	1 635	1 682	2 537	2 658	2 402	4 897	103.87	786.00
Czech Republic	CZK million	1 925	3 458	6 080	6 389	458	1 468	3 061	3 680	20.00	91.00
Denmark	EUR million	23	16	20	85	135	137	94	56	-40.43	143.48
Estonia	EUR million	15.0	17.7	33.4	38.3	28.4	37.1	28.1	35.7	27.11	137.84
Finland	EUR million	416	425	451	424	460	368	334	414	23.98	-0.56
France	EUR million	5 850	6 701	10 994	11 467	9 398	7 993	8 362	7 251	-13.28	23.96
Greece	EUR million	19 929	22 271	23 886	20 759	18 348	17 763	16 220	15 875	-2.13	-20.34
Hungary	HUF million	308 800	335 494	375 157	338 614	301 650	213 994	288 850	279 758	-3.15	-9.40
Israel	NIS million	170	107	714	956	812	1 236	1 738	1 631	-6.16	859.60
Italy	EUR billion	2.3	2.28	4.7	8.7	7.87	7.55	9.86	11.75	19.17	410.87
Japan	JPY billion	29 368	34 375	36 521	36 521	36 534	34 319	32 069	29 348	-8.48	-0.07
Korea	KRW billion	39 730	41 722	52 890	51 081	49 616	50 446	52 322	52 736	0.79	32.74
Mexico	MXM million	825	1 069	1 763	2 006	2 488	2 402	2 893	3 233	11.74	291.90
Netherlands	EUR million	..	391	360	909	999	560	389	446	14.55	14.09
Russia	RUB million	..	..	..	..	..	51 079	64 539	70 660	9.48	..
Slovak Republic	EUR million	82.0	96.2	79.7	68.5	80.9	83.2	36.3	25.0	-31.09	-69.52
Slovenia	EUR million	3.3	21.3	41.8	30.8	17.7	2.8	..	..	..	..
Spain	EUR million	5 550	7 538	10 746	9 848	11 688	10 693	12 550	8 776	-30.07	58.13
Thailand	THB billion	..	..	..	58	76	123	223	..	..	..
Turkey*	TRY million	53	285	565	939	1123	1114	1061		-5.00	1906.00
United Kingdom	GBP million	n.a.	n.a.	597	489	295	256	295	255	-13.48	..
United States	USD billion	20.6	15.8	14.9	21.6	17.6	21.0	20.6	22.0	6.96	6.69
Median value										**1.07**	**45.43**

Notes: 1. All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators, World Bank. 2. *2014 data is not available and data for 2013 is used instead.

Source: Data compiled from the individual country profiles.

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Credit guarantee schemes are continuously being revised and their offer supplemented to keep up with the shifting demands of their beneficiaries. The Russian Federation, for example, introduced a nation-wide guarantee system in 2015 with an authorised capital of RUB 50 billion (around USD 1.4 billion), complementing the products offered by the existing regional organisations and coordinating their activities. Novel features have been recently introduced in the credit guarantee systems of other countries. Mexico, for example, which has an open-ended and relatively large-scale guarantee programme, set up an auctioning

system whereby financial institutions can bid for the right to obtain guarantees. The increased use of credit guarantees in Italy has been bolstered by progressive changes in its endowment, expansion of its eligibility criteria, and the provision of a government backstop guarantee, ensuring a more favourable prudential treatment of guarantees and relieving banks from capital charges for loans covered by the Central Guarantee Fund. The Irish guarantee scheme, introduced in 2012, was reviewed in 2014 and this evaluation is expected to result in a number of adjustments in the scheme, such as coverage of a wider range of financial products, an increase in the portfolio cap, and the removal of the annual portfolio cap. In addition, guarantees for refinancing loans where an SME's bank has exited or is exiting the Irish SME market, are allowed since 2015. Box 1.6 provides further insights into recent developments with respect to credit guarantee schemes.

Box 1.6. **Credit guarantee schemes: novel features and recent developments**

AECM, the European Association of Guarantee Institutions, monitors developments in credit guarantee schemes in Europe and beyond, working in close cooperation with guarantee networks like the Asian Credit Supplementation Institution Confederation (ACSIC), REGAR (the Red Iberoamericana de garantias – their counterpart in Latin-America, plus Portugal and Spain) and organisations such as the World Bank, the US Small Business Administration (SBA) and the OECD. It publishes a half-yearly scoreboard based on the figures submitted by 32 out of its 41 members, of which 39 carry out a guarantee activity.

AECM's findings identify a number of trends in recent years. More and more countries combine financial with coaching support. Since 2010 INVEGA/ Lithuania has been offering training courses for unemployed people or new entrepreneurs. The Slovene Enterprise Fund/ Slovenia is about to set up a combination of financial and coaching support. At the same time, other AECM members have long been providing advice to their borrowers as an integral part of their mission. The Spanish Sociedades de Garantía Recíproca (SGR, Mutual Guarantee Societies) or the French SOCAMA indeed perceive this task as part of their daily activity in supporting SMEs due to the specific expertise and non-profit orientation of their organisation.

In addition, an increasing number of AECM members are offering SMEs the opportunity to first receive the approval of a guarantee and request a loan only afterwards. Since 1998, German banks have for instance been offering a product called "Bürgschaft ohne Bank" ("Guarantee without bank") which in some regions of Germany now makes up 50% of total guarantee activity. The product is particularly targeted at business founders and entrepreneurs to whom a business gets transferred, since those often lack collateral, which prevents them from obtaining credit without guarantee approval. Other examples are HAMAG-BICRO/ Croatia, the Portuguese Mutual Guarantee Societies, the Guarantee Fund of the Republic of Srpska/ Bosnia and Herzegovina or the French SIAGI, all offering a letter of intent, i.e. a certificate with a binding approval of a guarantee.

In addition, the increasing importance of intangible investments or assets has led to a greater role for guarantee banks. Entrepreneurs whose businesses are knowledge-based generally dispose of little collateral, or collateral in the form of intangibles such as intellectual property rights. To address this challenge, aws/ Austria started a pilot in spring 2015, issuing guarantees for bank loans which are secured by intellectual property rights, thus helping banks to build the corresponding capacity to evaluate such collateral.

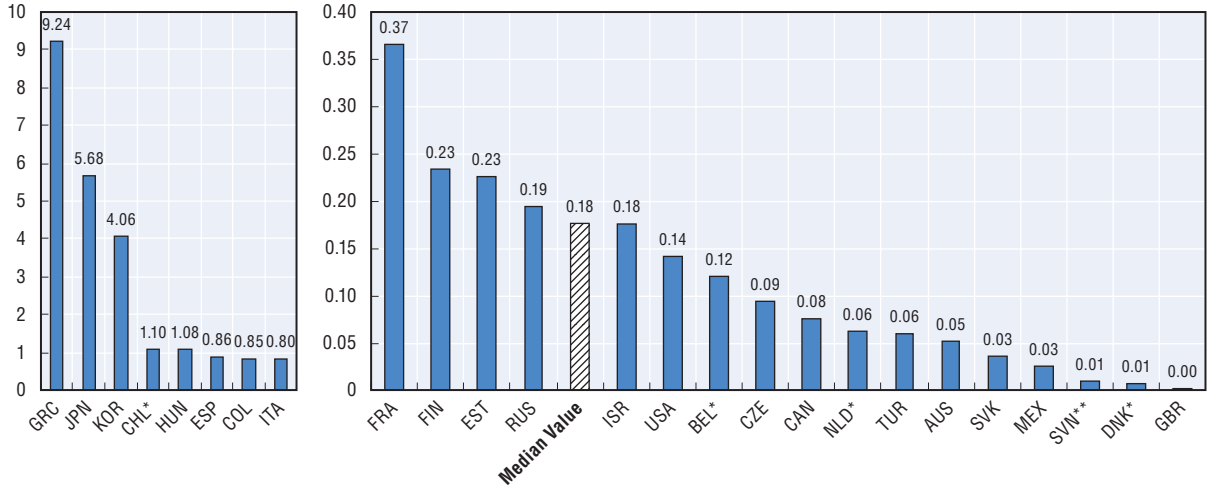
Finally, many of AECM's members have started providing guarantees for specific innovative products. For example, the Guarantee Fund of Autonomous Province of Vojvodina (Novi Sad/ Serbia) started in 2007 with the provision of guarantees for energy-efficient projects, as well as for projects in which renewable energy resources are used. Another example is the Agricultural Credit Guarantee Fund (Vilnius/ Lithuania), providing guarantees for innovative projects like renewable energy (biofuels, wind and solar power stations, new technologies, etc.) since 2013. Further members are about to launch a guarantee for innovative SMEs including, for instance, Bank Gospodarstwa Krajowego (BGK/ Poland).

Source: AECM.

When measured as a percentage of GDP, credit guarantees are more widely used in Greece (9.2%) than in any other country for which data are available, followed by Japan (6.7%) and Korea (4.1%). In most other countries, the value of credit guarantees represents considerably less than1% of GDP (see Figure 1.21).

Figure 1.21. **Government loan guarantees for SMEs, 2014**

As a percentage of GDP



Notes: 1. The median value refers to all depicted countries in both graphs. *Countries where 2014 data is unavailable make use of 2013 data. 2. Slovenia uses 2012 data.

Source: Data compiled from the individual country profiles.

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b. Guarantees and direct lending schemes are increasingly targeting young innovative firms more explicitly

The Austrian Government amended the regular framework in July 2014 to enable the Austria Wirtschaftsservice GmbH (aws), its federal promotional bank, to disburse more SME loan guarantees to young innovative ventures. In January 2015, aws and the EIF signed a loan counter-guarantee agreement, which will provide aws with a total counter-guarantee volume of EUR 290 million allowing the Austrian federal promotional bank to increase its guarantee volumes to SMEs with limited collateral, as well as to innovative mid-caps.

Following reforms and starting in 2015, Finnvera, the Finnish state-owned financing company, is better equipped to provide guarantees and direct loans to riskier segments of the SME market, such as start-ups, growth companies and companies expanding their international operations.

Japan's public financial institutions are turning towards companies where business risks are particularly high and which therefore are more likely to be excluded from the private financial sector. These include start-ups, enterprises that are setting up or expanding their international activities, businesses which face external shocks such as natural disasters and financial/economic crisis, and enterprises undergoing a major transition, such as business turnaround.

New Zealand introduced a programme for repayable grants in July 2014 for high-growth, early-stage enterprises commercialising intellectual property, as part of its technology-focussed incubators programme. Funding of up to NZD 450 000 per business can be provided and are repayable as a royalty of 3% on the incubated firm's gross revenues.

The United Kingdom will pilot the "Help to Grow" scheme in 2015, which aims to provide debt capital to firms which are unable to obtain bank finance due to their high risk profile. The scheme will provide "Growth Loans", which go beyond senior debt in terms of risk appetite, often referred to as unitranche, mezzanine, stretch debt, venture debt or long-term patient capital. They are typically unsecured, with a proportion of the financial return deferred and, in some cases, linked to the future success of the business.

c. The overreliance on bank debt is increasingly acknowledged

Policy makers around the world increasingly acknowledge that small businesses are too reliant on bank financing compared to large enterprises. This was, for example, one of the main conclusions of an independent inquiry of the Australian financial system, commissioned by the Australian Government and released in December 2014. Unnecessary distortions, such as information imbalances and regulatory barriers to market-based funding, were identified as structural impediments to SMEs' access to financial instruments other than bank debt.[15] A recent report by InterTradeIreland, the Irish Trade and Business Development Body, identified the high dependence of Irish SMEs and their very limited use of non-bank formal sources of finance as a major weakness (InterTradeIreland, 2013).

The UK Government set up a new public financial institution, the British Business Bank, which has been in operation since November 2014. One of the explicit objectives of this institution is to create a more diverse finance market for smaller businesses with a greater choice of options and providers, and to increase the understanding of small business owners and managers of the financing options available. As of 31 March 2015, more than 43 000 SMEs have benefitted from British Business Bank programmes. In addition, the UK Government introduced two new pieces of legislation intended to improve competition in SME finance markets. First, banks are now obliged to offer a referral to an online finance platform to those businesses whose credit applications were rejected, with the aim of enabling businesses to find alternative sources of finance after being turned down by their bank. The second legislation requires banks to share credit information on SMEs with credit reference agencies. The objective is to encourage new and smaller finance providers to enter the market.

The Chinese Government aims to broaden the financial instruments available to and used by its small businesses. In 2014, the government approved the establishment of 68 trust companies, 196 finance companies, 4 larger asset management companies, 30 larger finance-leasing companies, and 5 private banks to allow for more competition in the SME finance space. In addition and towards the same end, the central bank initiated a re-lending programme specific to micro-banking institutions for SME lending and announced that it would lower the deposit reserve ratio for specific SME-lending institutions. 8 791 small credit companies were in operation in 2014, providing about RMB 942 billion of loans to small businesses. Likewise in 2014, China implemented a regulatory and supervision framework for on-line payment and P2P products with the view to allow small businesses to make greater use of innovative financial products.

Action to diversify the sources of finance used by SMEs was identified as a policy priority for the French Government in 2014-15. Although many new initiatives have seen the light in recent years, the uptake of financial instruments other than straight bank debt has been slow so far. Policy initiatives to encourage the use of bond financing for SMEs seem to have had little effect up to now, while equity markets only serve a very small fraction of French SMEs. Crowdfunding volumes doubled between 2013 and 2014, but remain marginal

compared with bank lending. As a further stimulus to broaden the range of instruments, the recently adopted Law on Activity and Growth (*Loi Macron*) makes peer to peer short-term lending between firms possible and creates a regulatory framework for the government to facilitate asset-based financing (on inventory) and to encourage regional stock exchanges.

The Italian Government, in recognition of the vulnerabilities of its SME sector to withstand shocks in its banking system, began to regulate the issuance of short- and medium- term debt instruments by unlisted firms other than banks and micro enterprises in 2012. The average size of the issuances dropped to about EUR 30 million in 2014, down from EUR 270 million in 2013, illustrating an increased participation of medium-sized firms in the bond market.

The Turkish parliament enacted a new "Leasing, Factoring and Financing Companies Law" in November 2012, and two secondary regulations came into force in late 2013 with the specific aim of increasing the activities of leasing, factoring and financing companies to make Turkish enterprises less dependent on banks for their financing needs. Both, factoring and leasing volumes have expanded significantly since the enactment of the reforms.

d. There is an increased effort to stimulate equity-type financial instruments in particular

The Belgian federal Government recently initiated its "Start-up plan", which aims to encourage private equity investments and stimulate entrepreneurship more broadly. A notable measure is the July 2015 introduction of tax incentives for individuals investing equity in Belgian firms less than four years old and with fewer than 50 employees, either directly or through crowdfunding platforms or investment funds. The tax advantage amounts to a 30% tax cut on the investment, with a ceiling of EUR 100 000 per year and per taxpayer. The personal income tax cut amounts to 45% even if the start-up is a micro-enterprise or a very small business (less than 10 employees). The private investor has to keep his shares in the start-up for at least four years to benefit from this tax break.

The Canadian "Venture Capital Action Plan," a comprehensive strategy to reinvigorate the venture capital market in Canada, announced in 2013, is being implemented. An aggregate investment of CAD 50 million will be disbursed to carefully selected venture capital funds and a further CAD 350 million will be invested in large-scale private sector-led funds of funds alongside provinces and the private sector in the next years.

In recognition of the lack of equity capital for fast-growing ventures, the Chinese Government actively encourages small businesses to seek finance through its "National Equities Exchange and Quotations (NEEQ)" market. In 2014, about 180 counties, industrial districts from 27 provinces, offered financial subsidies to new listed companies in NEEQ. The subsidy amounts to RMB 0.3 to 2 million per listed company. Incentives for investors are also provided; 50% of revenues from dividends or bonuses from investments from the NEEQ market are exempt from income taxes when the holding period exceeds one month. This percentage increases to 75% if the holding period exceeds one year.

The Austrian Government established its "aws Equity Finder" in August 2014, as a contact platform which facilitates matchmaking between start-ups and SMEs and providers of risk capital, business angels, crowdfunding or other alternative financiers. Aws also provides additional subsidies up to 50% (capped at EUR 50 000) to ease the external costs of publishing a capital market prospectus. This measure explicitly targets SMEs by reducing the barrier to raise funds via capital markets above the regulatory threshold. Likewise, a legal framework for equity crowdfunding; the Alternative Financing Act

(Alternativfinanzierungsgesetz (AltFG)) was enacted in September 2015. This regulation seeks to balance investor protection by establishing limits to invest based on income and net wealth with reducing compliance costs for small businesses seeking finance. No issuing requirements are necessary for volumes below EUR 100 000, information requirements are simplified for issue volumes between EUR 100 000 and EUR 1.5 million, and issue volumes between EUR 1.5 million and EUR 5 million are subject to simplified prospectus rules.

There have been a number of initiatives to encourage equity investments in recent years in Ireland. Notably, the Development Capital Scheme aims to provide financing for mid-sized companies with significant prospects for jobs and export growth by leveraging funding worth of EUR 225 million. The "Enterprise Ireland Seed & Venture Capital Scheme" provides equity on high-growth ventures in their early stages. The "Ireland Strategic Investment Fund (ISIF)", initiated in December 2014, invests with the dual purpose of high returns on investment, as well as sustaining employment and economic development, and has made significant investments so far.

e. The participation of SMEs in global value chains is increasingly seen as a policy priority

Another emerging trend is the increased focus on supporting SME participation in global value chains (GVCs). Research shows that access to finance is one of the main barriers to capitalise on global trade opportunities, as this often entails significant investment, as well as additional working capital, especially when faced with delayed payments from international partners. To some extent, these financial barriers explain why SMEs are underrepresented in global value chains, even though evidence shows that SMEs' participation in GVCs clearly enhances their growth potential (OECD, 2008).[16] Around half of all participating countries provide export guarantees and trade credit to overcome these financial barriers, and recent developments suggest an increased interest of governments to further stimulate SMEs to internationalise.

In 2014, Australia reoriented the activities of its export credit agency, "Export Finance and Insurance Corporation (EFIC)" towards SMEs. In the same year, the government increased the budget of its Export Market Development Grants scheme, under which current and expiring exporters receive grants and other support, by AUD 50 billion. These reforms were undertaken as a complement to the recent signing of free-trade agreements with China, Japan and Korea.

The Canadian Department of Foreign Affairs, International Trade and Development has recently announced "Go Get," a new export market development programme, which will provide a total of CAD 50 million over five years in direct financial assistance to entrepreneurs seeking to export to emerging markets for the first time. In addition, Export Development Canada (EDC), the Canadian export agency, is developing new initiatives to better support SMEs active in foreign markets. These include the development of an online self-service product that provides selective sales insurance coverage, primarily for the small end of the SME spectrum; an expansion of its SME Mentoring Programme, which offers customised assistance to firms with high growth aspirations to export; and increasing the approval rate of SME requests for accounts receivable insurance for their foreign buyers.

In 2014, the Finnish Government widened the scope of the "Act on the State's Export Credit Guarantees," thereby boosting financial support to exporting firms. In the same year, the "Growth Track", a service model for SMEs that pursue rapid growth and internationalisation, was also introduced. A Growth Pilot, i.e. an account manager, is

assigned to selected firms with the task of finding suitable public expertise and financing services, and coordinating between the various parties.

Table 1.20 summarises the broad types of measures undertaken in countries participating in this publication between 2007 and 2014. These measures carry different costs for public budgets, including some with significant costs (e.g. government direct lending and loan guarantees); some that are cost neutral (e.g. bank targets for SME lending), and some with even negative costs (e.g. negative interest rates for bank deposits at the central bank). These measures also imply varying degrees of engagement by public agencies. Table 1.20 thus confirms that loan guarantees are the most widely used instrument employed by a large majority of participating countries, followed by venture capital, equity funding, business angel support and direct lending to SMEs.

Table 1.20. **Government policy responses to improve SME access to finance, 2007-14**

Policy response	Countries
Government loan guarantees	Austria, Belgium, Canada, Chile, Colombia, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Greece, Hungary, Ireland, Israel, Italy, Japan, Korea, Malaysia, Mexico, the Netherlands, Norway, Portugal, Russian Federation, Serbia, Slovak Republic, Slovenia, Spain, Switzerland, Thailand, Turkey, United Kingdom, United States
Special guarantees and loans for start ups	Austria, Canada, Czech Republic, Denmark, Estonia, Mexico, the Netherlands, New Zealand, Serbia, United Kingdom
Government export guarantees, trade credit	Australia, Austria, Belgium, Canada, Colombia, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Korea, the Netherlands, New Zealand, Spain, Sweden, Thailand
Direct lending to SMEs	Austria, Belgium, Canada, Chile, Czech Republic, Estonia, Finland, France, Greece, Hungary, Ireland, Israel, Japan, Korea, Norway, Portugal, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Turkey, United Kingdom
Subsidised interest rates	Austria, Georgia, Hungary, Portugal, Russian Federation, Spain, Thailand, Turkey, United Kingdom
Venture capital, equity funding, business angel support	Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Greece, Hungary, Ireland, Israel, Mexico, the Netherlands, New Zealand, Norway, Portugal, Slovak Republic, Spain, Sweden, Turkey, United Kingdom
SME banks	Czech Republic, France, Portugal, Russian Federation, Thailand, United Kingdom
Business advice, consultancy	Australia, Austria, Colombia, Czech Republic, Denmark, Finland, Georgia, the Netherlands, New Zealand, Sweden, Thailand
Tax exemptions, deferments	Belgium, Finland, Italy, New Zealand, Norway, Spain, Sweden, Turkey
Credit mediation/ review/ code of conduct	Belgium, France, Ireland, New Zealand, Spain
Bank targets for SME lending, negative interest rates for deposits at central bank	Ireland, Denmark
Central Bank funding to banks dependent on net lending rate	United Kingdom

Source: Data compiled from the individual country profiles.

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Summing up and looking ahead

The Great Recession took a heavy toll on the economy of most OECD countries; GDP turned negative in 2008 and 2009 in most developed economies and economic growth recovered only hesitantly and unevenly afterwards. In several European countries, this was followed by a sovereign debt crisis. Weak economic growth, along with the instability and weakening of many financial institutions, exerted a severe negative impact on bank lending, in particular for SMEs. Credit standards tightened dramatically and lending to SMEs contracted, often substantially, in the aftermath of the financial crisis in many OECD countries. As weak demand often limited internal funding, and many non-bank sources

of finance also dried up in 2008 and 2009, access to finance significantly impacted many SMEs' ability to grow, innovate and provide jobs.

In 2014, seven years after the financial crisis, SMEs' access to bank debt has improved. SME loan growth between 2013 and 2014 picked up in a clear majority of participating countries. The share of SME loans to overall corporate lending also rose considerably in 2014. This evolution was largely driven by the improved macro-economic and financial conditions in most developed economies. The downward trend in bankruptcies observed in a majority of participating countries provides evidence of the SME sector's gathering strength in 2014. Credit conditions have also loosened, while interest rates have fallen sharply in recent years in almost every participating country.

Looking ahead, growth forecasts have weakened due to the slowdown of emerging economies, reflecting falling commodity prices and increased financial risks, and subdued investment and low productivity growth in advanced economies. Nevertheless, global economic growth is expected to gradually strengthen over the next two years. A number of factors persist which could jeopardise the economic recovery, however, such as difficulties in the transition of the Chinese economy towards a new growth model, political tensions within the European Union and further instability in the Middle East.

In spite of recent improvements, access to finance remains problematic in many economies, as evidenced by data on credit lending to SMEs which has often declined in recent years. Although credit conditions have generally loosened, they remain tight on average. The picture across participating countries is also not uniform; credit standards are strained (notwithstanding recent easing) and access to finance restricted, especially in countries like Hungary, Ireland, Italy, Portugal, Serbia and Spain, where economic output in 2014 remained well below 2007 levels, and where SME non-performing loans remain high.

Furthermore, credit to SMEs will continue to be a concern in the years to come. Credit conditions will likely remain tight, as financial institutions are expected to continue to deleverage, and regulatory requirements will probably continue to discourage lending to SMEs. Moreover, bank financing is not always well suited to the needs of start-ups and young ventures, fast-growing innovative firms and established enterprises undergoing a major transition, for which equity-type instruments are often better adapted. The financial crisis clearly illustrated the dangers of a financial system in which SMEs overwhelmingly rely on bank lending for their financing needs.

It is therefore important for SMEs to be able to access a broad range of financing instruments. In 2014, bank financing remained the default source of external financing for the vast majority of SMEs. Although some financial instruments, such as factoring and business angel investments, seem to be on the rise, they cannot currently compensate for a retrenchment of bank finance. The same holds true for other, more innovative, and potentially disruptive developments in SME finance. Peer-to-peer lending, equity crowdfunding and developments in the "fintech industry," are gaining traction and have the potential to revolutionise how SMEs access finance in the future, but these phenomena remained marginal compared to bank-based financing in 2014. Other financial instruments, most notably venture capital investments, leasing and hire purchases, have proven to be at least as pro-cyclical as bank financing in recent years, and their take-up by SMEs in 2014 generally remained below pre-crisis levels[17].

Policy makers around the world appear to be embracing a two-pronged approach towards SME financing. In acknowledgement of the continuing central role the banking system in financing small and medium-sized enterprises, governments in the vast

majority of participating countries continue to support SMEs' access to bank financing. Loan guarantees remain the most widely used instrument to ease access to finance in the countries covered in this report, while direct government lending constitutes another very common instrument. In recent years, credit guarantee and direct lending schemes have often been expanded, overhauled or improved in light of evaluations and/or in line with evolving needs of small businesses. One noticeable trend is that these instruments are often tailored to better address the financing needs of innovative, fast-growing and often exporting firms, in recognition of their crucial role in creating jobs and value added and their pressing financing needs.

At the same time, policy makers are taking steps to support the development of diverse forms of finance. These policies go from the establishment of training programmes to enhance financial skills, to the advancement of micro-finance institutions, and an overhaul of the regulatory framework to allow for more competition in the credit market. Support for equity-type instruments have gained traction in recent years, ranging from the provision of tax incentives for equity investors and businesses, to the establishment of government funds, and the drafting of new legislation allowing for equity crowdfunding activities.

A first and necessary step to evaluate the success of the panoply of instruments developed and under development, is a sound evidence base; policy making relies on clearly identifying entrepreneurs' and SMEs' financial needs and quantifying the extent to which these needs are being met. As the thematic chapter on business angel investing illustrates, data on SMEs' access to finance are often incomplete, the methodology on how information is collected could sometimes be improved, and comparison, especially across different countries, remains fraught with difficulties. This report will continue to focus on the further harmonisation of the current set of indicators, as well as on the possibility to include more information on alternative sources of finance -and their uptake by SMEs[18].

Notes

1. Financial conditions indices are an extension of monetary policy indices, often used to evaluate the effect of monetary policy on economic activity. They do not only include changes in the exchange rate and short and long term interest rates, which are typical monetary policy indices, but also changes in credit availability for households and firms, corporate bond yields (or the spread with respect to government bonds) and household wealth, usually measured by equity and house prices. An increase in the financial conditions index implies that financial conditions have become more inductive for economic growth (see Guichard et al., 2009, for more information).
2. A credit default swap (CDS) is a financial instrument to hedge the exposure to credit risk, which could be considered an insurance against for a loan default (or another credit event specified in the contract). The CDS spread is the premium the buyer of the CDS has to pay to the seller, which will have to cover the losses in case of a default and is similar to an insurance fee. CDS spreads are proportional to the risk associated with the underlying asset; in this example, declining CDS spreads signal that financial markets deem a default of peripheral economies in the Eurozone as less likely.
3. See *http://www.ecb.europa.eu/pub/pdf/other/financialintegrationineurope201404en.pdf?761c6bda155e07247154d37621973262* for more information on how financial integration in the Euro area is measured.
4. The French country profile, in Part 2 of this publication, details the policy initiatives of the French Government to ease access to finance for micro-enterprises.
5. Israel, which collects data on loan fees for the largest financial institutions operating in the country, and Italy, where the indicator on SME interest rates comprises loan fees and commissions, are exeptions.
6. As the percentage in Finland is proxied by the percentage of respondents reporting more stringent collateral requirements, and the Portuguese data only takes real estate into account, the data from these countries are not comparable with information gathered on the collateral requirements in other countries.

7. The ECB Survey on SME access to finance is undertaken every six months to assess the latest developments in the financing conditions for firms in the Euro area. Among the most important questions are: was there a deterioration in the availability of bank loans, in the willingness of the banks to lend; what was the outcome of the loan application (granted in full or rejected) and did interest rates and collateral requirements increase or decrease. A joint ECB/ EC survey round is conducted every two years for all the EU member states and some additional countries.
8. For Italy, SME lending declined between 2013 and 2014, but less pronounced than overall corporate lending.
9. It should be noted that these data, sourced from another publication, are in nominal terms rather than real and that, correcting for inflation, the fall would be even greater.
10. Due to the high volatility of the data on venture capital investments broken down by the stage of the investment, especially for smaller countries, the countries within the Euro area for which data are available, are grouped together in this graph.
11. The European Federation of Leasing Company Associations (Leaseurope) is an umbrella company for both the leasing and automotive rental industries in Europe and is composed of 44 member associations in 34 countries. It publishes European-wide statistics on the leasing industry and covers approximately 92% of the European leasing market.
12. Factors Chain International is an umbrella organisation for factoring organisations and currently has over 275 members in 74 countries.
13. IFG's GIAR 2014 indicates average turnover in order of EUR 4 million, a figure that has changed little over recent years (IFG, 2014).
14. IFG GIAR 2009-14 global client turnover data indicates Compound Annual Growth Rate of 13% in this period.
15. See *http://treasury.gov.au/ConsultationsandReviews/Consultations/2014/FSI-Final-Report* for more information about this inquiry.
16. Although access to adequate finance is considered as a major impediment to the further integration of small and medium-sized businesses in global value chains, other factors, such as their ability to innovate, adopt international product standards and manage intellectual property rights, as well as the lack of managerial capacity play a major role as well (OECD, 2008).
17. Whereas it is sometimes argued that bank lending to SMEs (and other sectors, corporate and otherwise) was too high and unsustainable in some countries in the years prior to the financial crisis, this argument is far less compelling when it comes to alternative sources of finance. Venture capital markets in 2007, in particular, were generally regarded as underdeveloped in comparison to the United States in most other OECD countries.
18. Annex A of this publication provides some recommendations to improve the data collection on the financing needs of SMEs and entrepreneurs and the extent to which they are being met.

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