BBVA Creating Opportunities

BBVA view from the Boardroom: SMEs access to finance & regulation

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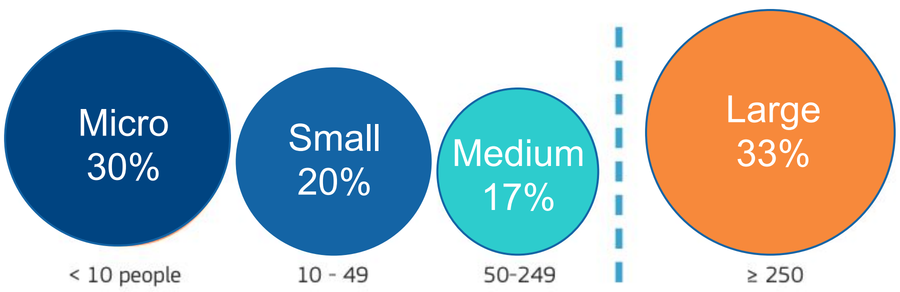
Index

1. The importance of the SMEs in the economy

9 out of 10 EU SMEs are Micros (<10 employees)

Employment share per size class



SMEs recovery continues...

	Outlook for EU-28 SMEs 2016-2018
Value added €	+6.4%
Number of enterprises	+1.7%
Employment	+1.9%

SMEs in the "non-financial business sector"

*Data obtained from EU Commission, Annual Report on European SME 2016/17

SMEs typically account for more than half of business sector activity and around two-thirds of employment

2. SMEs and banks relationship

Relationship between banks and SMEs is characterized by...

&

This is exacerbated in times of crisis for several reasons

1

SMEs are less standardized

Higher spreads and interest rates

2

SMEs become "dependent borrowers"

Very costly for the SME to change

Bank´s market share

Funding stability

Asset quality

Banking systems tend to restructure

It is mandatory to pay attention to the difficulties that SMEs face to find funding

3. SMEs and alternative funding sources

Public Initiatives

01

EU Commission's "SME Instrument"

02

"Eurostars"

03

COSME Programme

Private Initiatives

04

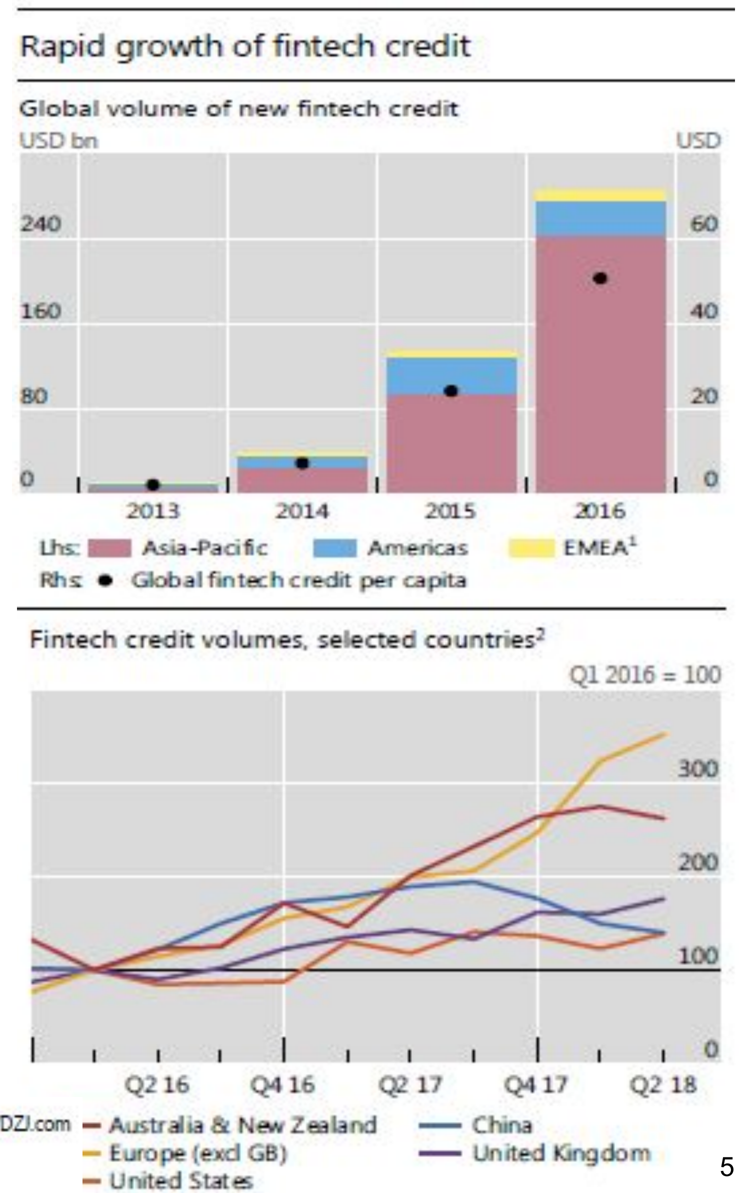
Business Angels

05

Private Equity

06

Digital non-bank funding



[1] Europe, Middle East and Africa. [2] Data are based on two platforms for Australia and New Zealand, all platforms covered by WDZJ.com for China, 32 platforms for Europe, 30 for the United Kingdom and six for the United States.

Sources: AltFi Data; Cambridge Centre for Alternative Finance and research partners; WDZJ.com; authors' calculations.

4. The role of regulators

Alleviate potential impacts	Capital Markets Union	P2P regulatory framework	Financial Education
1	2	3	4
Reducing the amount of NPLs	provide new sources of funding for businesses	Same activities-same rules	Experience with digital tools
Analytical Credit Dataset	More harmonised regulation on public markets	Developed in a technology-agnostic manner	Support of entrepreneurship education

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5. Conclusions

1 We should not underestimated the importance of SMEs contribution to the real economy

2 SMEs face some disadvantages when borrowing from banks. It is mandatory to look for alternatives for SMEs to find funding.

3 Alternative funding sources, as public finance, business angels, private equity or peer to peer lending platforms can complement bank financing.

4 The role of regulators is key to apply some measures that offer a wider set of funding sources to the SMEs.