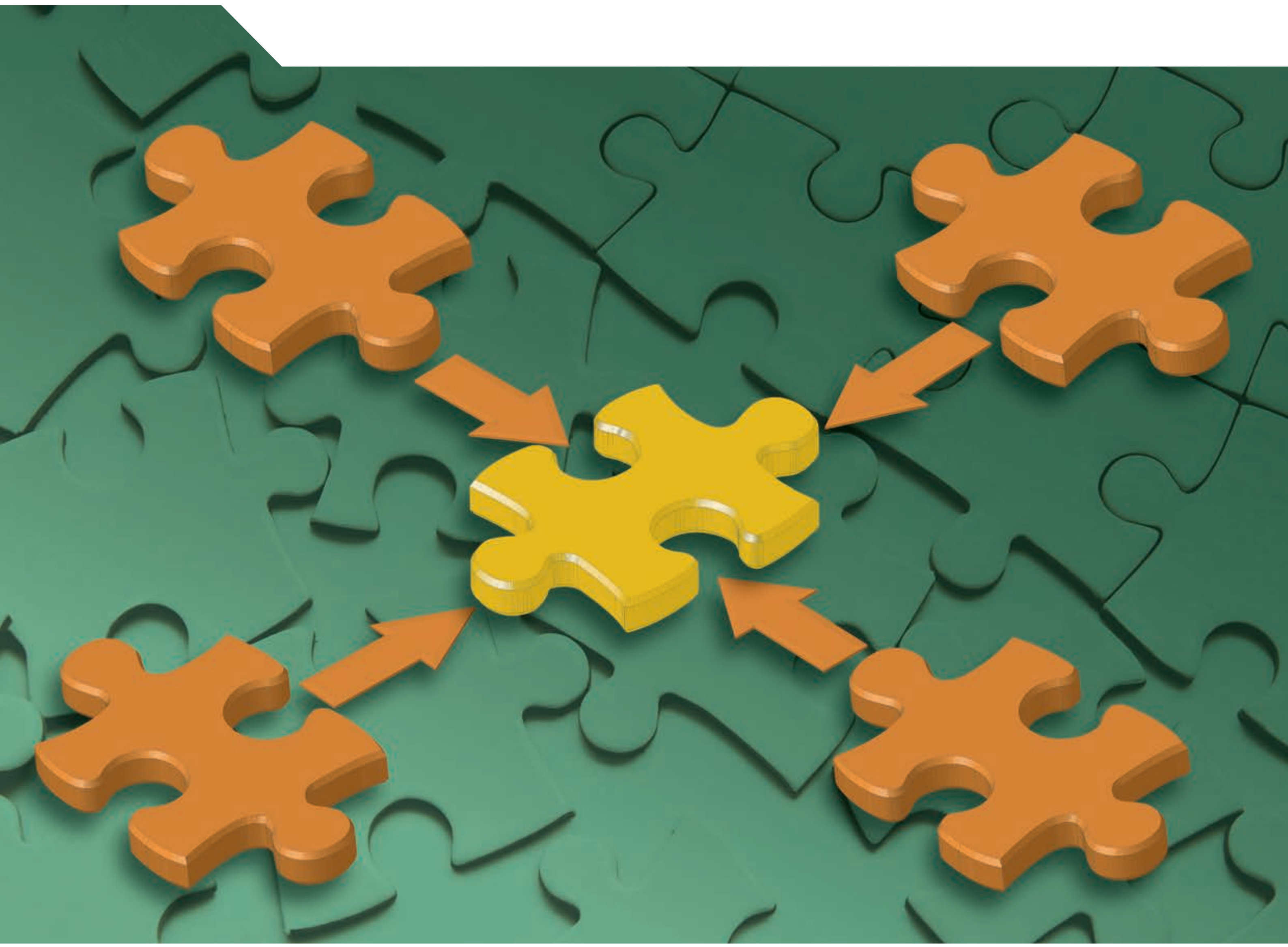
Financing SMEs and Entrepreneurs 2019

AN OECD SCOREBOARD



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BETTER POLICIES FOR BETTER LIVES

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Preface

Since the financial crisis hit the world more than 10 years ago, the landscape for SME finance has evolved significantly. Credit availability for SMEs has gradually recovered in many countries, as interest rates have generally come down, credit conditions have improved and payment delays have declined. In recent years, we have also witnessed a significant increase in the use of alternative sources of finance by SMEs and entrepreneurs: financial instruments such as leasing, factoring and equity crowdfunding have seen volumes rise, contributing to the diversification of financing instruments and sources for SMEs, in line with the G20/OECD High Level Principles on SME Financing.

The 2019 edition of the OECD's annual report Financing SMEs and Entrepreneurs: An OECD Scoreboard, covers 46 countries across the globe and provides important information on a broad set of financing instruments at the disposal of SMEs. The report shows that these overall positive trends mask, nonetheless, very large cross-country variations. For instance, in countries that were most affected by the financial crisis, SME access to finance is still struggling to recover. In some large emerging economies, where the economic climate has remained difficult, indicators point to a deterioration in SME access to finance in recent years. Moreover, in a number of large developed economies, credit volumes have been sluggish, often because of subdued demand from SMEs that prefer to rely on internal funds or seek alternative forms of financing. There is also considerable variation in the uptake of instruments such as venture capital investments and online alternative finance, with potential for countries with less developed markets to expand these further.

This coincides with persistent finance gaps within the SME population: micro-enterprises, young firms, start-ups and innovative ventures are still more likely to be financially constrained. The report highlights how many countries have initiated or expanded initiatives to address persistent structural finance gaps confronted by SMEs in recent years, with the aim to strengthen their resilience and embrace digital opportunities. In this context, the adoption of a suitable regulatory framework or the development of targeted policies to foster the Fintech industry have become more widespread in recent years.

The 2019 Financing SMEs and Entrepreneurs: An OECD Scoreboard is an important tool to enable policy makers to monitor developments, and ensure policies keep pace with fast-moving evolutions in the SME finance environment. This is all the more important in the current fragile macro-economic context, including the slowdown in global trade. Looking ahead, we are working to further enrich the information and analysis through the collection of more granular data, including by firm size, sector, age or region and by characteristics of the business owner. This Scoreboard constitutes an important part of the OECD's contribution to governments in designing and implementing evidence-based and coherent SME and entrepreneurship policies. I am confident that it will support policy-makers in designing, developing and delivering, better SME policies for better lives.

Angel Gurría
OECD Secretary-General

Foreword

Financing SMEs and Entrepreneurs 2019: An OECD Scoreboard provides information about SMEs and entrepreneurs' access to finance over the period 2007-17. Based on data collected for the country profiles and information from demand-side surveys, this report includes indicators on debt, equity and asset-based finance, as well as on financing framework conditions, complemented by information on recent public and private initiatives to support SME access to finance.

Taken together, these indicators form a comprehensive framework for policy makers and other stakeholders to evaluate the financing needs of SMEs and entrepreneurs and to determine whether they are being met. This report also constitutes a valuable tool to support the design and evaluation of policy measures, and to monitor the implications of financial reforms on access to finance and financing conditions for SMEs more generally.

The 2019 report represents the eighth edition of this annual publication. It presents data for 46 countries: Australia, Austria, Belgium, Brazil, Canada, Chile, the People's Republic of China, Colombia, the Czech Republic, Denmark, Estonia, Finland, France, Georgia, Greece, Hungary, Indonesia, Ireland, Israel, Italy, Japan, Kazakhstan, Korea, Latvia, Lithuania, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Peru, Poland, Portugal, the Russian Federation, Serbia, the Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, Turkey, the United Kingdom and the United States.

Chapter one of this publication describes and analyses recent trends in SME and entrepreneurship finance, drawing on data provided by national experts from participating countries, as well as from external sources. It also provides an overview of major policy developments across scoreboard countries. Chapter 2 focuses on how to enable SMEs to leverage intangible assets, such as patents and other forms of intellectual property, to access finance, and includes an overview of policy initiatives in this area around the world. Chapter 3 contains the national profiles on SME and entrepreneurship finance trends, as well as information on relevant policies, for all 46 participating countries. The print edition of this publication includes a snapshot view with key facts and figures, while the expanded profiles can be accessed online.

This publication was prepared by the SME and Entrepreneurship Division of the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE/SMEE), under the guidance of the OECD Working Party on SMEs and Entrepreneurship (WPSMEE) and the WPSMEE's Informal Steering Group on SME and Entrepreneurship Financing.

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It was prepared by Kris Boschmans and Lora Pissareva, Policy Analysts, OECD Centre for Entrepreneurship, SMEs, Regions and Cities, SME and Entrepreneurship Division (CFE/SMEE), under the supervision of Miriam Koreen (Senior Counsellor, CFE/SMEE) and Lucia Cusmano (Acting Head of Division, CFE/SMEE). The thematic chapter is a summary of an OECD SME and Entrepreneurship Policy Paper, prepared by Martin Brassell, CEO of Ingott and Kris Boschmans. Pierre Coster and Jonathan Kumaresan (Trainees, CFE) supported the drafting of the report and made statistical contributions. Heather Mortimer-Charoy (Assistant, CFE/SMEE) provided technical support.

The development of the Scoreboard benefits from the inputs of Delegates of the OECD Working Party on SMEs and Entrepreneurship, chaired by Martin Godel, and members of its Informal Steering Group on SME and Entrepreneurship Financing, chaired by Professor Salvatore Zecchini. Harry Barr (British Business Bank), Jurgita Bucyte (LeasEurope), Jean-Louis Leloir and José Fernando Figueiredo (European Association of Guarantee Institutions) and Naima Smaini (CFE/SMEE), provided input on timely issues. Data provided by Tania Ziegler (Cambridge Centre for Alternative Finance) and contributions from contributions from Helmut Kraemer-Eis (European Investment Fund) and from Gianluca Riccio (OECD Business and Industry Advisory Committee) are gratefully acknowledged.

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Reader's Guide

Indicators

SME and entrepreneurship financing trends are monitored through core indicators, listed in Table 1, selected on the criteria of usefulness, availability, feasibility and timeliness (see Annex A for a detailed description). In detail, the core indicators describe and monitor the following key dimensions:

Table 1. Core indicators in financing SMEs and entrepreneurs, 2019

Core indicators	Unit	What they show
The allocation and structure of bank credit to SMEs		
Outstanding business loans, SMEs	Volumes in national currency	SME demand for and access to bank credit. A stock indicator measuring the value of an asset at a given point in time, and thus reflecting both new lending, as well as bank loans that have accumulated over time along with loan repayments.
Outstanding business loans, total	Volumes in national currency	
Share of SME outstanding loans	% of total outstanding loans	
New business lending, total	Volumes in national currency	SME demand for and access to bank credit. It is a flow indicator, measured over one year, which tends to respond faster to short-term developments and is therefore more volatile than stocks.
New business lending, SMEs	Volumes in national currency	
Share of new SME lending	% of total new lending	
Short-term loans, SMEs	Volumes in national currency	The structure of SME debt, i.e. the share of outstanding credit with an initial maturity of less than one year and more than one year, respectively. This could be considered as a proxy to gauge the purpose of SME bank loans, i.e. for operational and investment needs.
Long-term loans, SMEs	Volumes in national currency	
Extent of public support for SME finance		
Government loan guarantees, SMEs	Volumes in national currency	These indicators illustrate the extent and uptake of government programmes and instruments supporting SMEs' access to finance.
Government guaranteed loans, SMEs	Volumes in national currency	
Direct government loans, SMEs	Volumes in national currency	
Credit costs and conditions		
Interest rate, SMEs	%	The cost of SME loans and how it compares to large firms.
Interest rate, large firms	%	
Interest rate spread	Percentage points	
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	Proxies the conditions SMEs face when applying for bank credit.

Percentage of SME loan applications	SME loan applications/ total number of SMEs, in %	The (unmet) demand for and utilisation of credit by SMEs, and willingness of banks to lend.
Rejection rate	1-(SME loans authorised/ requested), in %	
Utilisation rate	SME loans used/ authorised, in %	
Non-bank sources of finance		
Venture and growth capital investments	Volumes in national currency and year-on-year growth rate in %	The take-up and ability to access non-bank finance instruments, including external equity for start-up, early development and expansion stages, as well as asset-based finance, such as leasing, hire purchases, factoring and invoice discounting.
Leasing and hire purchases	Volumes in national currency	
Factoring and invoice discounting	Volumes in national currency	
Financial health		
Non-performing loans, total	% of total business loans	The incidence of late or non-payments for SME loans, compared to the overall corporate sector. This proxies the (relative) riskiness of lending to SMEs.
Non-performing loans, SMEs	% of total SME loans	
Payment delays, B2B	Number of days	The occurrence of payment delays in the B2B sector, i.e. the difficulty in paying and being paid, to capture the extent of cash flow problems.
Bankruptcies, SMEs	Number and year-on-year growth rate in %	A proxy for the overall business environment in which SMEs operate and the ability of small firms to survive economic downturns and credit crunches.

Data collection

The scoreboard data are provided by national experts designated by participating countries. Most of the indicators are derived from supply-side data provided by financial institutions, statistical offices and other government agencies. This is supplemented by national and regional demand-side surveys, in order to provide a more comprehensive view of the evolution in SME financing trends and needs. Indicators cover access to finance for employer firms, that is, for SMEs, which have at least one employee, and are operating a non-financial business. The data in the present edition cover the period 2007 to 2017, assessing trends over the medium term, both in the pre-crisis period (2007), the financial crisis (2008 and 2009) and the period afterwards. Specific attention is placed on developments occurring in 2016, 2017 and the first half of 2018. In addition, information on government policies to ease SMEs' access to finance is also collected on a systematic basis.

The published print version includes a chapter on emerging trends in SME and entrepreneurship finance, drawing on information provided by participating countries, a thematic chapter, focusing for this edition on the potential to collateralise SMEs' intangible assets, annexes, and a two-page snapshot for every participating country. This snapshot summarises the state of play regarding SME access to finance in each country, while the full country profiles are available on the OECD website only.

Cross-country comparability

At the individual country level, the scoreboard provides a coherent picture of SMEs' access to finance over time and monitors changing conditions for SME financing, as well as the impact of policies. There are limits to possible cross-country comparisons, however. Firstly, the statistical definition of an SME differs among participating countries; while the European Union (EU) definition is the most commonly used, participating countries outside of the EU usually define an SME differently, which complicates cross country comparisons (see Annex A for detailed definitions of SMEs across participating countries).

In addition, differences in definition and coverage for indicators hamper comparability, with a number of countries in which it is not possible to adhere to the "preferred definition" of the core indicators. A proxy has been adopted in these instances. For this reason, all country profiles include a table, which provides the definition adopted for each indicator and a reference to the data source. Despite these limitations, it is still possible to compare general trends across countries, though, as the differences in the exact composition of the single indicator are muted when evaluating rates of change.

Methodological advances and recommendations for data improvements

Recent editions of this report have incorporated a number of important methodological and structural improvements. More detailed information regarding the source and definition of core indicators has been provided for participating countries. Since June 2016, the Scoreboard data are available on the OECD.Stat website and regularly updated. Data on core indicators can be consulted and downloaded for further use, thereby addressing a longstanding demand to improve access, usability, and exposure of the publication to a wider audience.

In addition, more information is provided on the uptake of various financial instruments other than straight debt, and further endeavours will be undertaken in this area for future editions of the publication. Country profiles in the printed edition of this publication are abbreviated to two pages with key facts and the table with core indicators, while the full profiles remain available online. Efforts are also ongoing to increase the coverage of participating countries and to harmonise the data from already participating countries, as well as to analyse the data more rigorously. The 2019 publication includes the main result of a regression and cluster analysis, which could be further fine-tuned in future editions.

Acronyms and abbreviations

ADB	Asian Development Bank
AECM	European Association of Mutual Guarantee Societies
AUD	Australian Dollar
B2B	Business-to-Business
B2C	Business-to-Customer
B2G	Business-to-Government
BIS	Bank for International Settlements
BLS	Bank Lending Survey
BRL	Brazilian Rial
CAD	Canadian Dollar
CDS	Credit Default Swap
CGS	Credit Guarantee Scheme
CHF	Swiss Franc
CLO	Collateralised debt obligation
CLP	Chilean Peso
COP	Colombian Peso
CZK	Czech Koruna
DKK	Danish Krone
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank

EIB	European Investment Bank
EIF	European Investment Fund
ERP	European Rescue Programme
EU	European Union
EUR	Euro
EURIBOR	Euro Interbank Offered Rate
EVCA	European Venture Capital Association
FCI	Factors Chain International
G20	Group of 20
GBP	British Pound
GEL	Georgian Lari
GDP	Gross Domestic Product
GPFI	Global Partnership for Financial Inclusion
HUF	Hungarian Forint
IDR	Indonesian Rupiah
IFC	International Finance Corporation
IMF	International Monetary Fund
IPO	Initial Public Offering
IT	Information Technology
JPY	Japanese Yen
KRW	Korean Won
KZT	Kazakhstani Tenge
MFI	Micro Finance Institution
MSME	Micro, small and medium-sized enterprise
MXN	Mexican Peso
MYR	Malaysian Ringgit

NFIB	National Federation of Independent Business
NIS	Israeli New Shekel
NOK	Norwegian Krone
NPL	Non-performing loan
NZD	New Zealand Dollar
OECD	Organisation for Economic Cooperation and Development
PCS	Prime collateralised securities
PE	Private Equity
PEN	Peruvian Nuevo Sol
PLN	Polish Zloty
R&D	Research and development
RMB	Chinese Renminbi
RSD	Serbian Dinar
RSI	Risk Sharing Instrument
RUB	New Russian Ruble
SAFE	Survey on the Access to Finance of Enterprises
SBA	Small Business Act
SEK	Swedish Krona
SME	Small and medium-sized enterprise
THB	Thai Baht
TRY	Turkish Lira
NYSE	New York Stock Exchange
UF	Unidad de Fomento
USAID	United States Agency for International Development
USD	United States Dollar
VC	Venture Capital

WB	World Bank
WPSMEE	Working Party on SMEs and Entrepreneurship
ZAR	South African Rand

ISO Country Abbreviations

AUS	Australia	**JPN**	Japan
AUT	Austria	**KAZ**	Kazakhstan
BEL	Belgium	**KOR**	Korea
BRA	Brazil	**LTU**	Lithuania
CAN	Canada	**LUX**	Luxembourg
CHE	Switzerland	**LVA**	Latvia
CHN	People's Republic of China	**MYS**	Malaysia
CHL	Chile	**MEX**	Mexico
COL	Colombia	**NLD**	Netherlands
CZE	Czech Republic	**NZL**	New Zealand
DNK	Denmark	**NOR**	Norway
ESP	Spain	**PER**	Peru
EST	Estonia	**POL**	Poland
FIN	Finland	**PRT**	Portugal
FRA	France	**RUS**	Russian Federation
GBR	United Kingdom	**SRB**	Serbia
GEO	Georgia	**SVK**	Slovak Republic
GRC	Greece	**SVN**	Slovenia
HUN	Hungary	**SWE**	Sweden
IDN	Indonesia	**THA**	Thailand
IRL	Ireland	**TUR**	Turkey
ISR	Israel	**USA**	United States
ITA	Italy	**ZAF**	South Africa

Executive Summary

Financing SMEs and Entrepreneurs 2019: An OECD Scoreboard provides information on SME financing trends and policies for 46 countries around the world.

Bank lending to SMEs increased at a moderate pace across countries, with significant cross-country variation in 2017. Outstanding SME loans grew strongly in a majority of middle-income scoreboard countries at a median growth rate of almost 5%, with a few notable exceptions. In high-income countries, growth was more subdued at 2.2%, and in some cases negative, as for example in the United Kingdom and the United States, where demand for straight bank debt was curbed by the increased availability of alternative sources of finance. By contrast, in European countries most affected by the financial crisis, outstanding SME loans shrank by a median value of -3.9% in 2017.

At the same time, **a range of alternative financing instruments continue to expand,** often significantly.

- **Factoring volumes** were up by a median value of 3.3% in 2017, broadly in line with previous years, with demand from internationally active SMEs driving the growth of the industry;
- **Leasing and hire purchase activities** rose in 26 out of 34 countries at a median rate of 6.2%, with potential substitution effects for SME bank lending;
- **Private debt** grew by 10% globally and by 27% in Europe in 2017, pursuing the expansion, which began after the crisis. This instrument is of particular relevance for larger and more mature SMEs facing a major transition, such as a change in ownership, expansion into new markets and/or activities, or acquisitions;
- **Venture capital investments** also grew in a majority of countries, and the number of **SME listings** continued to expand in 2017, with 24 SME exchanges in operation in participating countries. Both markets were buoyed by relatively strong economic growth in 2017, as well as government support in many countries;
- **Online alternative finance** such as equity crowdfunding and peer-to-peer lending, expanded strongly in 2017, especially in those countries with relatively small markets. China, followed by the United States and the United Kingdom have the biggest online alternative finance markets for businesses. Available estimates suggest that **business angel investments** rose in both Europe (+9%) and in the United States (+12.6%).

These developments took place against the backdrop of broadly positive macroeconomic conditions, and improvements in the business environment. Global GDP grew by 3.6% in 2017 and **payment delays, bankruptcies and non-performing loans (NPLs) continued to decline** in a majority of scoreboard countries. The decline in bankruptcy rates was documented across the board, in countries with different levels of income and economic growth, credit conditions and loan growth.

Furthermore, in 2017, **credit conditions remained favourable** in a majority of countries, with the median SME interest rate declining for the seventh consecutive year. Survey data on the share of SME owners identifying access to finance as a major concern, together with low collateral requirements and rejection rates, also point to a stabilisation of the conducive credit conditions observed in recent years.

In this favourable context**, a growing share of SMEs relied on self-financing** for their investment needs and cash flow requirements in 2017. Survey data indicate that the share of SMEs citing sufficient internal funds as a reason for not applying for loans has been consistently increasing, from 35% in 2014 to 44% in 2018. These developments have also played a role in moderating demand for credit in recent years, as also evidenced by the low median growth rate in new SME lending of 0.4% in 2017, after the contraction observed in the previous year. The **share of long-term SME loans continued to rise** in 2017, growing by close to 1.5 percentage points, and by more than 10 percentage points over the 2007-17 period.

These positive developments mask the persistent difficulties that some SMEs, particularly micro-enterprises, innovative ventures, start-ups and young firms, continue to face in accessing finance, particularly in countries, where the recovery has been slower. Macro-economic prospects are also deteriorating, accompanied by a slowdown in global trade.

Intangible assets make up an increasing share of SMEs' assets, but they currently are used in only a limited manner to leverage finance, especially debt, since their value is difficult to assess and transaction costs are generally high. Country experiences illustrate that over time, policies can create a virtuous cycle, whereby transaction costs are lowered, and data and standard practices become more available.

SME finance remains high on government agendas around the globe. Four policy trends emerge:

- **Credit guarantees**, the most widespread instrument to support SME finance, are being expanded in scale and volumes, or modified in terms of eligibility criteria and the provision of complementary advisory services in many countries. One common objective is to better target specific SME segments, such as innovative firms, start-ups or women entrepreneurs;
- Governments have been focusing on addressing **payment delays**, for example by introducing payment codes and e-invoicing systems, and by incentivising timely payments from public bodies;
- An increasing number of countries have developed or improved their **regulatory frameworks** and introduced **targeted policies to support Fintech developments,** such as equity crowdfunding and peer-to-peer lending;
- Many countries have developed or increased **support to the venture capital industry,** mainly through the establishment or expansion of public funds co-investing with private actors.

SMEs need access to a range of financial instruments in order to unleash their full potential to contribute to inclusive economic growth. In this regard, several macro-economic, trade and financial risks could cloud the positive outlook or reverse recent improvements. In addition, data gaps on SME finance persist, and further efforts to improve the evidence base are needed, in particular with respect to data granularity, international comparability of survey data and the collection of information on non-bank sources of finance. This publication will continue to improve the evidence base in these areas and seek to better document the heterogeneity of the SME population. This will support governments in monitoring new developments in SME access to finance and designing appropriate framework conditions and targeted policies.

1. Recent Trends in SME and Entrepreneurship Finance

This first chapter of the Financing SMEs and Entrepreneurs 2019: An OECD Scoreboard analyses trends in SME and entrepreneurship finance over 2007-17, based on data collected for the country scoreboards and information from demand-side surveys. A short overview of the global business environment sets the framework for the analysis of SME financing trends and conditions, focusing in particular on the changes that occurred in 2017 and the first half of 2018. The chapter concludes with an overview of government policy responses put in place to improve SMEs' access to finance in light of recent developments.

1.1. Business environment and macroeconomic context

Following a prolonged period of weak growth, global GDP rose by 3.6% in 2017 and is projected to rise to 3.7% in 2018, before easing to 3.5% in 2019 and 2020 (OECD, 2018[1]). Although this represents an improvement from recent years, there are indications that global growth has peaked and that downside risks to the economic recovery have intensified. Growth forecasts in the November 2018 OECD Economic Outlook have been revised downward for most major economies, with the exception of Canada, Mexico, the United Kingdom and the United States. In addition, heightened risks in terms of trade, investment, inflationary pressures and financial pressures on emerging countries could lead to further deterioration of the outlook.

Trade and business investment

Global trade rebounded strongly in 2017, growing 5% year-on-year, up from 2.6% in 2016 (OECD, 2018[2]). However, mounting trade tensions contributed to the slowing down of trade growth in the first half of 2018, especially in sectors that were directly impacted by recent trade restrictions. As a result, global trade growth is projected to remain subdued, dropping to around 4% in 2018 and to 3.7% in 2019 and 2020, on the assumption that trade tensions do not worsen (OECD, 2018[1]).

In this context, the pace of business investment growth in the OECD area is expected to average just over 3% per year in 2018-19, a 50 to 75 basis point decrease from previous forecasts, albeit with considerable variation across countries. Moreover, at this pace, the net productive capital stock growth is expected to remain weaker than in the pre-crisis period in most countries, and this shortfall is considered to impair productivity gains (OECD, 2018[1]).

Notable downside risks to the economy include a disruption in oil markets, the vulnerability of some large emerging economies with high external debt and negative current account balances that are affected by monetary tightening in advanced economies, along with the build-up of financial risks. The latter relates in particular to lingering fragilities of the banking sector in the euro zone area, the strong rise in equity prices, as well as the rising debt and risks accumulated by less tightly regulated non-bank institutions (OECD, 2018[1]).

Financial conditions

As in previous years, financial conditions remained broadly supportive in 2017. Nevertheless, they have begun to tighten more recently, especially in developing economies, and are expected to tighten further with the closing of output gaps and monetary policy normalisation (International Monetary Fund, 2018[3]). Higher long-term interest rates largely reflect a stronger economic outlook than markets had previously expected, and the associated expectations of somewhat higher inflation and less accommodative monetary policy. Equity prices in the major economies have declined from their recent elevated peaks and stock market volatility has picked up from the unusually low levels seen in 2016. These adjustments pose a risk to financial stability, as asset corrections could amplify and spread across asset classes and countries. Credit markets have, however, largely have been stable and corporate and emerging economies' bond spreads[1] generally remained low, although they started to rise since the beginning of 2018, especially in Europe and to some extent in emerging markets (OECD, 2018[1]).

Lending to SMEs

After the drop in 2016, growth in new SME lending turned positive again in 2017, although it remained modest. The stock of outstanding SME loans has shown positive growth since 2010 and grew again in 2017, but less strongly compared to 2016. Overall, demand for finance remained broadly stable, holding back stronger lending growths, as evidenced also by recent survey data.

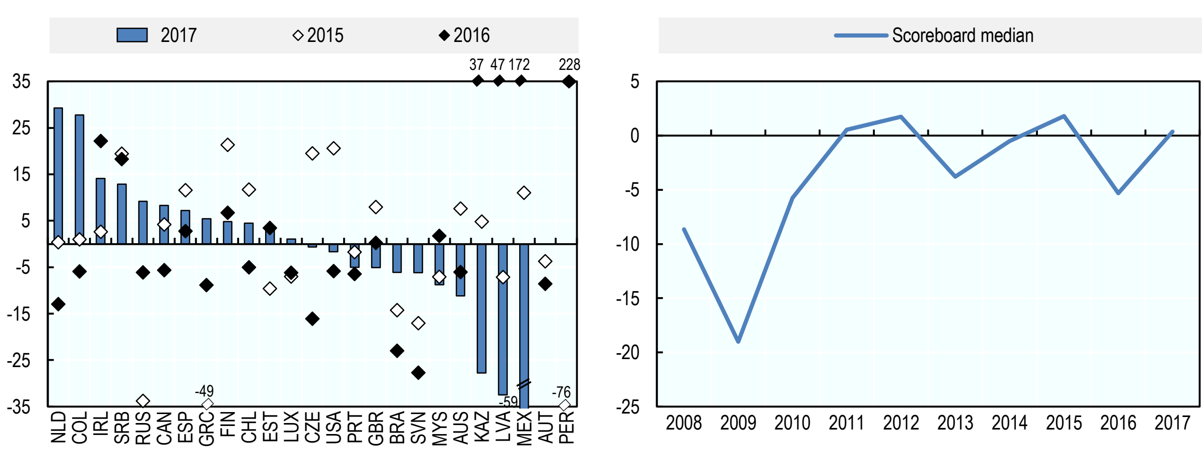
New SME loans

The median value of growth in new SME lending turned positive in 2017, from -4.8% in 2016 to 0.4% in 2017 (Figure 1.1). The overall picture since 2011 has shown no clear trend, however, and data for individual countries often displayed significant swings from one year to the next.

Growth in new SME loans was positive in 13 out of 24 countries that provided data for this indicator, including those that had experienced a (sometimes strong) decline in the previous year, such as Canada, Chile, Colombia, Denmark, Greece, Luxembourg and the Russian Federation. In ten countries, new SME lending was negative in 2017, often in continuation with negative growth experienced in the previous year, such as in Australia, Brazil, Portugal, and the United States. In Kazakhstan, Latvia, and Malaysia, new SME loan growth turned negative in 2017, after strong growth in the previous year. In the United Kingdom, following twelve positive quarters of net lending since Q4 2014, growth in new SME loans was slightly negative in Q4 2017, but turned again positive in 2018.

Figure 1.1. Growth in new SME lending

Year-on-year growth rate, as a percentage



Note: 2017 data is not available for Austria and Peru. Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles. Data are adjusted for inflation using the OECD GDP deflator and for. For non-OECD countries the deflator was extracted from the World Bank World Development Indicators.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

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Data analysis shows that new lending activities appear to be strongly and significantly correlated with GDP growth. For every additional 1% of GDP growth, new lending to SMEs could be expected to rise by close to 2% on average.[2] This suggests that economic growth is a strong predictor of credit developments, especially when it comes to new lending (the correlation is weaker and less significant when using stock SME credit data as the independent variable). In Greece and the Russian Federation, for instance, SME lending turned positive in 2017 after several years of strong decline, coinciding with a recovery in GDP. Likewise, the contraction in new lending to SMEs in Brazil is bottoming out, as its economy recovered in 2016 and especially in 2017.

At the same time, in other countries, the decline in new SME lending coincided with relatively strong economic growth. Several factors may explain this development. In some countries, such as Kazakhstan, Latvia and Portugal, structural changes in the banking sector, as well as risk aversion from financial institutions when lending to SMEs, appear to play a strong role. In other countries, such as the United Kingdom and the United States, survey data point to subdued demand for credit as one element driving this development, which may be linked to the increasing take-up of alternative financing instruments in these countries.

Research from the European Investment Bank indicates that credit demand from euro area SMEs remains subdued because of a modest rebound in investments, as well as a stronger reliance on internal funds rather than on external debt. (European Investment Bank, 2017[4]) (see section 1.5 on Self-financing).

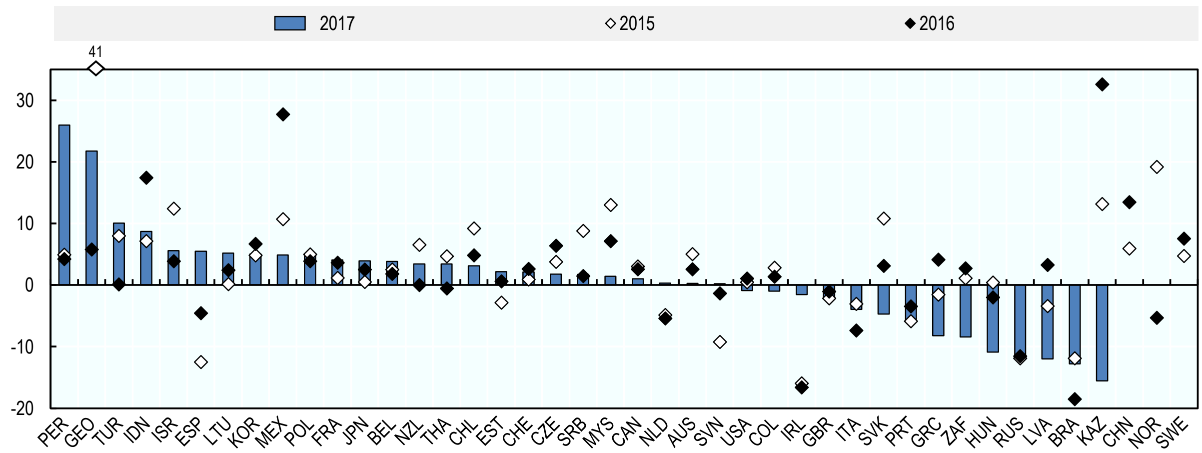
On the supply side, increased capital requirements of banks may also play a role in the weak growth in new lending in recent years. A percentage point in capital requirements is estimated to reduce new lending by 10% in the euro area, for instance (Fraisse, Lé and Thesmar, 2017[5]). A 2017 study from the European Investment Bank suggests that the trend toward a better capitalised financing sector in Europe has likely negatively impacted the provision of credit, but expects a pick-up in the coming years (European Investment Bank, 2017[4]).

Outstanding stock of SME loans

The stock of SME loans grew in 25 out of 39 countries that provided data for this indicator. The Scoreboard median value of the year-on-year growth in outstanding SME loans stood at 1.7% in 2017, after growing by almost 3% in 2015 and by 2.6% in 2016. The median value masks considerable country variation, however. Outstanding SME loan growth turned positive in 2017 in the Netherlands, Slovenia, Spain and Thailand and negative in 7 other countries. While the decline in the outstanding stock of SME loans accelerated further in Portugal, the Russian Federation and the United Kingdom, the drop decelerated in Brazil, Ireland and Italy. In Belgium, Estonia, France, Georgia, Israel, Japan and Serbia, growth in outstanding SME loans gained further pace in 2017 (Figure 1.2).

Figure 1.2. Growth in outstanding SME business loans

Year-on-year growth rate, as a percentage



Note: Due to changes in methodology in New Zealand, the 2016 growth rate from this country has been excluded. 2017 data is not available for China, Norway and Sweden, and is preliminar for Peru. Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles. Data are adjusted for inflation using the OECD GDP deflator. For non-OECD countries, the deflator was extracted from the World Bank World Development Indicators.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

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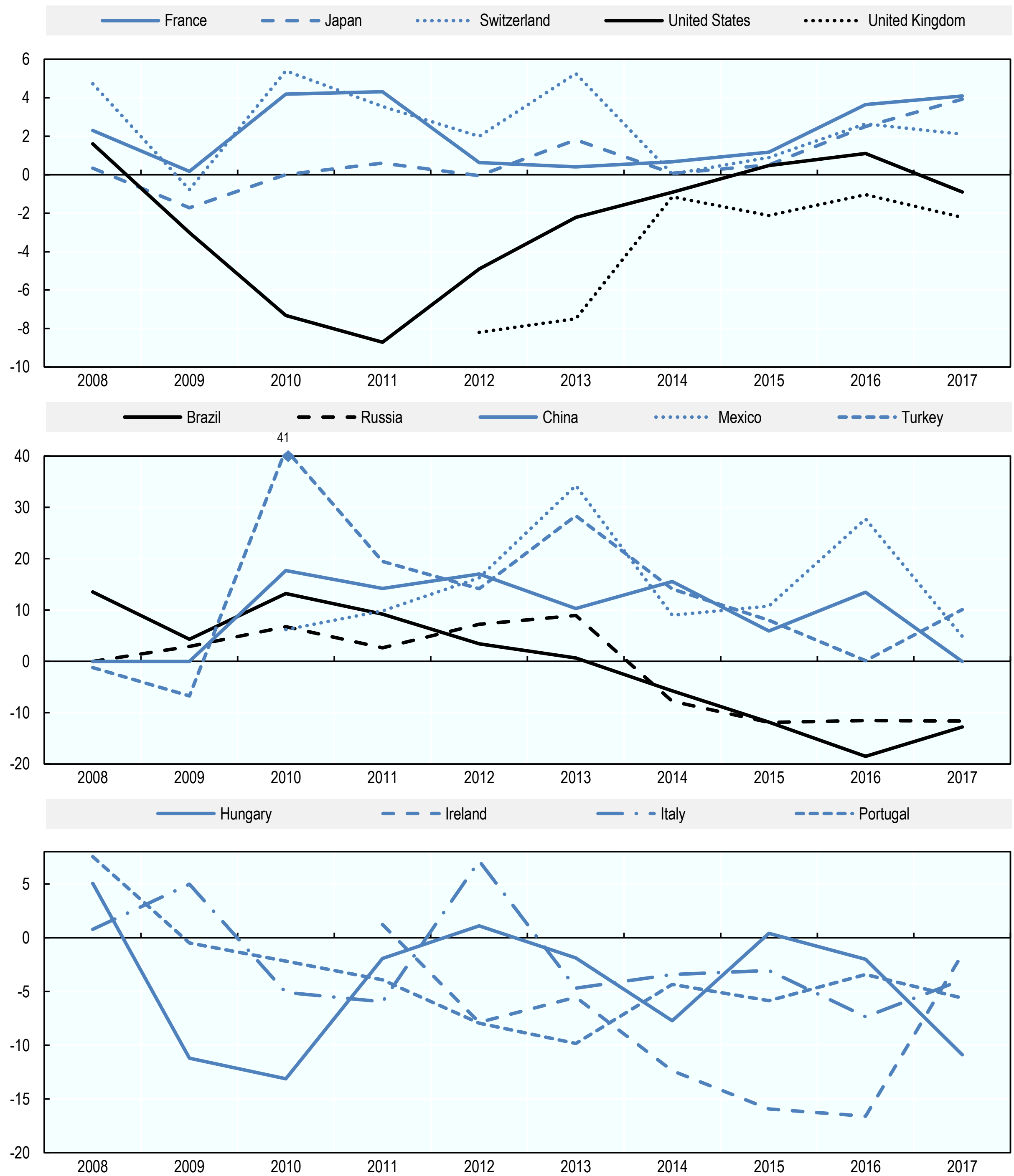
Overall, three patterns of lending growth can be observed. In most mid-income countries, loan growth has been rapid as a result of financial deepening and increased access to formal financial services. In many high-income countries, by contrast, loan growth has been sluggish. Loan growth has been particularly weak in the United Kingdom and the United States, with increased access of other sources of finance than straight debt playing a role. Finally, in some countries that were affected severely by the financial crisis, such as Hungary, Ireland, Italy and Portugal, SME loan growth often remained negative in 2016 and 2017 (see Figure 1.3).

Box 1.1 presents an overview of the country groups and their main characteristics, based on cluster analysis of 2015, 2016 and 2017 data.[3] It is important to note that there remains substantial heterogeneity within these three groups of countries. For example, loan growth over the last several years has been negative in Brazil and the Russian Federation, even though they are classified in the same cluster as other countries where loan growth has typically been high.

Figure 1.3. Growth patterns in the stock of outstanding SME loans

Year-on-year growth rate, as a percentage



Note: Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles. Data are adjusted for inflation using the OECD GDP deflator. For non-OECD countries, the deflator was extracted from the World Bank World Development Indicators.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

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The data on outstanding SME loans is influenced by a greater number of factors than data on new lending, which explains the divergence that can be observed between these two indicators, even though both of them provide information on developments in credit markets. In particular, the pace of loan repayments, changes to the maturity of loans and fluctuations in non-performing loans may lie behind different developments in stock and flow data in SME loans. In Ireland, for example, the outstanding stock of SME loans contracted by more than 15% in both 2015 and 2016, and shrank again by 1.5% in 2017, while new SME loans grew strongly by an annual average of 13% over 2015-17, due to increased repayments of existing loans.

In Greece, on the other hand, the outstanding stock of SME loans increased in 2016 while new SME lending declined, which can largely be attributed to the rise in non-performing loans, which have remained on banks' balance sheets. In addition, in many countries there has been an upward trend in the relative number of long-term loans compared to short-term credit. This can explain in part the divergent trends in flow and stock data, since loans of greater maturity remain in the data for outstanding loans for a longer period.

Box 1.1. Trends in outstanding SME loan growth – key findings from a cluster analysis

The **growth in the outstanding stock of SME loans broadly tracks GDP growth and the year-on-year change of corporate investments** in group 1, scoreboard countries with a median GDP per capita of USD 45 000 (in purchasing power parity). In addition, SME NPLs, interest rates and the interest rate spread vis-à-vis large firms are all substantially lower than in other countries, indicating that supply-side issues for SME finance are relatively limited.

In a second group, which consists of mostly mid-income countries with a median GDP per capita of USD 11 000, the **stock of SME credit expanded by almost 7% year-on-year** between 2014 and 2017, likely reflecting "financial deepening" and the inclusion of a higher percentage of the SME population in the official financial sector. In contrast to other countries, leasing and factoring volumes show no clear upward trend, suggesting that these countries are becoming more instead of less dependent on traditional debt. Both SME interest rates as well the interest rate spread are much higher than in the two other groups, likely illustrating relatively stringent credit conditions and a persistent preference of financial institutions to lend to large enterprises. Payment delays are also considerably higher among these countries, posing challenges for their cash flow management.

Moderate growth in outstanding SME loans at around 2% year-on-year can be observed in group 3, countries with a median income per capita of close to USD 30 000. Interestingly, corporate investments substantially outpaced the growth of SME credit in these countries, which is a possible sign of credit constraints that may be linked to a relatively high rate of non-performing loans for this group of countries. Both leasing and factoring activities also expanded at a faster rate than in both other groups.

Table 1.1. Country cluster classification

Average value within each group of countries

		Group 1	Group 2	Group 3
		Australia Belgium Canada Denmark Finland France Ireland Japan Luxembourg Netherlands Sweden Switzerland United Kingdom United States	Brazil China Colombia Georgia Indonesia Kazakhstan Malaysia Mexico Peru Russia Serbia South Africa	Chile Czech Republic Estonia Greece Hungary Israel Italy Korea Latvia Lithuania New Zealand Poland Portugal Slovak Republic Slovenia Spain Turkey
Scoreboard Indicators	SME Outstanding loan growth*	2.4	6.9	2.8
	SME interest rate*	3.0	12.7	3.8
	Interest rate spread*	1.0	2.1	1.1
	Venture Capital as a percentage of GDP*	4.2	2.7	1.1
	Leasing activities growth*	7.4	0.5	11.8
	Factoring activities growth*	0.3	-1.4	6.0
	Bankruptcies growth*	-4.5	-5.2	-6.4
	SME non-performing loans (%of all SME loans)*	1.3	4.9	6.5
	Payment delay**	11.2	69.9	13.7
	SME outstanding loans share*	38.8	29.7	54.5
Other Indicators	GDP growth*	2.1	2.5	3.3
	Corporate investments growth*	3.0	2.0	5.2
	GDP per capita***	45049.5	10861.1	29117.9

Note: In percentage (*), number of days (**) and 2010 USD (***). All scoreboard indicators come from country profiles. Each marker represents the median of the country group for every indicator. GDP growth data is in constant 2007 prices, expressed in local currencies. GDP growth data is from the OECD, except for China, Brazil, Colombia, Georgia, Kazakhstan, Malaysia, Peru, Serbia, Thailand and Russia, which have data from the World Development Indicators database of the World Bank. GDP per capita is in constant 2010 USD, using OECD data, except for Brazil, China, Georgia, Kazakhstan, Malaysia, Peru, Russia, Serbia, and Thailand, which have data from the World Development Indicators database of the World Bank. Corporate Gross Fixed Capital Formation (CGFCF) is used as a proxy for corporate investments, using CGFCF data from the OECD (Brazil, Georgia, Kazakhstan, Malaysia, Peru, Russia, Serbia, and Thailand from the World Development Indicators database from the World Bank). Israel, Indonesia, and Kazakhstan refer to total GFCF

Source: OECD, World Bank, Scoreboard's country profiles. OECD – own elaboration.

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SME loan shares

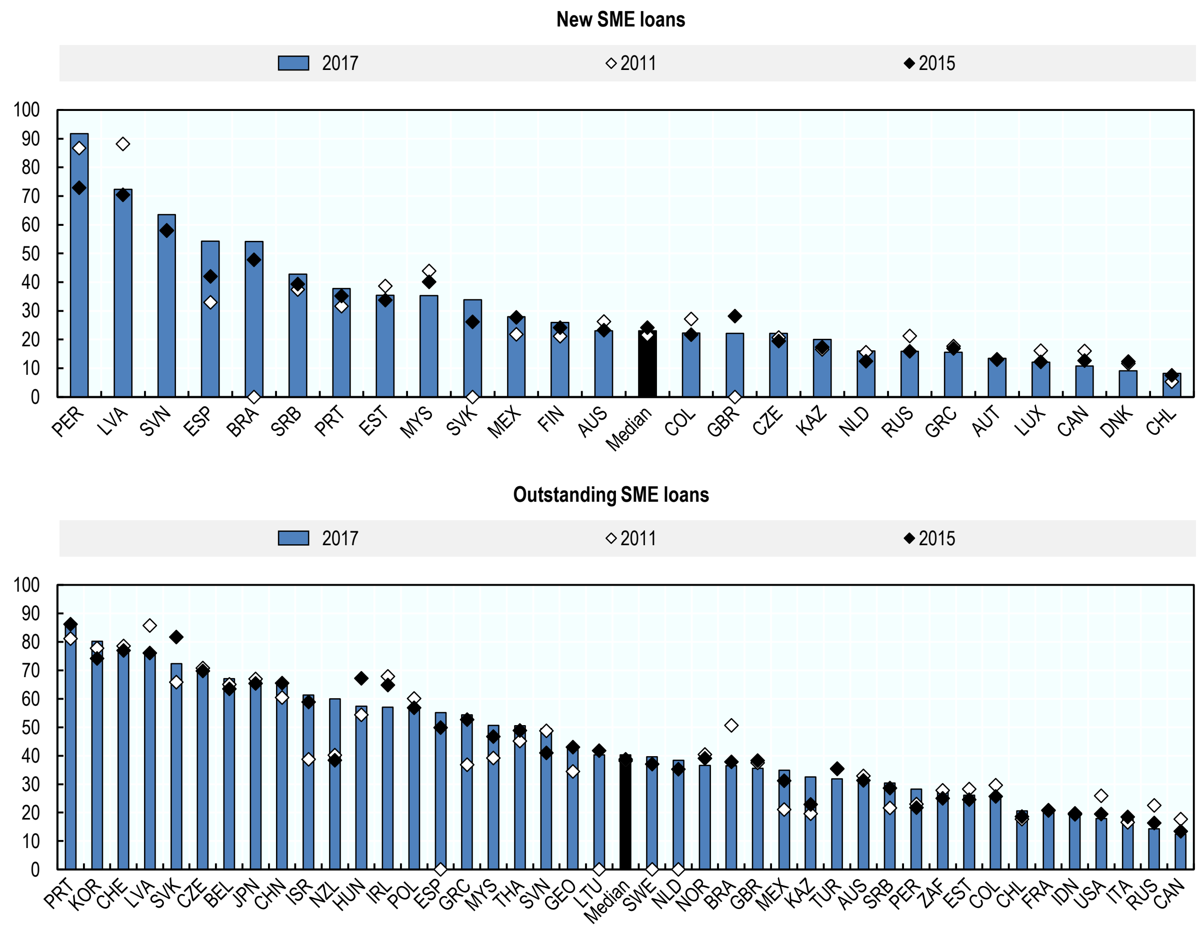
SME loan shares vary significantly across countries, for both stock and flow data. Defined as the share of SME loans over total business loans, they help set the above indicators on SME lending into the context of general business lending conditions.

The share of outstanding SME business loans ranged from around 20% or less in Canada, Chile, France, Indonesia, Russia and the United States, to levels of more than 70% in Korea, Latvia, Portugal, the Slovak Republic and Switzerland. It also appears to be negatively correlated with the overall size of countries and their economies. In addition, income per head and financial sector development appear to be positively correlated with the loan share that is directed toward SMEs. The 2017 median value of the SME loan share for participating mid-income countries stood at 36.4%, compared to 55.1% for high-income countries.[4] Participating non-OECD countries' SME loan share remains well below 50%, even in relatively small countries such as Georgia and Serbia. This may reflect a stronger preference of the banking sector in middle-income economies to lend to large enterprises. China represents an exception, both in terms of its size and income level, with 64.8% of corporate loans flowing to SMEs in 2016.

The median value for SME loan shares as a proportion of all corporate loans provides some insight into overall trends. It declined from 41.9% in 2007 to a low of 37.8% in 2012, indicating more problematic access to bank credit for SMEs compared to large enterprises over this period. Since 2012, the share of outstanding SME loans has started to slowly rise again; it stood at 40.24% in 2017, below its pre-crisis level. The SME loan share in new lending declined over 2007-09 as well, from 25.6% to 19.9%, but its evolution was somewhat more erratic in the following years, declining from 25.4% in 2016 to 23.1% in 2017 (Figure 1.4).

Figure 1.4. SME loan shares

New SME loans as a percentage of total new business loans and outstanding SME loans as a percentage of total outstanding business loans



Note: China, Norway and Sweden refer to 2016 data instead of 2017.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

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There have been differences in the evolution of SME loan shares across countries in recent years. Table 1.1 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. Note that the table below considers inflation-adjusted data.

Table 1.2. Trends in SME loan shares and credit market scenarios, 2016-17

SME loan share change	Number of countries	Trends in SME and total business loan stock	Countries	Number of countries	Credit market scenarios
SME loan shares increased	28	SME loans increased more than total loans increased	Belgium, Colombia, Finland, Georgia, Indonesia, Israel, Japan, Korea, Lithuania, New Zealand, Poland, Serbia, Switzerland, Thailand, Sweden	15	Increased share of a growing business loan stock
		SME loans increased but total loans decreased	Australia, Chile, Estonia, Luxembourg, Netherlands, Malaysia, Peru, Slovenia, Spain	9	Larger share of a shrinking business loan stock
		SME loans decreased slower than total loans decreased	Austria, Hungary, Portugal, South Africa	4	Larger share of a shrinking business loan stock
SME loan shares decreased	18	SME loans decreased faster than total loans decreased	Brazil, Greece, Ireland, Italy, Latvia, Norway, Russia	7	Smaller share of a shrinking business loan stock
		SME loans decreased while total loans increased	Kazakhstan, United Kingdom, United States	3	Smaller share of a growing business loan stock
		SME loans increased but not as fast as total loans increased	Canada, China, Czech Republic, Denmark, France, Mexico, Slovak Republic, Turkey	8	Smaller share of a growing business loan stock

Note: The table considers inflation-adjusted data. Austria, Denmark, Finland and Luxembourg use flow data. Austria, China, Hungary, Norway, Poland and Sweden refer to 2015-16 data. All represented developments refer to inflation-adjusted data using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Bank World Development Indicators.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

Although data on the evolution of SME loan shares may suggest that SMEs have generally experienced an improvement in access to bank financing, this indicator should be interpreted carefully and in context. An increase in SME loan shares can sometimes reflect trends in financing opportunities and strategies by large firms, rather than increased access to finance for SMEs, especially when occurring at a time of general lending contraction, during which large enterprises could be expected to be resorting to other forms of finance. In addition, demand-side factors also play a potentially large role in these developments. The continuous decline in the SME loan share in Brazil and the Russian Federation since 2013, for example, is likely due to more difficult access to bank financing for small firms vis-à-vis large enterprises. In other countries, such as the United Kingdom and the United States, a similar development appears to be driven to some extent by the wider adoption of financial instruments other than bank debt by SMEs.

Short-term versus long-term lending

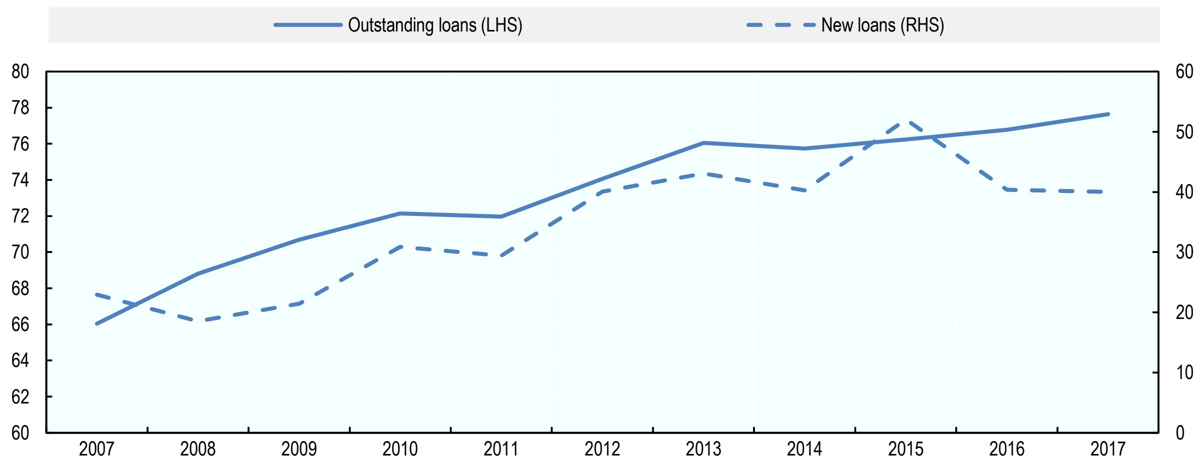
Data on loan maturities reveals a clear shift in the SME loan portfolio of banks from short-term to long-term lending over the past decade. Short-term loans, defined as loans with an initial maturity of less than one year, such as overdrafts and lines of credit, are typically used to provide working capital, while long-term loans are more often used for investment purposes. In Spain, 9 out of 10 SME loans, and in Ireland close to 8 out of 10 are short-term, while in Brazil, Finland, France, Italy and Portugal, this figure stood at 1 in 5.

Looking at the median value of participating countries, an almost continuous increase in the share of long-term loans can be observed since 2007, with 2016 being the only exception. In 2017, the median value increased by almost 1.5 percentage points, from

74% in 2016 to 75.4%. The share has thus expanded by more than 10 percentage points over the 2007-17 period. The trend is broadly similar for both, outstanding SME loans and new SME lending (Figure 1.5).

Figure 1.5. SME long-term lending

Scoreboard median values, as a percentage of all loans



Note: The median for outstanding loans was calculated based on data from Belgium, Brazil, Canada, Chile, China, Colombia, Estonia, France, Greece, Indonesia, Italy, Kazakhstan, Latvia, Malaysia, the Netherlands, Norway, Poland, Portugal, Serbia, Slovak Republic, Slovenia and Sweden. The median for new loans was calculated based on data provided by Austria, Czech Republic, Denmark, Finland, Hungary, Ireland and Spain. Data for Korea was not included as it refers to all businesses, while data for Mexico was not included as it refers to loans provided by INADEM only. All represented developments refer to inflation-adjusted data using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Bank World Development Indicators.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

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The shift towards long-term lending since the financial crisis is corroborated by several studies that show that, both in the United States (Gray, 2017[6]), as well as in the European Union (Demary, Hornik and Watfe, 2016[7]), (Park, Ruiz and Tressel, 2015[8]), loans with a longer maturity have made up a larger share of banks' portfolio in recent years.

Several elements may be driving this shift. First, with more alternative lending choices available, especially online, it has become much easier for small business owners to obtain short-term financing elsewhere to cover their working capital and liquidity needs. Alternative lending options, like working capital loans or small ticket equipment leasing, offer the flexibility and quick turnaround needed for owners to keep their businesses running smoothly and at the same time forego the often restrictive loan requirements of traditional banks. In a majority of EU countries for example, companies have started relying more on short-term loans from non-financial corporations, alongside an increased use of intra-company financing solutions (Demary, Hornik and Watfe, 2016[7]).

Furthermore, while the financial crisis negatively impacted the capacity of SMEs to generate retained earnings, recent improvements in their cash flow situation and profitability allow small businesses to rely more on internally generated revenues for their day-today operations, thus leading to a decline in external short-term financing (see section 1.5 on Self-financing).

Another potential explanation may be related to continuously declining interest rates, that possibly incentivise firms to borrow on longer terms, including for working capital purposes, so as to "lock in" low rates.

In addition, investment behaviour may also play a role. Although the recovery in corporate investments, as measured by gross fixed capital formation (GFCF) in the OECD area, remained relatively weak and uneven for quite some time after the crisis, it has started to gain pace recently. GFCF growth rates for the OECD as a whole were positive over the 2010-17 period, and even more than doubled between 2016 and 2017 from 1.7% to 3.6% (OECD, 2018[2]). The 2016 dip in the share of long-term SME lending coincided with a decline in investment activities in the same year, suggesting a link between both variables. If the 2017 pick-up in investment activities continues and gathers pace, one would expect SME demand for long-term credit to accelerate further in the future.

Credit conditions for SMEs

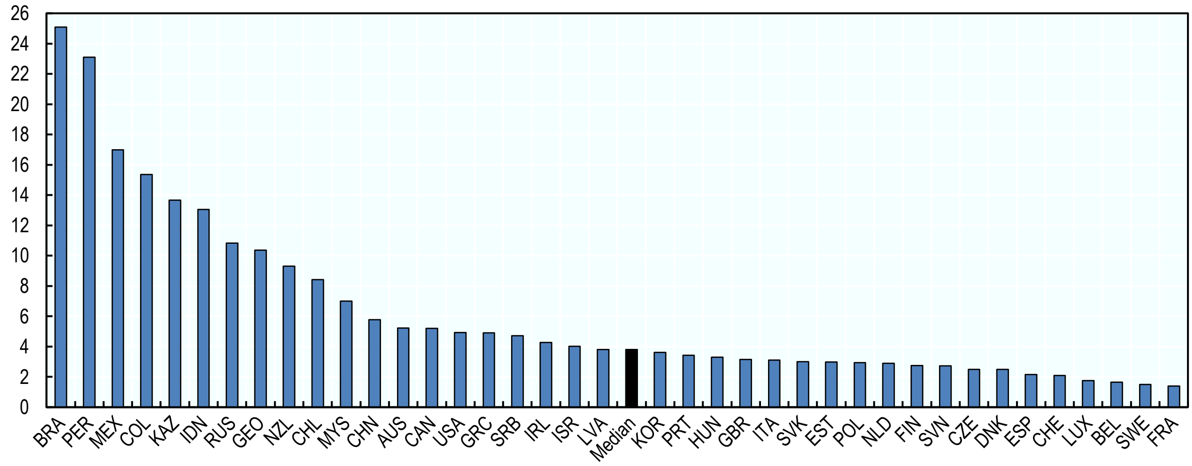
This section describes credit conditions for SMEs and entrepreneurs based on data on the cost of bank finance, collateral requirements and rejection rates. It also draws on findings from supply-side and demand-side surveys. Overall, available evidence suggests that demand for loans has remained broadly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

Interest rates

The cost for obtaining bank credit varies considerably among Scoreboard countries. In 2017, SME interest rates were highest in Brazil, followed by a number of other mid-income economies. New Zealand was the only high-income economy with interest rates close to 10%, well above the median of 3.8% (Figure 1.6). As in previous years, SME interest rates were lowest in European countries like Belgium, France and Sweden, all of which experienced a further decline compared to the previous year.

Figure 1.6. SME interest rates, 2017

In percent



Note: Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles. The data refer to nominal interest rates.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

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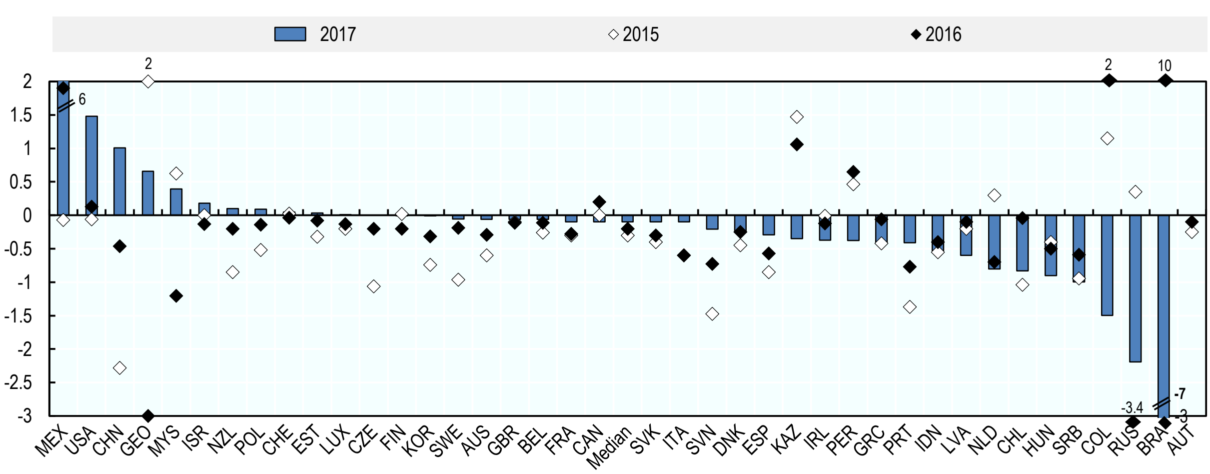
In the majority of Scoreboard countries, SME interest rates declined in 2017, an indication of improving credit conditions for SMEs, and in continuation with trends observed in previous years. Eleven countries bucked the trend and experienced increases in SME interest rates in 2017, up from previous years (Figure 1.7).

Figure 1.7. Change in SME interest rates

Absolute change, in percentage points



Note: Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles. The data refer to changes in nominal interest rates. 2017 data is not available for Austria.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

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Trends in SME interest rates are strongly linked with monetary policy. Mexico's increase in SME interest rates, for instance, was the highest in 2017, at almost 6 percentage points, following an increase in the main monetary policy rate, which rose by 425 basis points between December 2015 and the end of 2017. Similarly, China and the United States both experienced a relatively strong increase in SME interest rates in 2017 coinciding with a tightening of monetary policies in the same year. Conversely, the countries experiencing the biggest declines in SME interest rates were Brazil and Russia, where SME interest rates declined by 6.6 and 2.19 percentage points, respectively, following a loosening of monetary policy.

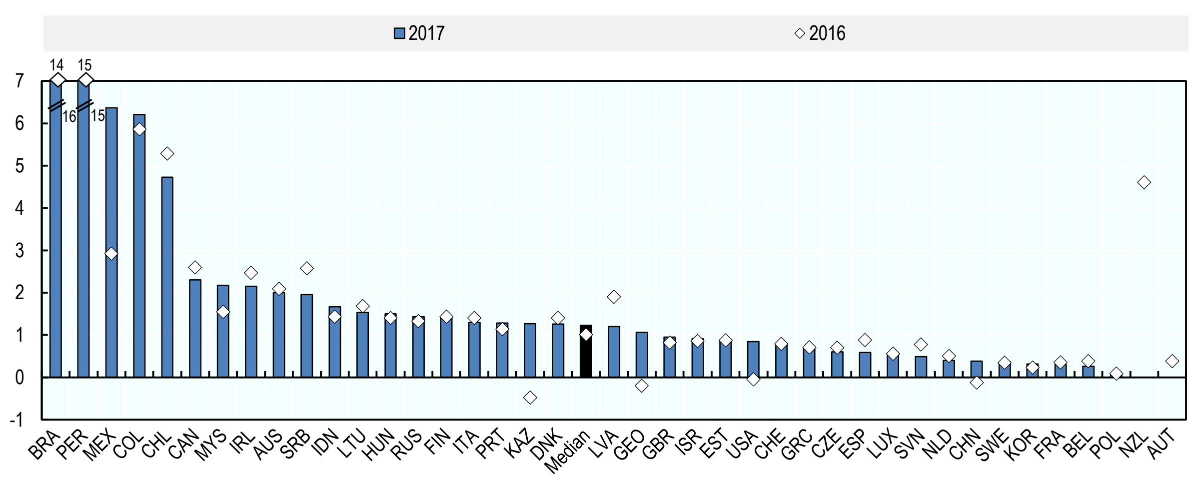
In 2017, the median SME interest rate for Scoreboard countries declined by 0.10 percentage points, the 7th year in a row. This decline was, however, less strong than over the 2012-16 period. This illustrates that there may only be limited room for further interest rate reductions in many high-income countries, given that central bank interest rates are already at unprecedented lows, and that monetary policies have started to tighten in some participating economies. In addition, further decreases in the interest rate from already low levels may not spur SMEs to borrow more. Indeed, analysis of the current data indicates no significant relationship between SME credit volumes and interest rates.

The interest rate spread between loans to SMEs and large enterprises offers additional insights regarding SMEs' credit conditions. Typically, SMEs are charged higher interest rates than large enterprises, given their inherently riskier profiles as borrowers. As such, a narrowing interest rate spread generally indicates more favourable lending conditions for SMEs, while a widening spread indicates tighter lending conditions.

Overall, no clear trend could be discerned in 2017, with the number of countries experiencing a rise in the interest rate spread roughly in balance with the number of countries, where the spread declined (See Figure 1.8).

Figure 1.8. Interest rate spreads between loans to large firms and to SMEs

In percentage points



Note: Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles. 2017 data for Austria and New Zealand are not available.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

StatLink https://doi.org/10.1787/888933915658

In 2017, Mexico experienced the largest increase in the interest rate spread, followed by Brazil, Kazakhstan and Georgia (1.26 percentage points). Chile, Latvia, Peru and Serbia experienced the strongest decline in the interest rate spread in 2017, where it dropped between 0.7 and 0.5 percentage points, even though in all these countries the spread remained above the Scoreboard median. The 2017 interest rate spread was higher in countries with higher interest rates, standing at more than 10 percentage points in Brazil and Peru. On the other hand, countries with low SME interest rates, such as Belgium and France, also exhibited a low spread between small and large firms.

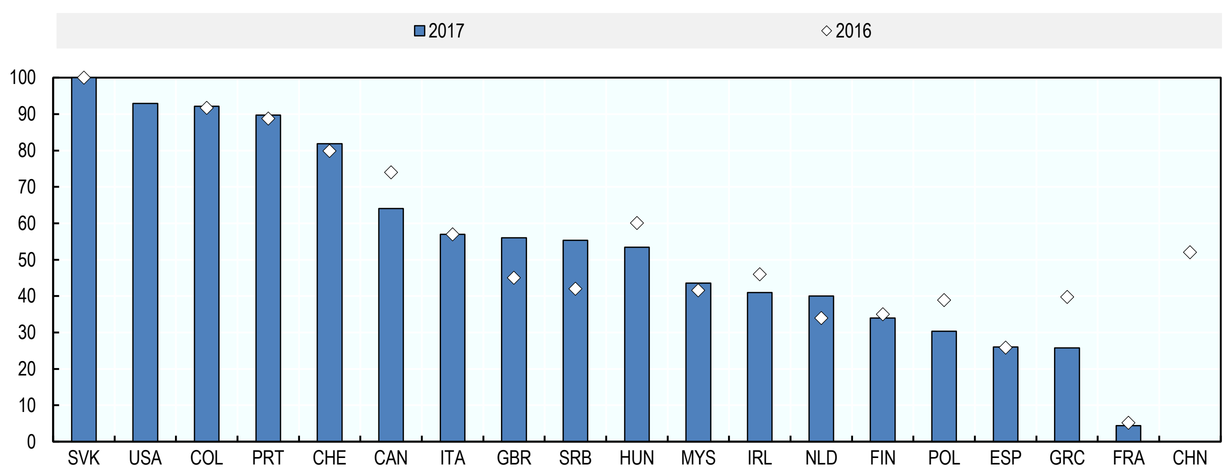
Collateral requirements

Data on collateral requirements come from demand-side surveys, whose methodology, sample and questionnaire differ from one country to the other. Cross-country comparisons should therefore be made with caution, and reporting improvements are needed to better assess the evolution in SME financing conditions in this respect.

Out of the 17 countries that provided 2016 and 2017 data, 7 experienced a decline in collateral requirements, which was most pronounced in Greece. Collateral requirements also decreased quite substantially in Canada, Hungary Ireland and Poland. Serbia, on the other hand, experienced the strongest increase in collateral requirements, followed by the United Kingdom and the Netherlands (Figure 1.9).

Figure 1.9. SME collateral requirements

Share of SME bank loans requiring collateral, in percent



Note: Data not available in 2017 for China and in 2016 for the United States. Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

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While there is no clear trend in collateral requirements, an increasing proportion of SME assets are intangible in nature (such as patents and other intellectual property, contractual agreements, trademarks, software), posing challenges for firms with a large portfolio of these assets. Against this backdrop, the thematic chapter of this Scoreboard edition assesses how intangible assets can be leveraged by SMEs to access finance, especially bank debt. It provides a summary of the main insights and results from a wider OECD study, which explores recent trends and policy implications for strengthening the use by SMEs of intangible as collateral to obtain bank financing (OECD, forthcoming[9]).

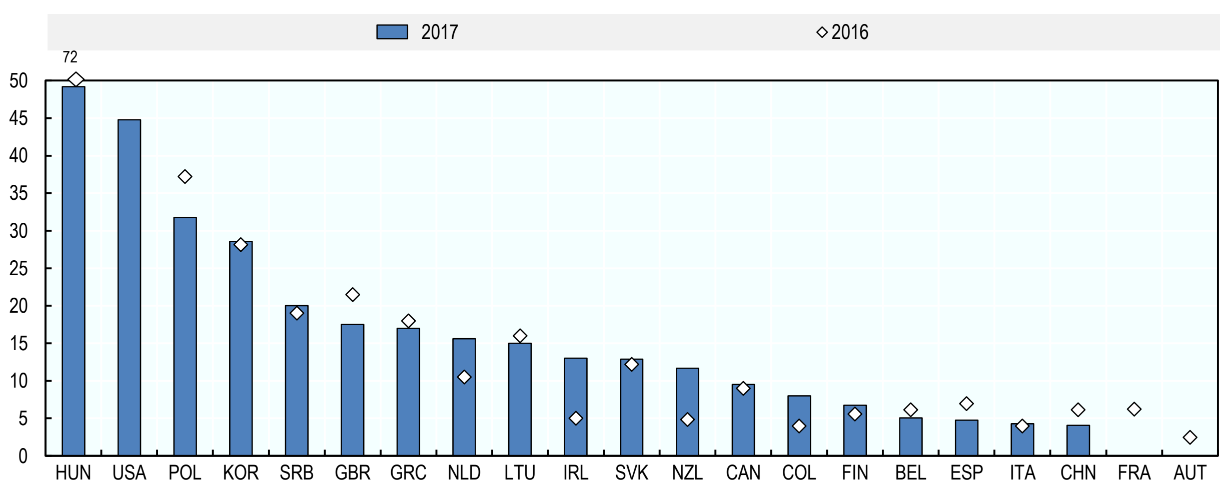
Rejection rates

As with collateral, data on rejection rates are usually gathered from demand-side surveys, with limited comparability across countries. 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 and suggest that loan demand is not being met, either because the terms and conditions of the loan offers are deemed unacceptable, the average creditworthiness of loan applications has deteriorated, or banks are rationing credit.

Out of 18 countries that provided data for 2016 and 2017, 10 reported an increase in rejection rates. Hungary, Poland, the Slovak Republic and New Zealand experienced large swings in their SME loan rejection rates, while the year-on-year change among the other countries was fairly small (Figure 1.10).

Figure 1.10. SME rejection rates

As a share of requested loans, in percent



Note: Data not available in 2017 for France and Austria, and in 2016 for the United States. Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

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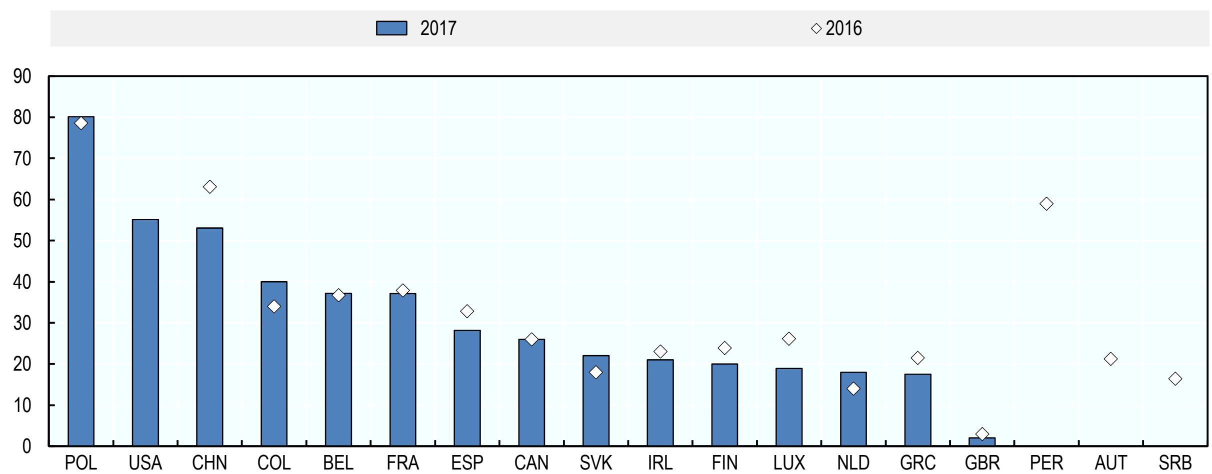
SME loan applications

About one-fourth of SMEs applied for credit over the last six months, illustrating that the majority of SMEs do not seek external financing. There are however large cross-country differences, with Polish SMEs far more likely to apply for credit than their counterparts in the United Kingdom, for example. Of the 14 countries that provided data on SME loan applications for 2017 and 2016, 8 indicated a decline, while 5 indicated an increase in SME loan applications. SME loan applications decreased by close to 10 percentage points in China, by more than 7 percentage points in Luxembourg, while Finland, Greece and

Spain experienced a contraction of about 4 percentage points. Colombia recorded the highest increase in 2017, at 6 percentage points (Figure 1.11).

Figure 1.11. SME loan applications

As a share of total SMEs, in percent



Note: Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles. 2017 data for Peru, Austria and Serbia are not available. 2016 data for the United States are not available.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

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An increase in the ratio of SME loan applications is indicative of a stronger demand for credit, and the data should be interpreted in tandem with the rejection rate and loan growth, as lower application rates could be due to either a lower demand for external financing, or to a rise in discouragement. In France, for example, the SME loan application rate remained broadly stable over the 2012-17 period, even though rejection rates almost halved over that time, possibly suggesting that demand for credit has lagged behind supply. This is corroborated by recent survey data, described in more detail in the next section, which also suggests that the demand for credit appears to have remained broadly stable over the reference period.

Additional evidence on credit conditions from survey data

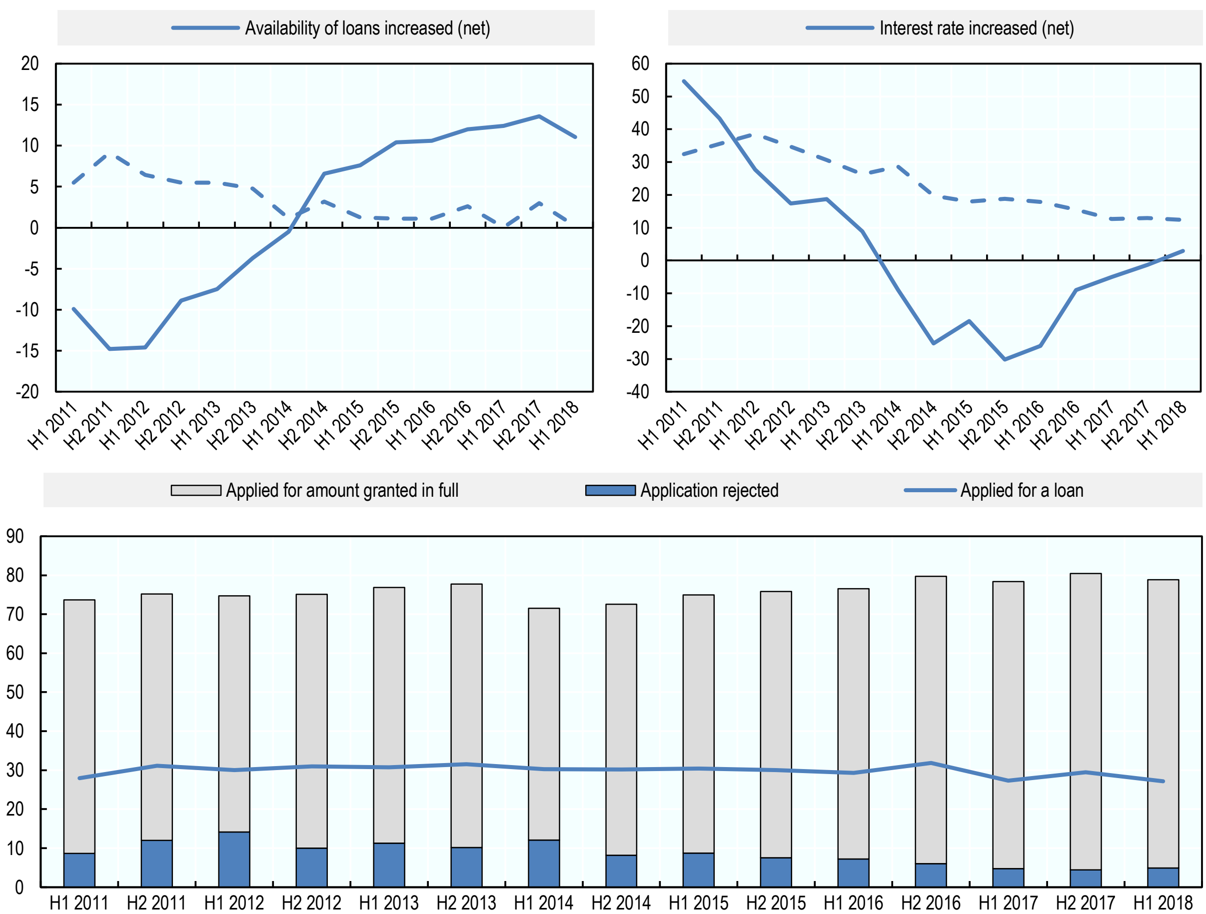
Survey data illustrates that credit conditions remained relatively loose and interest rates on the decline in most of the Euro area, Japan and the United States, while the availability of credit increased recently in the United Kingdom. In addition, the selected studies discussed in the below sections indicate that SMEs continue to consider bank finance to be relatively available, especially when compared to the period following the financial crisis. While these surveys provide important insights, the comparability among different survey exercises is limited and should be improved. The section on Recommendations for data improvements at the end of the chapter provides guidance in this area.

Euro zone

The ECB Survey on SME access to finance (SAFE), undertaken every year, provides insights into how credit conditions are perceived by SMEs in the euro area.5 Financing conditions continued to improve for European SMEs, but at a slower pace in 2018. In fact, a majority of SMEs reported an increase in interest rates in H2 2018 for the first time in nine semesters, and the net balance of firms reporting greater availability of bank loans decreased for the first time in 13 semesters. Overall, demand for loans over the 2011-18 period has remained broadly constant in spite of declining rejection rates and an increasing share of fully granted loan applications (Figure 1.12).

Figure 1.12. ECB Survey on SME access to finance

Selected indicators, as a percentage of total SMEs surveyed



Note: The net percentage is the difference between the percentage of firms reporting that the given factor has improved and the percentage reporting that it has deteriorated or the difference between the percentage reporting that it had increased and the percentage reporting that it has decreased.
Source: ECB (2018), last surveys were held in from March to September 2018.

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The net percentage of SMEs reporting an improvement in the availability of bank loans decreased for the first time since H2 2011 to 11% (from 14%) in 2018, and SMEs expect this trend to continue in the coming semesters.

The percentage of SMEs that report difficulties in accessing bank loans has diminished in most countries. Overall, in this survey round, 27% of SMEs applied for a bank loan (from

29% in the previous round). The rate of fully successful loan applications reached 74% (down from 76%), while the rejection rate rose slightly to 5% (from 4%). At the same time, 31% (from 26%) of SMEs continued to signal higher levels of other costs of financing, such as charges, fees and commissions (European Central Bank, 2018[10]). These observations and trends are corroborated by the fact that the external financing gap of SMEs remained negative at the euro area level. Only SMEs in Greece reported a positive financing gap, suggesting more considerable supply-side issues linked with bank credit than in the rest of the euro area.

Overall, however, the survey also confirms that large firms continued to benefit from better access to financing than SMEs. Around 45% of large firms applied for a bank loan, with a success rate that was much higher (84%) and a rejection rate that was much lower (1%) than those of SMEs. According to the survey results, the average interest rate charged to large enterprises on credit lines was about 170 basis points lower than that paid by SMEs. (European Central Bank, 2018[10]).

United States

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

The October 2018 survey illustrates that only 2% of surveyed small businesses in the United States stated that financing was their main concern (stable from October 2017), and only 4% reported that their financing needs were not being met (+1 percentage point from October 2017), indicating the relative ease and affordability of accessing credit. (Dunkelberg and Wade, 2018[11]).

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[6]. According to the October 2018 survey, respondents indicated that, on balance, they slightly eased their standards and terms on commercial and industrial (C&I) loans to large and mid-sized firms and left their standards unchanged for small firms, citing increased competition from other lenders as the main reason for easing, as well as a less uncertain economic outlook and an increased tolerance for risk.

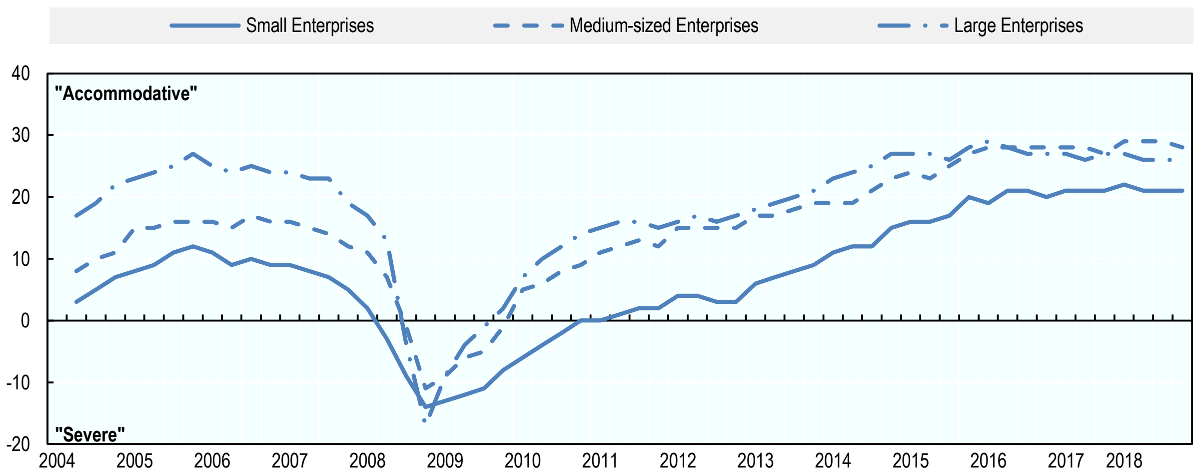
The survey also includes a question on demand for loans from SMEs[7]. For most of 2016 and the first half of 2017, demand for credit in the United States weakened. According to the October 2018 survey, a modest net percentage of domestic banks reported weaker demand for loans to all firms (United States Federal Reserve Board, 2018[12]).

Japan

In Japan, perceived lending attitudes deteriorated sharply between 2008 and 2009, according to the TANKAN survey, a quarterly poll on business confidence published by the Bank of Japan[8]. Between 2010 and 2015, financing conditions loosened, and from 2015 onwards lending attitudes for small and medium-sized enterprises have by and large remained constant and accommodative (Figure 1.13). It is noteworthy that the perceived lending attitudes for large and medium-sized enterprises have become largely similar in recent years, in contrast with the pre-crisis period, when medium-sized firms faced tighter credit conditions. The gap between small and large firms has remained large, however (Bank of Japan, 2018[13]).

Figure 1.13. Lending attitudes in Japan

Diffusion index, in percentage points



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

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United Kingdom

Responses to the 2018 Q3 Credit Conditions Survey from the Bank of England[9] shows that the availability of credit provided to small businesses appeared to have increased, with lenders reporting for the second semester in a row greater credit availability to businesses since 2015 Q3. In addition, lenders reported a slight increase in demand for corporate lending from medium non-financial businesses in the third quarter of 2018, which was expected to remain broadly unchanged until the end of the year. On the other hand, more recent data illustrate an uptick in interest rates since the second half of 2017, as well as some tightening in credit conditions in the first half of 2018.

Asset-based finance

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

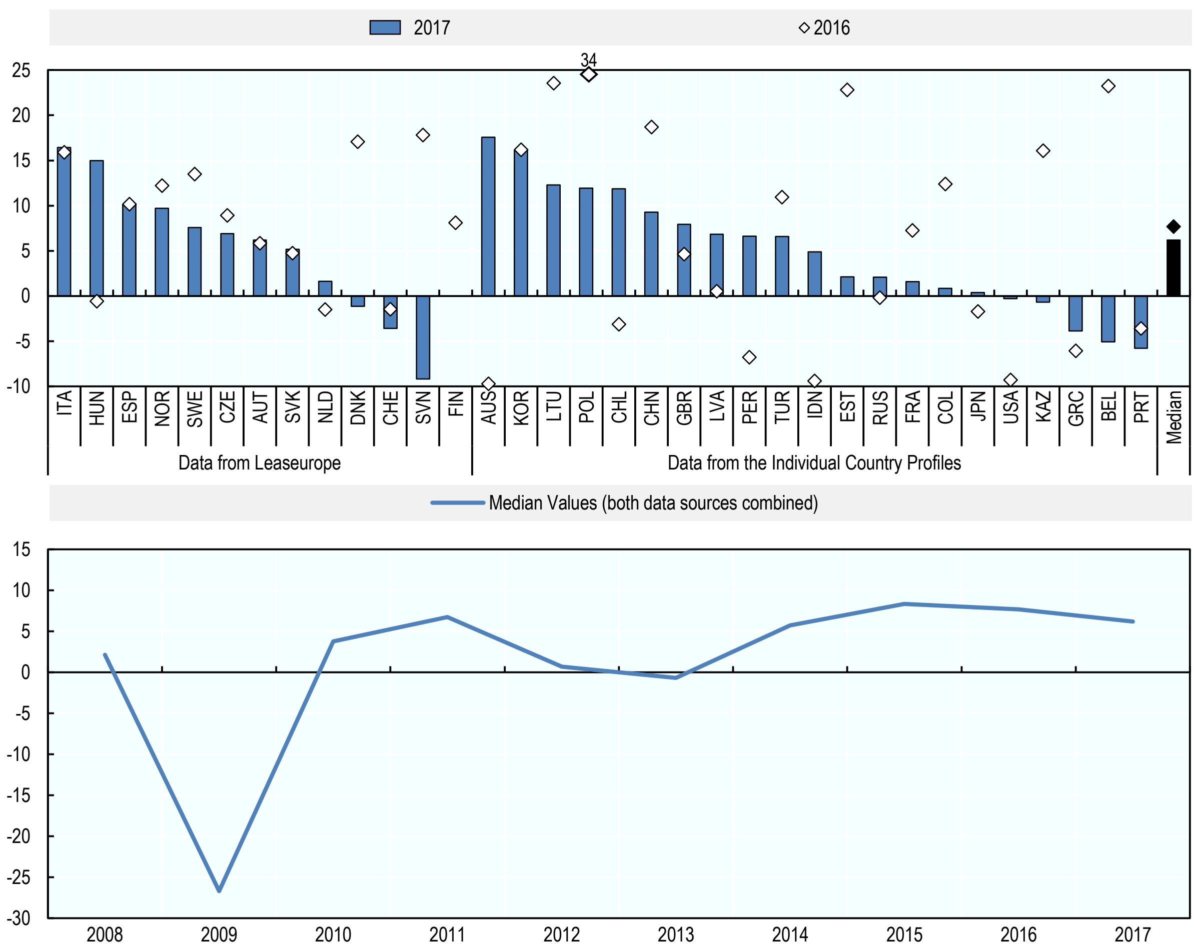
Leasing and hire purchases

Data from national sources, complemented by information from Leaseurope, show a considerable increase in leasing and hire purchase activities in 2017 in many countries, in line with developments in previous years.

In 26 out of 34 countries where data on leasing and hire purchase activities were available, inflation-adjusted volumes rose in 2017, continuing the trend documented since 2014. In Australia, Chile, Hungary, Italy, Korea, Lithuania, Poland and Spain, volumes rose by more than 10% year on year. The median growth rate in 2017 stood at 6.2%, slightly down from previous years (Figure 1.14).

Figure 1.14. Leasing and hire purchases

Year-on-year growth rates, as a percentage



Note: The median value refers to data from both sources. Data for Australia refers to leasing and hire purchases as flows. Japan refers to leasing alone, as stocks. 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: LeaseEurope and data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

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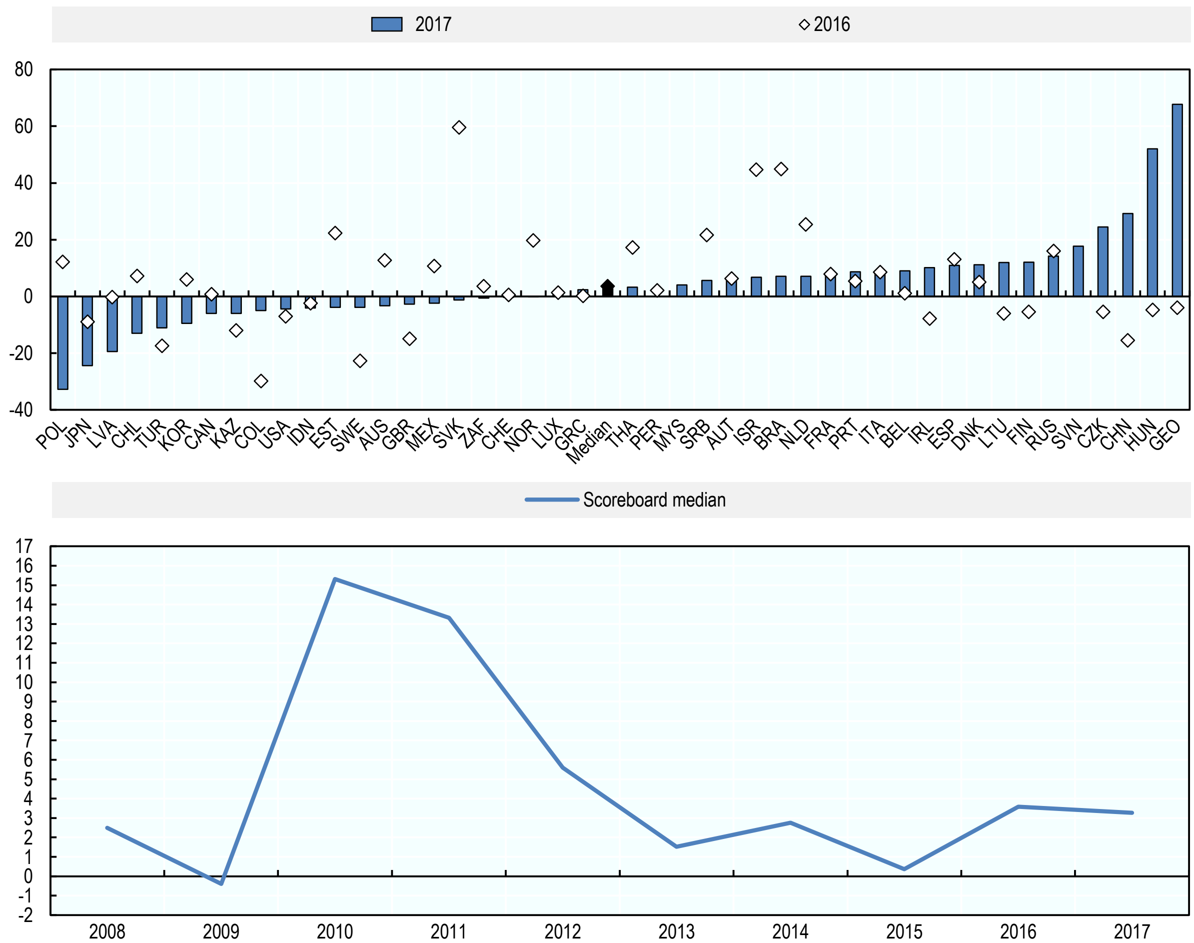
Anecdotal evidence points to both demand-side and supply-side drivers behind the growth trends of leasing activities. Leasing appears to be gaining acceptance as a viable alternative to traditional bank debt among a growing number of small businesses, as awareness about the pros and cons of leasing as a source of finance has increased. The leasing trend may also be indicative of a wider societal trend towards usage rather than ownership. In addition, financial institutions around the world have integrated their relatively independent leasing units more closely within their structures (LeaseEurope, 2018[14]).

Factoring

Data on factoring volumes are sourced from Factors Chain International (FCI), a sector organisation. In 2010 and 2011, volumes rose in a majority of scoreboard countries, with median growth amounting to 15.3% and 13.8%, respectively, suggesting that this source of finance was not affected by the crisis and thus provided an alternative for finance-constrained SMEs. In recent years, median growth in factoring volumes has increased, but at a considerably lower pace. Volumes were up in 24 out of 43 in 2017, albeit with considerable country variation and with volumes showing large fluctuations. In Poland, for example, volumes rose by 12% in 2016, and then decreased by almost a third in 2017. In China, volumes declined by more than 15% between 2015 and 2016, but then rebounded by almost 30% the next year (Figure 1.15).

Figure 1.15. Factoring volumes

Year on year change, percentage values



Note: 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 (2017).

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Factoring services expanded in the immediate aftermath of the financial crisis. In recent years, the growth in international factoring considerably outstripped the growth in domestic factoring, and the demand for factoring services from internationally active SMEs appears to be driving the overall growth of the industry (United Capital Funding, 2018[15]). Moreover, factoring often provides a number of additional financial services beyond the provision of short-term credit, such as credit protection, credit management, accounts receivable book-keeping and collection services, which may appeal to many SMEs (Degl'Innocenti, Fiordelisi and Trinugroho, 2018[16]).

Despite an increased take-up of factoring by firms active in foreign markets, there is evidence of an unmet financing demand from many SMEs for conducting cross-border trade, including for factoring services. The World Trade Organisation estimates that half of trade finance requests from SMEs worldwide are rejected, compared to 7% of multinational firms (World Trade Organization, 2016[17]).

Self-financing

While research has largely focused on the availability and importance of external financing sources for SMEs, self-financing also plays a crucial role, although its importance varies across countries, firm size and age, as well as by business type.

On average, start-ups are more likely to rely on internal funds than more mature companies, given their higher levels of human capital-specific assets, lower levels of traditional tangible assets, and less established reputation and historical performance (Paroma and Mann, 2010[18]).

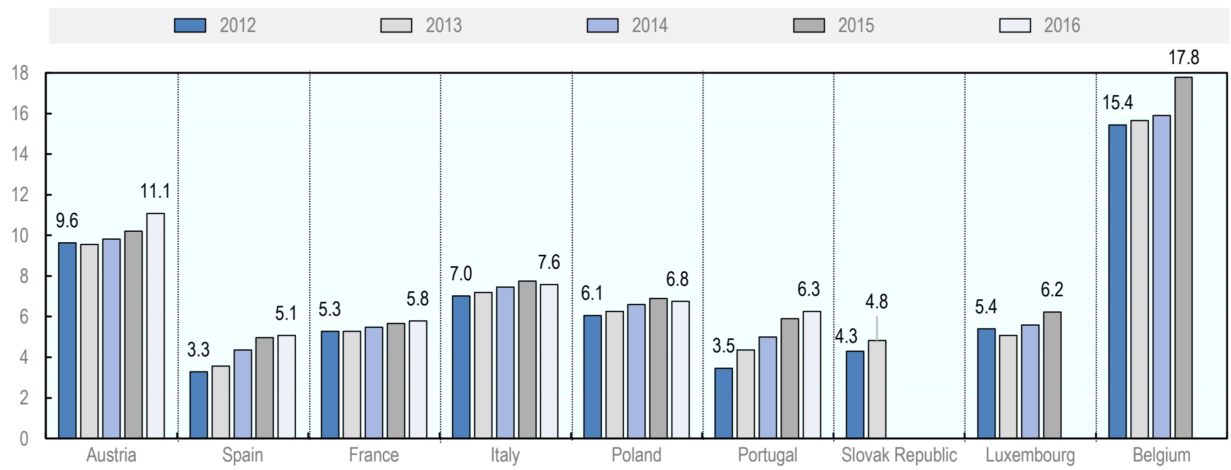
SMEs of all sizes tend to have a strong reliance on internal funds. A 2016 study on the financing patterns of European SMEs found that although many of the firms relying exclusively or predominantly on internal funds were micro-businesses (1-9 employees), approximately 18.1% of them were small enterprises (10-49 employees), and 12.8% were medium-sized enterprises (50-249 employees) (Moritz, Block and Heinz, 2016[19]).

Estimates indicate that around one in three SMEs in the EU 28 rely solely on internally generated sources of revenue for their day-to-day operations and investments (Moritz, Block and Heinz, 2017[20]). According to the ECB's *Survey on the Access to Finance of Enterprises in the Euro Area,* one in four European SMEs surveyed between April and September 2018 considered internal funds an important alternative source of finance for their business. Similarly, 19% considered funds from family, friends or related companies as important. Additionally, internal funds seem to have become an increasingly important source of finance in recent years, which has resulted in a relative decrease in the demand for certain forms of external financing. For instance, the proportion of SMEs citing sufficient internal funds (as a reason for not applying for loans) has consistently increased, from 35% in 2014 to 44% in 2018. Concomitantly, the proportion of SMEs not applying for bank loans because they were "discouraged" has consistently decreased from 8.4% in 2014 to 74.5% in 2018(European Central Bank, 2018[16]) (European Central Bank, 2018[10]).

The BACH database, hosted by the Central Bank of France, collects comparable data on the aggregate profitability of SMEs for nine countries from the euro area also participating in the scoreboard exercise broadly confirms this picture. Recent evidence from this database illustrates that SMEs became more profitable on average over the 2012-16 period. This trend may suggest an increased availability of internal funds for self-financing purposes, as measured by the EBITDA (earnings before interest, taxes, depreciation and amortisation) to net turnover ratio for the median SME operating in these countries (meaning that half of the SMEs have a higher EBITDA and half of them a lower one) (Figure 1.16).

Figure 1.16. Profitability ratios for European SMEs, 2012-16

EBITDA to net turnover ratio – median value for each country



Note: This ratio assesses the profitability of a company by comparing its revenue with its earnings, giving the remaining earnings after all operating expenses in percentage. 2016 data is not available for Luxembourg and Belgium. Data from 2014 to 2016 is not available for the Slovak Republic.
Source: Bank For The Account Of Companies Harmonized (BACH) – Banque de France.

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Equity sources of financing

With the tightening of bank lending and credit conditions for SMEs in the aftermath of the global financial crisis, increasing attention has been placed on the potential of capital markets to offer alternative sources of financing. This is especially relevant for innovative start-ups with high growth potential, which were hit hardest by the decline in bank lending due to their higher risk profile, and which typically rely on external equity in addition to debt to finance their growth ambitions.

In the United Kingdom, for example, a recent report identified a lack of finance as a major constraint for high-potential firms to scale up (HM Treasury, 2017[21]). Another study indicates that financing constraints are considerable for innovative firms based in the United States, especially in their early stages, and that government grants do not usually crowd out private capital (Howell, 2017[22]). These difficulties arise despite a relatively wider availability of financial instruments other than straight debt in these two countries, suggesting that innovative SMEs with high growth potential could face even more considerable financial constraints in other countries.

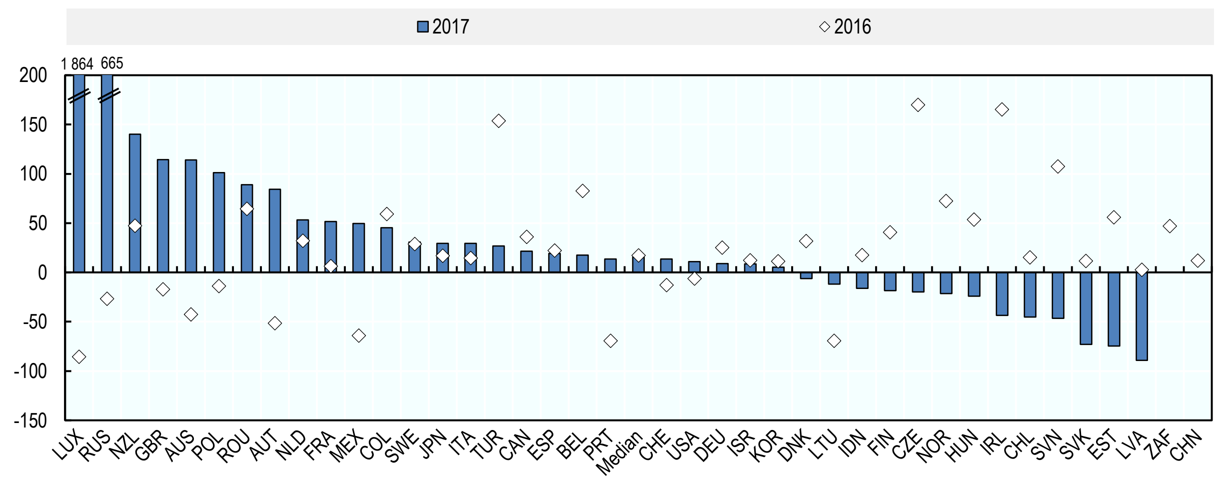
Venture capital investments, private debt, listings on stock exchanges, as well as online alternative financing and business angel investments are discussed in this section.

Venture capital

VC investments were up for 26 out of 39 countries in 2017, following the 2016 trend. The median growth rate stood at 17.3% in 2016 and at 15.7% in 2017 (Figure 1.17). This contrasts with the 2011-15 period, when median volumes fell. In the United States, the biggest market by far, volumes rose by 11% in 2017, after dropping 6.3% in 2016. However, it is important to keep in mind that data on venture capital (VC) investments are highly volatile, especially for smaller countries, where a single deal may impact overall volumes considerably (as the data for Latvia and Luxembourg illustrate, for example).

Figure 1.17. Venture capital investments

Year-on-year growth, as a percentage



Note: 2017 data are not available for China, Greece, and South Africa. Data are YoY change of current USD volumes, at the exception of Chile, China, Colombia, Indonesia, Japan and Turkey, for which these changes express variations of volumes in current local currencies.
Source: OECD Entrepreneurship at a Glance; based on Entrepreneurship Finance Database, and data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019 when the information was not otherwise provided.

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Government interventions have played a role in the recovery of VC investments in recent years. In Europe in particular, government agencies are the most important source of VC funds (BPIFrance et al., 2016[23]). Estimates indicate that the investment activity backed by the European Investment Fund (EIF) represented 41% of total investments in Europe in 2014, up from 29% in 2007 (Kraemer-Eis, Signore and Prencipe, 2016[24]).

In addition, there appears to be a link between levels of venture capital investment and the overall health of the financial sector and economic growth (Pradhan et al., 2017[25]). The broadly favourable macro-economic conditions experienced in recent years are thus likely to have contributed to the recovery in VC investments.

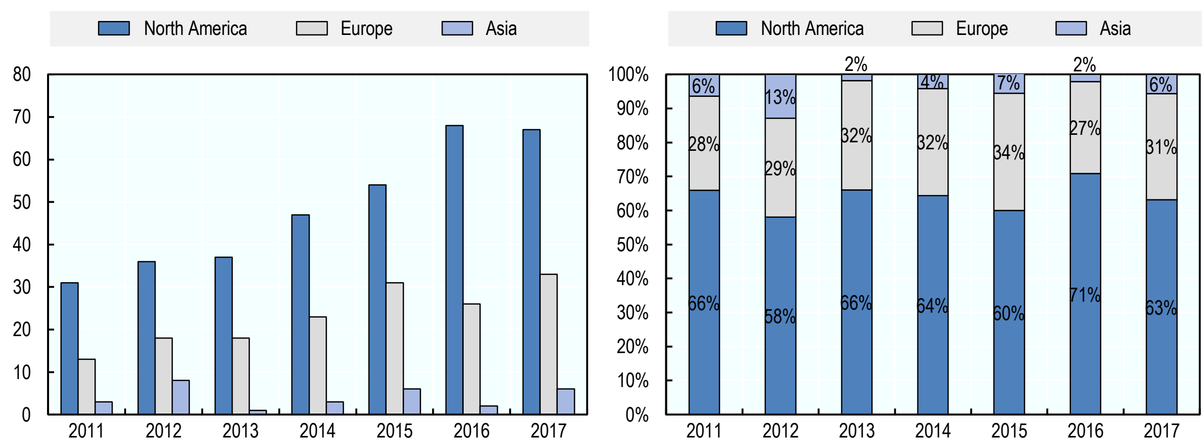
Private debt

Private debt is a relatively recent instrument that has gained traction since the crisis, following tightened regulation on commercial banks. Specialised loan funds operate through an originator, typically unconnected to a banking institution, which originates a portfolio of SME loans. Many of the legal and institutional features of this instrument are similar to the private equity market, with the crucial difference that it engages in debt.

While commercial banks tend to operate on the low-risk, low-yield end of the financing spectrum, alternate lenders cover its entire range. The private debt market is especially relevant for larger and more mature SMEs facing a major transition, such as a change in ownership, expansion into new markets and/or activities, or acquisitions. The global private debt market more than doubled between 2011 and 2017. North America is the most developed market, accounting for around two thirds of activities over this period, while Europe's share has averaged around 30%. The debt market is relatively small in Asia, and almost non-existent in other regions of the world (estimated at around 1 USD billion in 2017) (McKinsey, 2018[26]).

Figure 1.18. Private debt fundraising in different regions of the world

In USD billion (left) and as a % share of world total (right)



Source: Preqin.

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Globally,"dry powder," i.e. money that has been raised for investment purposes, but has not yet been invested, stood at a record high of USD 236 billion in 2017, suggesting a dearth of attractive investment opportunities (Preqin, 2018[27]). Although these numbers are not SME-specific, most of the investments are thought to flow to SMEs, rather than large firms.

Listings on stock exchanges

Listings on public stock exchanges constitute another means to attract external sources of finance, and are especially relevant for larger SMEs. While accessing finance from outside investors represents the prime reason for SMEs becoming listed, other factors often play a role, too, according to a recent large-scale survey. Improved creditworthiness and the possibility of opening up other sources of finance, such as straight debt, are stated by almost one half and one fourth of surveyed SMEs, respectively. In addition, non-monetary factors such as brand recognition and more visibility are also commonly stated (World Federation of Exchanges & Milken Institute, 2017[28]).

Table 1.3 provides an overview of specialised vehicles for SME markets on stock exchanges that typically provide less onerous information and due diligence requirements. 30 out of 46 scoreboard countries have an SME market in place. In several cases, there is more than one SME market in a country, and a few SME markets span more than one country. The table illustrates a wide variation in the average market capitalisation of listed SMEs across countries, from 10 USD million in Greece to more than 1 USD billion at the ChiNext vehicle of the Shenzen stock exchange.

Table 1.3. SME markets on stock exchanges, 2017

	Exchange	Name of SME market	Listed companies	Market cap. (USD million)	Change from 2016	Average market cap. (USD million)
BEL, FRA, NLD, PRT, GBR	Euronext	Alternext	196	15 279.6	11.2%	78
BRA	B3 SA Brasil Bolsa Balcao	Bovespa Mais	15	328.0	-31.3%	22
CAN	TMX Group	TSX Venture	1 980	43 055.6	45.0%	22
CHN	Hong Kong Exchanges and Clearing	Growth Enterprise Market	324	35 936.5	-10.4%	111
CHN	Shenzen Stock Exchange	ChiNext	710	787 054.5	4.6%	1 109
DEN, EST, FIN, LVA, SWE	NASDAQ OMX Nordic Exchange	First North	318	19 255.0	56.9%	61
GRC	Athens Stock Exchange	ATHEX Alternative Market (EN.A)	12	125.6	13.8%	10
IRL	Irish Stock Exchange	Enterprise Securities Market	22	6 661.8	-63.8%	303
JPN	Japan Exchange Group	JASDAQ	749	100 727.0	44.8%	134
JPN	Japan Exchange Group – Osaka	Mothers	248	46 968.3	55.5%	189
KOR	Korea Exchange	Kosdaq	1 267	265 176.1	58.4%	209
LUX	Luxembourg Stock Exchange	EURO MTF	126	2 539.9	32.8%	20
MYS	Bursa Malaysia	ACE Market	115	3 558.9	69.8%	31
NZL	NZX Limited	NZAX	16	300.3	-4.3%	19
NZL	NZX Limited	NXT	3	79.3	-41.0%	26
NOR	Oslo Bors	Oslo Axess	24	1 864.3	67.8%	78
PER	Bolsa de Valores de Lima	BVL Venture Exchange	8	NA	NA	NA
RUS	Moscow Exchange	Innovations and Investments Market	10	5 974.0	62.8%	597
RUS	Moscow Exchange	Growth Sector	3	428.9	NA	143
ZAF	Johannesburg Stock Exchange	Alternative Exchange	48	1 671.5	62.9%	35
ESP	BME Spanish Exchanges	MAB Expansion	88	11 565.6	100.8%	131
THA	The Stock Exchange of Thailand	Market for Alternative Investment (mai)	150	10 139.6	-13.5%	68
TUR	Borsa Istanbul	BIST Emerging Companies	NA	1 125.8	367.5%	NA
GBR	LSE Group	AIM	1 055	142 157	NA	NA

Note: This table excludes exchanges from countries which are not part of the scoreboard exercise as well as exchanges that are not member of the World Federation of Exchanges.
Source: (WFE, 2018[29]).

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The market capitalisation of most of these markets represents only a very small fraction of the capitalisation of the overall stock exchange, with the exception of Ireland, Korea and Japan. For 14 out of 24 stock exchanges, the market capitalisation of SME listings stood at less than 1% of overall capitalisation in 2016 (World Federation of Exchanges, 2017[30]).

Several factors may hold back more SMEs from listing on stock exchanges. A recent survey among listed SMEs, investors and market intermediaries confirms many of the hurdles identified in the literature (Nassr and Wehinger, 2015[31]). It shows that many SMEs are not aware of the relative costs and benefits needed to make an informed decision about becoming listed. In addition, compliance with listing requirements, although often less onerous than for large firms, is considered to be time-consuming and expensive, even though investors and would-be investors would value more and better information. The lack of scale and liquidity of secondary markets is considered a crucial point for all surveyed parties (World Federation of Exchanges, 2017[32]).

Despite the challenges, the number of listed SMEs on public exchanges expanded by 13.2% between 2016 and 2017, and market capitalisation by 16.7%. Market capitalisation of the SME segment rose in 14 out of 20 exchanges, and by more than 50% in Malaysia, Korea, Norway, the Russian Federation, South Africa and Spain (Table 1.5).

Policy efforts to stimulate the market may play a role in this expansion. As an illustration, several new SME exchanges were created around the world in 2017 and 2018. In addition, exchanges increasingly engage in market outreach to potential businesses and dedicated support to raise the attractiveness of being listed (WFE, 2018[29]).

Online alternative finance

Online alternative finance is a mean of soliciting funds from the public for a project/ firm through an intermediate platform, usually through the Internet. It comprises both debt-based and equity-based activities.

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

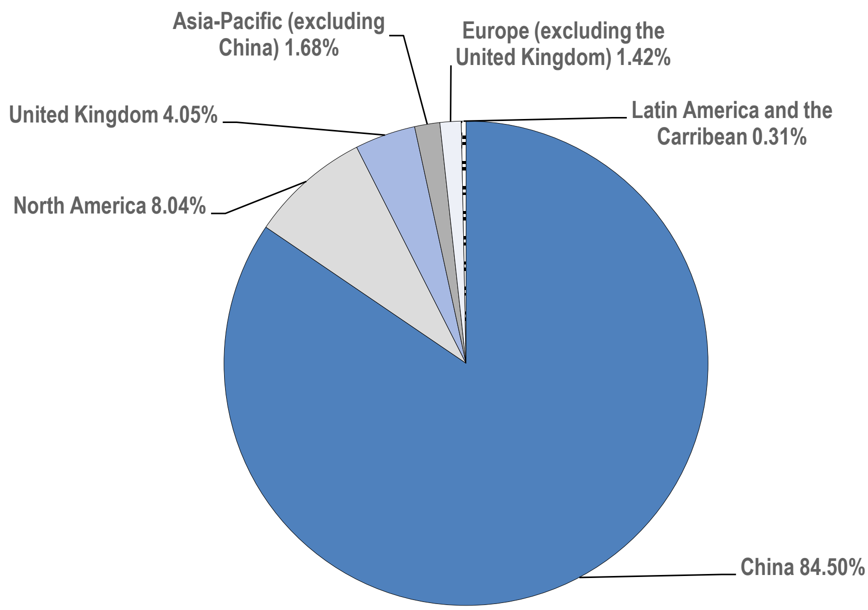
Equity-based activities include equity-based, revenue-sharing, reward-based, donation-based and real estate crowdfunding.

The potential of online alternative finance to complement traditional sources of finance has increased substantially in recent years. As reported in previous scoreboard editions, an increasing number of governments are seeking to create a framework for crowdfunding by designing regulations for the industry.

Online alternative finance activities for for-profit businesses are strongly concentrated in a few countries. China has by far the biggest market, with a share of 84.5% of business online activities, followed by the United States and the United Kingdom with shares of 7.6% and 4.1% respectively (see Figure 1.19). Australia (at 0.60% of the global volume), Korea (at 0.48%) and Canada (at 0.40%) follow at a considerable distance. Volumes in continental Europe remain relatively modest in comparison, with France the most active market (with a share of 0.25%), followed by the Netherlands and Italy. Latin America accounts for a very small share of global online alternative finance volumes with Chile having the largest market at 0.11% of global volumes.

Figure 1.19. The online alternative finance market for businesses by region

As a percentage of global volumes, 2017



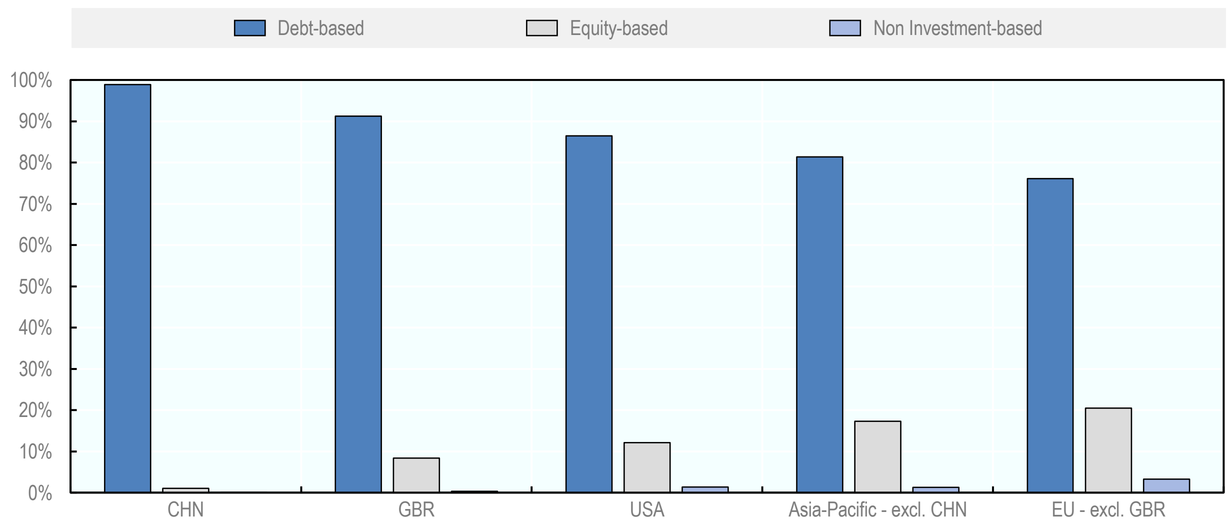
Note: All the data are expressed in USD.
Source: Regional reports of the Cambridge Centre for Alternative Finance at the University of Cambridge.

StatLink https://doi.org/10.1787/888933915867

In all countries, debt-based online activities are most common, followed by equity crowdfunding and non-investment based crowdfunding[10] representing only a very small share of the market. There are some noticeable differences across regions, however. In China, for instance, only 1.1% of all activities are equity-based, compared with more than 20% in Europe (excluding the United Kingdom) (see Figure 1.20).

Figure 1.20. Breakdown of the online alternative finance market for businesses by type

As a percentage of total volumes in different regions, 2017



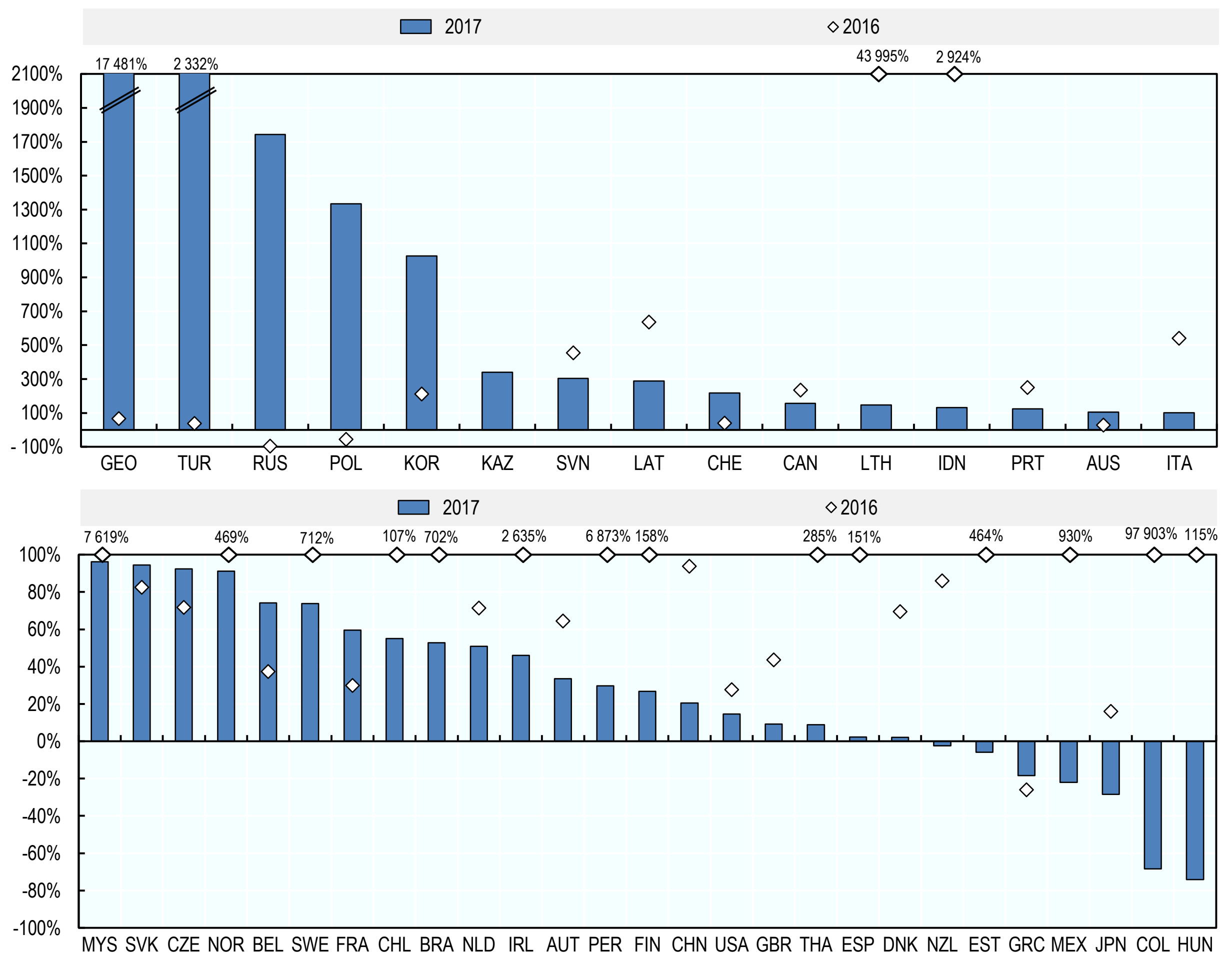
Note: All the data are expressed in USD.
Source: Regional reports of the Cambridge Centre for Alternative Finance at the University of Cambridge.

StatLink https://doi.org/10.1787/888933915886

The online alternative finance market for businesses has expanded rapidly in recent years. In many countries, volumes expanded more than tenfold between 2015 and 2017, but typically from low volumes. In countries with an already well developed online alternative finance market, growth rates are typically lower and falling. In China, for instance, the growth rate decelerated from 94% in 2016 to 20% in 2017. In the United Kingdom and the United States, a similar development can be observed (with growth rates slowing down from 44% in 2016 to 9% in 2017 and from 28% in 2016 to 15% in 2017 respectively).

Figure 1.21. The growth in the online alternative finance market for businesses

In percent, year-on-year growth



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

StatLink https://doi.org/10.1787/888933915905

Business angel investments

Business angel investing is an important source of financing for early-stage start-ups, especially those which do not have own resources and/or are unable to access bank credit, but are not yet ripe for venture capital funding. Angel investors tend to be wealthy individuals, or groups of them, who provide financing, typically their own funds, in exchange for convertible debt or ownership equity. This enables entrepreneurs to scale up to a stage where venture capitalists may step in. It represents a potential means of narrowing the financing gap for early-stage, innovative SMEs, but is not suitable for all firms' profiles (OECD, 2016[33]).

Data collection on business angel investments suffers from many shortcomings (OECD, 2016[33]). As a result, the so-called 'visible market' only accounts for a minority of the whole market, and trends may be hard to analyse.

The European Business Angels Network (EBAN) has attempted to document the state of this industry in Europe since 2000. According to the most recent estimates available, investments increased by 9% in 2017, to EUR 7.3 billion (10% of this figure being in the "visible market"). Geographical disparities remain strong, with the United Kingdom considered to be leading the European market, followed by Germany, France and Spain (EBAN, 2018[34]).

In the United States, the Center for Venture Research has been assessing the state of business angel investments since 2002. In 2017, volumes increased by 12.6% compared to 2016, reaching USD 23.9 billion (Center For Venture Research, 2018[35]). Activities are concentrated in California and New York (The American Angel, 2017[36]).

Payment delays, bankruptcies and non-performing loans

Payment delays trended downward in 2017. Bankruptcies also remained on a downward path in 2017, with a negative median bankruptcy growth rate for the fifth consecutive year. Data on NPLs indicate a small improvement in 2017 compared to the previous year. However, this overall downward trend masks continuously high NPL rates in a number of countries, particularly those that were hit hard by the crisis.

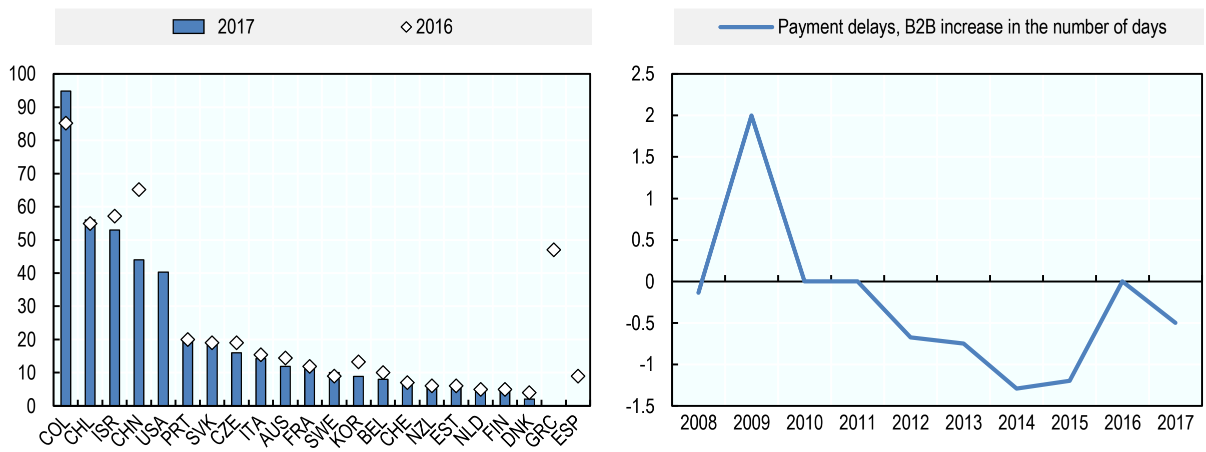
Payment delays

The 2017 data on payment delays showed a decline in 10 countries for which data are available and an increase in 5 (with another 5 countries remaining constant). The decline varied significantly across countries. China is a notable example, where payment delays fell by more than 21 days, from 65.2 days in 2016 to 44 days in 2017; however, payment delays remain high by international comparison. Only Chile, Israel and the United States had similarly high payment delays in 2017, while the median value for all Scoreboard countries averaged around 13 days.

Payment delays increased sharply in Colombia, to 95 days, the highest level among participating countries, and much less strongly in Chile, New Zealand and Sweden. The median value declined in 2017 by half a day compared to 2016 (Figure 1.22). This development is generally in line with the trend observed over the 2011-15 period, where an almost across the board reduction in payment delays was observed.

Figure 1.22. Payment delays

Number of days for B2B transactions and annual change (Scoreboard median)



Note: Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles. 2017 data for Greece and Spain are not available. 2016 data for the United States are not available.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

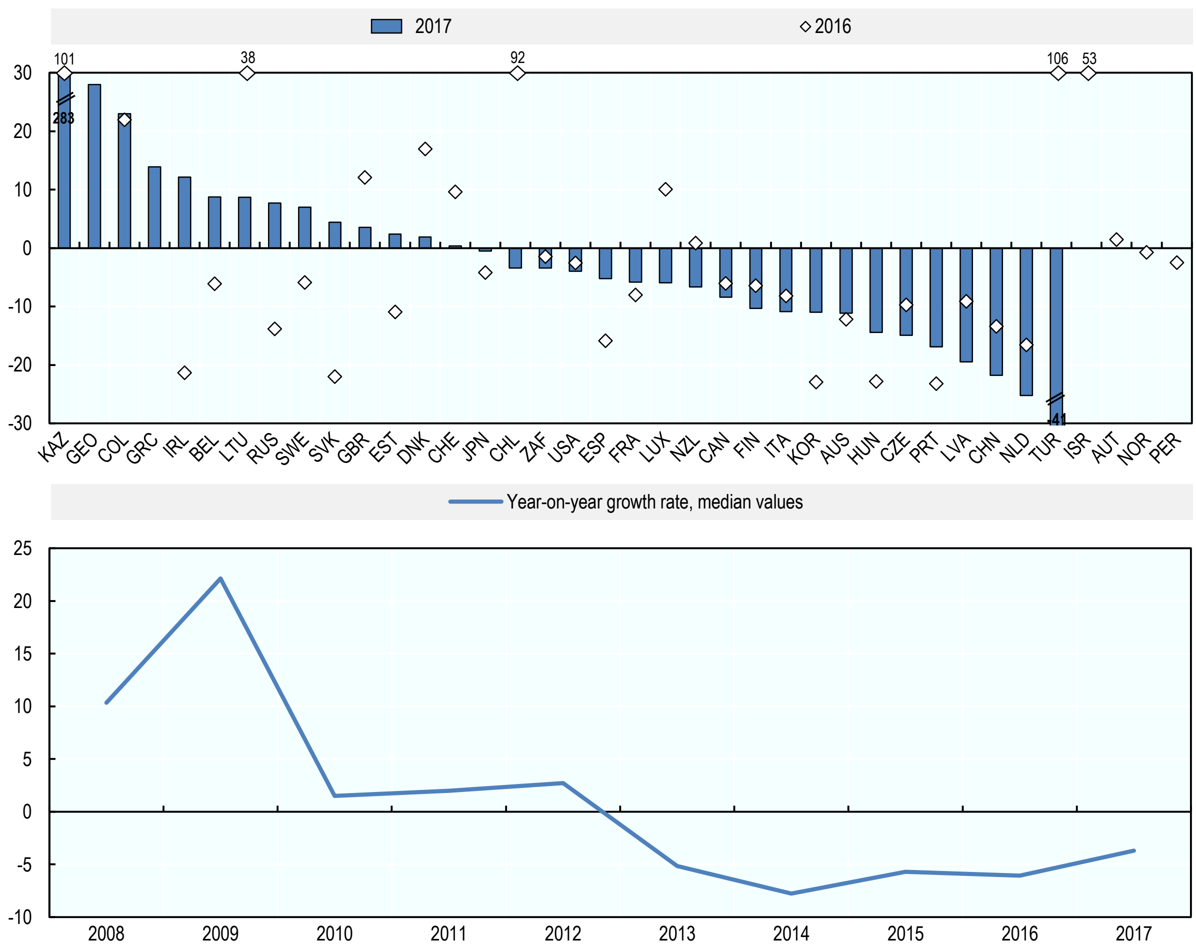
StatLink https://doi.org/10.1787/888933915924

Bankruptcies

In 2017, the number of bankruptcies was down in 20 out of 34 countries for which data are available. The median year-on-year change in bankruptcies was negative for the fifth consecutive year, declining by 3.7% in 2017, although the decline was less pronounced than in previous years (Figure 1.23). Cluster analysis indicates that the decline in bankruptcy rates was broadly similar in different groups of countries, and happened largely irrespective of income level, economic growth, credit conditions, loan growth and other indicators.

Figure 1.23. SME bankruptcies

Annual change, as a percentage



Note: Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles. Data for Kazakhstan: +100% in 2016 and +283% in 2017.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

StatLink https://doi.org/10.1787/888933915943

While bankruptcy data over time is broadly indicative of the cash flow situation of enterprises, there are important differences in the length and complexity of bankruptcy procedures between countries, meaning that insolvent enterprises are not declared bankrupt at the same pace. While bankruptcies upon court ruling constitute a very common path to firm closure or liquidation in some countries, this is not universally true. This also implies that legal and regulatory reforms that were introduced over this period can affect the numbers. A case in point is Chile, where only 6 firms were declared bankrupt in 2014. After a revised liquidation law passed in late 2014, bankruptcies rose to 154 and 295 in 2015 and 2016, respectively, before declining again to 285 in 2017.

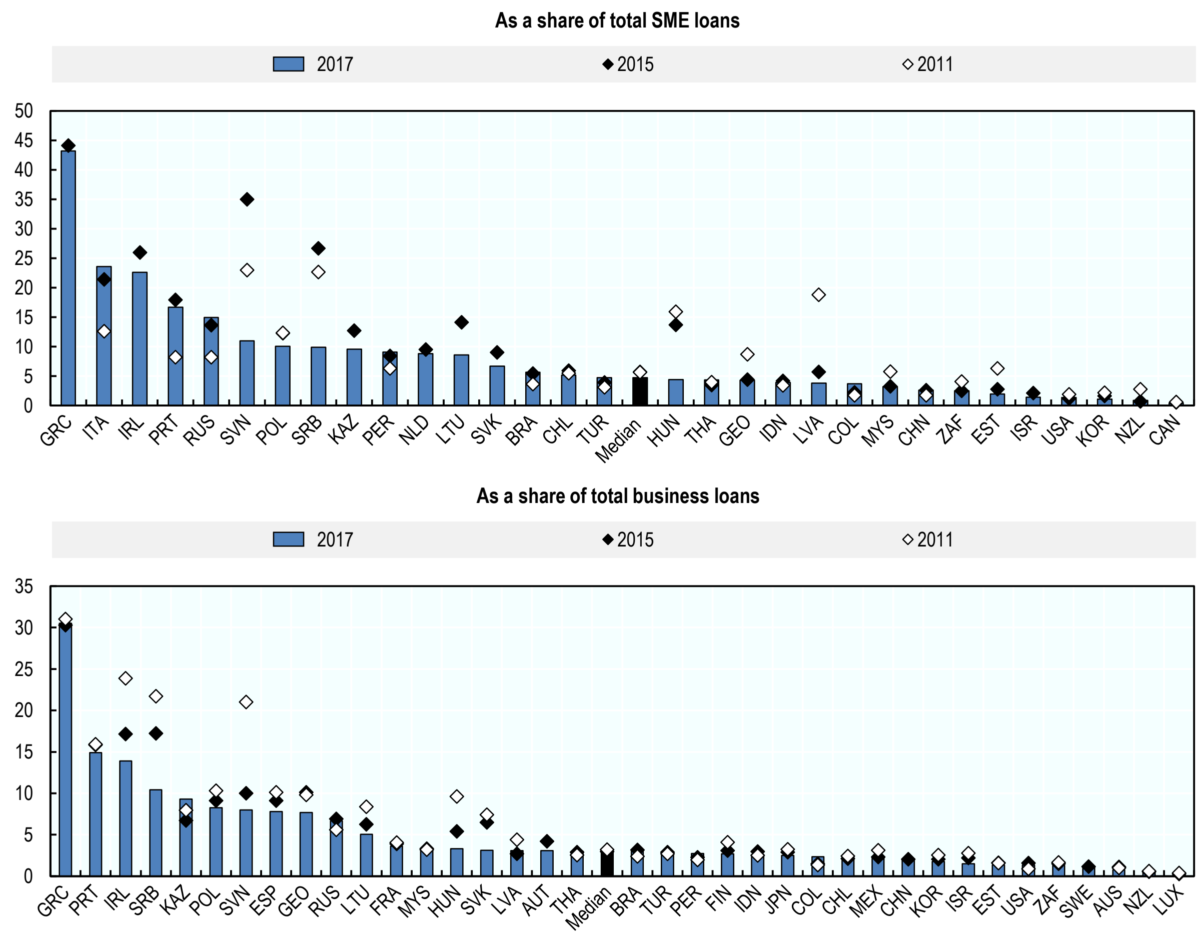
Non-performing loans (NPLs)

Based on regression analysis, changes in SME NPLs appear to affect the outstanding stock of SME loans at borderline significance, with a one percentage point increase of the SME NPL rate driving down the outstanding stock by around one-third of a percentage point. In some countries like Hungary, Ireland, Italy and Portugal, high NPLs coincide with negative growth in the outstanding stock of credit.

An analysis of the data on non-performing loans shows that these are generally more prevalent among SMEs than among the overall business population, with the median value of NPLs for SME lending systematically higher than the value for all corporate lending. In Brazil, Chile, Georgia, the Slovak Republic and South Africa, for example, an SME loan was about twice as likely to be non-performing than a loan for the entire business sector, and in Lithuania, Peru and the Russian Federation even around three times as likely. In other countries such as China, Estonia, Israel, Kazakhstan, Lithuania, Poland, Portugal, Serbia, Thailand and the United States, the gap is much smaller. On the other hand, in Georgia, Israel and Korea, NPLs are more common among large business loans than SME loans. SME NPLs declined in 19 countries between 2016 and 2017, to the greatest extent in Serbia, Slovenia, Lithuania and Hungary, following a large increase after the financial crisis. In eight other countries, the SME NPL rate rose modestly in 2017 (Figure 1.24). The Scoreboard median values show that NPLs for both SME and total business loans have been declining since 2011, when they fell to their lowest point over the reference period, although in both cases trends have been more or less stagnant since. In most other countries, NPLs rose in the aftermath of the financial crisis, but have since levelled off to roughly pre-crisis levels; however, NPL rates remain stubbornly high in Greece and Portugal, two countries that were hit particularly hard by the crisis.

Figure 1.24. SME non-performing loans

Percentage values



Note: For SME NPLs as a share of total SME loans, Greece and China and for all business NPLs as a share of total business loans, Austria, China and Sweden refer to 2016 data instead of 2017. Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

StatLink https://doi.org/10.1787/888933915962

Government policy responses in 2017-18

SME finance remains high on the policy agenda in most areas of the world, and many governments developed new initiatives in 2017 and the first half of 2018, or amended existing ones, to ease access to various sources of finance. Table 1.6 summarises the government policies in place in 2017 for participating countries. This is not a complete overview of policy initiatives, but rather an overview of broad categories. More information about the policy landscape can be found in the individual country profiles.

Table 1.4. Government policy instruments to foster SME access to finance

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

Note: SME Development Bank are financial institutions (FI) whose mission is to support SME start-up growth through the provision (both direct and/or through other FI) of financial services.
Source: Information compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

Based on information from participating countries, a number of broad emerging trends can be discerned and are presented along with recent policy examples in the following sections. The profile of each participating country provides more detailed information on policy initiatives in this area.

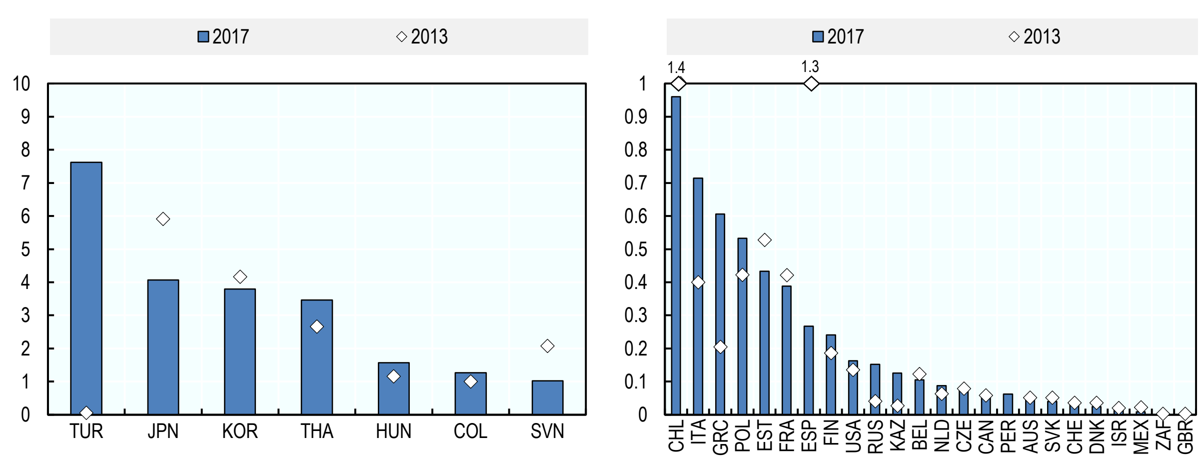
Credit guarantee schemes are either in strong expansion or being reformed to better fit the needs of beneficiaries

Credit guarantee schemes have traditionally been the most widespread policy tool to enhance SMEs access to finance, and for the fifth year in a row, credit guarantee volumes were up in a majority of Scoreboard countries. In total, guarantee volumes increased in 16 out of 26 countries, with some countries like China and Turkey experiencing a strong expansion of these schemes in recent years. In the latter, volumes were 40 times more important in 2017 than in 2016. In other countries with more developed schemes, recent updates, for instance with regard to eligibility criteria or the provision of complementary advisory services, are relatively common.

Figure 1.20 represents the relative importance of guarantees in different countries (i.e. outstanding volumes calculated as a percentage of GDP). The figure shows large cross-country differences, with Turkey (7.6%), Japan (4%) and Korea (3.8%) having the most expansive schemes in place. In a majority of countries for which data are available, credit guarantees represent less than one percent of GDP, however.

Figure 1.25. Share of government loan guarantees

As a percentage of GDP



Note: Data for Canada and Peru refers to 2016 and for Israel to 2015 instead of 2017.
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2019.

StatLink https://doi.org/10.1787/888933915981

China has put financial inclusion as one of its priorities in its current five-year plan (2016-20). In this respect, the government initiated in March 2018 a national financing guarantee fund, which focuses on assisting small and micro businesses, as well as rural entrepreneurial companies by offering re-guarantees for their credit loans or direct private equity investments. It is estimated that the fund will provide guarantees on bank loans totalling CNY 500 billion over the next three years, which is about one quarter of the total volume of the national credit guarantee market.

The Turkish Government decided to extend the treasury-backed credit guarantee scheme substantially as of March 2017 (OECD, 2018[37]). Maximum guarantee volumes for all types of enterprises were raised and the guarantee commission fee substantially lowered. Following the extension of the scheme, the number of SMEs requesting a guarantee soared, from 30 000 in 2016 to more than 320 000 in 2017, with the total approved loan amount rising from less than TL 10 billion to around TL 265 billion.

In March 2017, Ireland established a new Credit Guarantee Scheme, under which the Strategic Banking Corporation of Ireland will roll out new financial products for the benefit of Irish SMEs. The new Credit Guarantee Scheme provides an increase in the level of risk the government will take, amounting to up to 80% of individual loans. An extension of the scope to cover other financial product providers (beyond the three main banks), like lessors and invoice discounters, was also put in place. The reform also extended the definition of loan agreements to include non-credit products and overdrafts. During the first six months of 2018, 57 SMEs made use of the new Credit Guarantee Scheme, accounting for a total of EUR 8.9 million in funding.

Other governments implemented reforms without expanding the scope of their credit guarantee activities. The Japanese Government reformed their guarantee programme to encourage lending based on business evaluation. Specifically, the government decreased the guaranteed portion of safety net from 100% to 80% (maintaining the 100% coverage in the case of a major crisis). In the meantime, the Credit Guarantee scheme was enhanced to target start-ups as a means of promoting private sector innovation.

Similarly, the Korean Government outlined an action plan to restructure fiscal expenditures at a ministerial meeting on economic policy in early 2018, including two measures on government support to SME access to finance. First, a "graduation policy for government financial support" limits total support for life-time working capital by KRW 2.5 billion. The measure was implemented to avoid providing financial support to the same enterprises multiple times regardless of their financial needs over various stages of growth. Second, the 'provision of financial support for early stage enterprises' plans to allow over 60% of total government financial support to early stage enterprises.

Despite the importance of credit guarantee activities, they are not always subject to rigorous evaluation. Box 1.2 illustrates that while credit guarantee institutions typically monitor the uptake of their offers, and who benefits, a full-scale impact analysis considering the financial and economic impact is less common.

Box 1.2. The evaluation of credit guarantee schemes: Evidence from the European Association of Guarantee Institutions (AECM)

There is an increased demand from public authorities and private-sector stakeholders to measure the impact of loan guarantee schemes and other government support measures, in order to justify the provision of scarce resources. As a result, the European Association of Guarantee Institutions (AECM) conducted a survey among its members in June 2018 to examine their attitudes and practices with respect to impact evaluations. 30 institutions responded to the survey. The main results can be summarised as follows:

- 60% of members operate evaluations on their own; and 26% rely solely on external operators (mostly universities and research institutions).

- The periodicity and breadth of evaluations are determined by the demands of the institution management, its stakeholders, and its counter-guarantors, and vary substantially across schemes.
- A small majority of schemes are not subject to a full-scale impact analysis, but their impact is monitored by gathering data on key indicators, such as the number and amount of issued guarantees, the volume of guaranteed loans, in some cases the volume of supported investments, and increasingly employment levels among their beneficiaries (in about 80% of respondents).
- 47% of respondents stated that they assess the economic and financial additionality of their programme, especially among mature and larger institutions.
- Evaluations rely on the analysis of the variation of key indicators over time. Parameters studied include the impact on employment, or indicators on economic growth, such as value added, or turnover.

The following reasons were stated as obstacles to conducting such analysis:

- Direct access to elements of information can be limited for schemes operating through portfolio guarantees, where data provided on each beneficiary is usually more limited.
- Institutions supporting many beneficiaries can face high costs for data collection and may require expensive IT adaptation.
- Unfamiliarity with the use of representative samples offering a valid statistical approach.
- A reliance on survey data among beneficiaries to assess the impact directly.

Finally, there is an increasing interest in collecting information on key characteristics of the supported firms, such as gender of their managers and owners, the "innovativeness" of the supported projects, or on the wider impact of these guarantees, such as the potential reduction of other guarantees and collateral requested by banks to borrowers, the contribution to sustainable development, the impact on collected taxes and on social security programmes.

Source: Written exchanges with AECM experts.

Governments increasingly implement policies to tackle payment delays

Evidence shows that late or non-payments are detrimental to the growth and even survival of enterprises, especially of small businesses, that often lack cash-flow management capabilities and have only limited possibilities to find sufficient funds elsewhere. A 2016 study by the UK's Federation of Small Businesses (FSB) found that 30% of payments to small businesses were typically made late, with 37% of firms running into cash-flow difficulties, 30% having to resort to overdraft facilities, and 20% citing a slowdown in profit growth as a consequence. These findings are corroborated by the 2018 European Payment Report, which indicates that 28% of surveyed businesses experience late or missing payments as hindering growth, and 21% say that they are unable to hire new staff because their clients fail to pay them on time (Intrum, 2018[38]). The Federation of Small Businesses estimates that reducing or ending late payments could reduce the total number of business failures by up to 50 000 per year. (Federation of Small Businesses (FSB), 2016[39]). The European Commission has continued to urge EU member states to apply the EU Late Payment Directive in their own legislation, whose implementation deadline was March 2013.

In December 2016, the French Government enacted a law to strengthen the legislative framework to fight against business-to-business payment delays. This includes a rise in the maximum fine to EUR 2 million for firms that to not respect the maximum allowed delay of 60 days, and a policy of "naming and shaming" of firms with bad payment practices.

Chile introduced the Bill of Timely Payment in June 2018 to encourage the timely payments of invoices. The Bill seeks to limit payment terms to 30 days and agreed-upon terms to 60 days. For public procurements, payments to suppliers must be made within 30 calendar days following receipt of an invoice or the respective tax instrument issued, and terms of up to 60 calendar days may be established for a respective auction or public procurement instrument. Additionally, the issuance of an Electronic Dispatch Guide will be mandatory for supplying companies; creditor companies may earn interest on late payments; and, finally, amendments to invoices by the purchasing company will be prohibited after 8 days from the issuance of the invoice.

Australian business surveys consistently show that cash flow and late payments are prime concerns of its SMEs. During the first three semesters of 2016, 8% of payments from government agencies to SMEs were done in more than 30 days without any valid reason (Western Australian Auditor General, 2017[40]). As a result, the government will be required to pay invoices for contracts worth up to AUD 1 million within 20 calendar days, compared to the current policy and industry norms of 30 days. Furthermore, to increase transparency and accountability in meeting the new policy, the government is requiring substantially more agencies to report on payment performance.

New-Zealand puts digitalisation at the centre of its efforts to tackle payment delays. The New Zealand Business Number (NZBN) initiative (first introduced in 2013 for registered companies) now makes a globally unique identifier available to all New Zealand businesses, including unincorporated entities. Having a single identifier will make it faster to interact with other businesses, as companies will not have to update their information multiple times and all their primary business data will be kept online. e-Invoicing[11] is another government-led, NZBN-related initiative (not yet implemented but currently underway) that aims to improve payment efficiency for business. All invoices will be instantly sent to business through their finance systems, and manual errors will be minimised. Both initiatives are expected to reduce payment delays and the costs to businesses of dealing with government administration.

Regulatory approaches and targeted policies are in place to support Fintech developments

Some countries have made their legislative framework more conducive for innovation in the financial sphere. For example, the Australian Government announced in May 2017 an enhanced regulatory sandbox,[12] which will allow more businesses to test a wider range of new financial products over a longer period, further facilitating innovative new finance. A move towards an Open Banking regime in 2018 was also announced. The enhanced regulatory sandbox aims to facilitate growth of new, viable alternatives to traditional lending models, while Open Banking will allow for better access to data and the ease of consumer switching. Both measures aim to facilitate the growth of new, viable alternatives to traditional lending models by making it easier for Fintech companies to be set up, and for consumers to switch to them.

Similarly, the US Treasury released in July 2018 a report on Non-bank Financials, Fintech and innovation, calling for the implementation of a regulatory sandbox at the federal level, in a move to foster innovation and market access in this field (Mnuchin and Phillips, 2018[41]). So far, only Arizona has put into place such a sandbox to support Fintech innovation.

The Federal Council of Switzerland adopted an amendment to the Banking Ordinance (BankO), which became effective in August 2017. The amendment aimed to regulate Fintech firms based on their risk potential. The first provision of this amendment is to extend the application of settlement funds to 60 days, up from the current 7 days. This aims at facilitating crowdfunding activities in particular. Furthermore, the acceptance of public funds of up to CHF 1 million will no longer be classified as operating on a commercial basis, and will thus be exempt from authorisation. This change should allow Fintech firms to try out a business model before they are required to obtain authorisation, when accepting public funds exceeding CHF 1 million.

The Mexican government granted in 2015 MNX 10 million to the project "Crowdfunding Ecosystem Acceleration in Mexico to Promote Entrepreneurship, Innovation and Economic Inclusion", which aims to support entrepreneurship development, including through innovative financial digital mechanisms.

New public venture capital funds are being established and others expanded

Capital market finance continued to attract particular interest from policy makers in 2017. In the European Union, public funds have mainly invested in an 'indirect' manner, in order to detach governments from the investment decisions, by putting private fund managers at the head of public funds. Moreover, the French, British and Swedish governments created funds that specifically target the early stage phase to counter the trend of VC investments targeting more mature firms. The European Investment Fund launched in 2016, with other National Promotional Institutions, the EIF-NPI platform as a way to share policy and investment practices throughout Europe (Ständer, 2017[42]).

Similarly, the Mexican Government decided to focus its support on its co-investment programme in 2017. Resources are targeted at Mexican start-ups with high-impact projects that, aside from the funding, also receive mentoring and counselling in order to scale their projects in a more successful way.

The Korean Government announced a plan to raise a new fund of funds to provide financial support to start-ups, ventures, and SMEs. The "Innovation Venture Capital Fund" plans to raise USD 9 billion over the next 3 years, with a third of the funding provided by the government, and the rest by private players. The funding will be sourced from new fiscal investments, a KRW 1.8 trillion investment from the Korea Development Bank, and exit money from previous government funds. In doing so, Seoul is increasing the already highest government backing per capita for start-ups in the world.

In December 2017, the Canadian Government also made CAD 400 million available through the Business Development Bank of Canada (BDC) for the new Venture Capital Catalyst Initiative (VCCI), thus increasing late-stage venture capital available to Canadian entrepreneurs. Through the VCCI, the government is seeking to build a portfolio through two streams: large funds-of-funds (CAD 350 million) and alternative models (CAD 50 million) that strengthen and broaden the Canadian VC ecosystem and increase the availability of late-stage venture capital over time. The government will also establish a private sector committee that will make recommendations on which candidates to select for VCCI, in a move to detach the public sector from the decision making.

The OECD also recently conducted a comprehensive policy survey among governments to identify effective approaches to the implementation of the G20/OECD High-Level Principles on SME Financing. The most salient results of this exercise are described in Box 1.3.

Box 1.3. Effective Approaches for Implementing the G20/OECD High-Level Principles on SME Financing

The G20/OECD High-Level Principles on SME Financing were welcomed by G20 Leaders at their Summit in Antalya in November 2015. The Principles call for strengthening SME access to traditional bank financing and improving their access to a broad range of financing instruments, to enable them to obtain the form and volume of financing best suited to the specific needs and stage of the firm life-cycle.

The report on G20/OECD Effective Approaches for Implementing the G20/OECD High-Level Principles on SME Financing, delivered to G20 Finance Ministers and Central Bank Governors in 2018, aims at facilitating the implementation of the Principles. The report identifies effective approaches adopted by countries to implement the Principles, drawing on participating countries' replies to dedicated surveys. In total, 41 countries participated in the process, including 16 G20 countries

Findings from the report include the following:

- Governments recognise the importance of building the evidence base for policy making in the area of SME finance and take steps to identify the financing needs and challenges of their SME population;
- Guarantees remain the most widely used tool to strengthen SME access to traditional bank financing;
- In order to enable SMEs to access diverse non-traditional financing instruments, various platforms (generally online) and awareness seminars are in place to increase the knowledge of SME owners and managers of all available financing options, as well as their chances to successfully apply for funding with diverse finance providers;
- Young entrepreneurs, SMEs located in remote areas and women entrepreneurs appear to be the most widespread priority segments of SME finance programmes;
- Most countries have taken steps to support the development of Fintech solutions as a way of increasing the financial inclusion of SMEs. Fintech appears to be viewed as an opportunity to improve SME access to finance by policy makers and supervisors, who tend to accompany the development of Fintech solutions while mitigating related risks, as regards investor protection and data privacy in particular;
- Digitalisation appears to be an effective way to improve improve transparency in SME finance markets as contained in business or credit registries. However, there remain important differences in the level of consultation fees across countries;

- Nearly all responding countries have a public financial institution which contributes to national objectives regarding SME access to finance. It generally operates alongside or through private sector players. Banks largely remain the most important partner of public authorities, with other financial institutions (non-bank financial institutions like leasing or factoring companies, or equity funds), playing a less prominent role;
- In order to tackle the cash flow issues SMEs may face as a result of payment delays, governments have taken numerous initiatives to reduce delays in public bodies' payments to SMEs, from prompt payment codes to tracking systems which can provide detailed information on payment delays to public bodies;
- Although ensuring the financial and economic additionality of public programmes is a guiding principle in almost all countries, few countries conduct rigorous evaluations of SME finance policies in a systematic manner.

Annex B provides more detailed information on the effective approaches for implementing the Principles.

Recommendations for data improvements

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

Despite the widespread recognition of the need to tailor policies to the different needs of the enterprise population, data collection efforts do not always capture granular information along these parameters. This limits policy makers' ability to assess the impact and effectiveness of initiatives on these different segments. In addition, the absence of more granular data limits the analysis of the scoreboard data. Trends observed may mask very different developments among different segments of SMEs. To address this challenge the British Business Bank in the United Kingdom has developed a novel typology of its SME population based on attitudes and needs, as a tool to help target its activities (see Box 1.4).

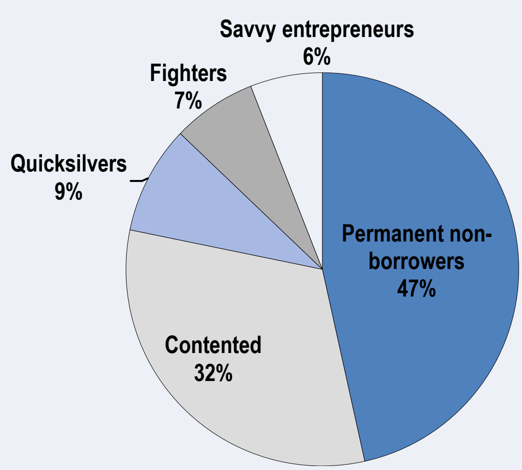
Box 1.4. The UK approach to SME attitudinal and needs based segmentation

The British Business Bank has undertaken a cluster-based segmentation analysis of the overall SME population, based on a UK demand-side survey[13]. The aim of this exercise is to better inform and target future policies. Rather than speaking about the nature of "average" SMEs, the segmentation groups SMEs with similar tendencies together, especially separating those with high ambition and growth mindsets from the others.

The analysis groups SMEs with similar characteristics, considering SME need for, and use of finance, as well as their openness to external information about finance and how to secure it. Based on this analysis, SMEs can be broadly categorised according to the following segments:

- **Contented**: These SMEs are undemanding and unworried and the least likely to be innovative and active internationally. These SMEs have low growth ambitions, are relatively financially confident, but generally not well informed;
- **Fighters**: SMEs trying to overcome obstacles and grow. They tend to be somewhat ambitious, international and innovative, likely to report obstacles to the operation of their businesses, including those relating to cashflow, skills, politics, the economy, and access to finance;
- **Savvy Entrepreneurs:** These SMEs are innovative, international, and formal. They are the most confident in their own abilities to access different sources of finance finance and are likely to have a finance qualification;
- **Quicksilvers:** These are SMEs that can be categorised as successful and growing, but somewhat vulnerable, due to their ambitious growth plans. They are often active in markets beyond the United Kingdom, somewhat confident in their abilities to access finance options, and relatively likely to employ someone with a formal finance qualification. Nevertheless, they may face financial constraints, for example following a decline in a credit application.
- **Permanent non-borrowers:** This group can be defined as those who (1) do not currently use external finance, (2) are not considering applying for external finance in the next three months, (3) have not applied or wanted to apply for finance in the past year, and (4) have not used finance in the past five years.

Figure 1.26. Composition of the SME population in the United Kingdom



Source: British Business Bank.

StatLink https://doi.org/10.1787/888933916000

The British Business Bank uses this framework as an overall guidance for their activities.

Source: Written exchanges with experts from the British Business Bank

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

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

A summary of additional recommendations to further improve data collection and reporting of core indicators are outlined in Box 1.5 (see Annex A for a more detailed discussion. Implementation of these recommendations can help countries to progress in the harmonisation of definitions and facilitate inter-temporal and cross-country analysis of trends in SME and entrepreneurship finance.

Box 1.5. Recommendations for improving the reporting of core indicators

1. Improve reporting of SME loan variables by:

- Systematically separating reporting of financial information for non-employer and employer-firms;
- Providing both stock and flow data for SME loans;
- Detailing the loans' composition, with indication of the different underlying products (e.g. overdrafts / lines of credit / leases / business mortgages or credit cards / securitised loans), and disclose such elements in the loan definition.

2. Fill gaps in available data and work towards more comprehensive information for other core indicators in the Scoreboard, including

- Offer more comprehensive information on government programmes that ease SMEs' access to finance.
- Provide data on non-performing loans for SMEs and for large firms, the latter to be used as a benchmark.
- Provide more comprehensive data on alternative sources of financing, including crowdfunding and business angel investments
- Collect information on SME loan fees, in addition to interest applied on the loans.

- Compile more complete information on the uptake and use of non-bank financing instruments, asset-based finance in particular.
- Detail the definition of collateral and improve reporting, using demand-side surveys to compensate for lack of supply-side data.

Notes

[1] The difference in yields between corporate and sovereign bonds

[2] A panel data fixed effects regression analysis was conducted to better understand credit developments. Independent variables were year on year changes in the outstanding stock of SME loans, as well as the year on year change in new lending to SMEs. Dependent variables are the scoreboard indicators, usually expressed as year on year changes as well as annualised growth in GDP and annualised growth in corporate gross fixed capital formation (CGFCF), as a proxy for corporate investments. Stata was used as the software to conduct this analysis.

[3] Cluster analysis allows to group countries together that share similar characteristics. Stata, a statistical software package, was used to conduct a k-median cluster analysis of the data. As an additional robustness check, similar analysis with mean values rather than median values (k-means cluster analysis) was conducted and yielded broadly similar results.. The panel structure of the data (i.e. its three-dimensional nature with observations for different countries, different years and different indicators) poses challenges to the algorithm, as well as the missing data. Several indicators where data coverage is incomplete were removed for that reason, and Austria, Norway and Thailand because of poor data coverage. Imputation of median values is used for the remaining data gaps. To address the panel structure of the data, analysis is first conducted using 2017 data only, the unweighted average of 2016 and 2017 data and then by using an unweighted average of 2015, 2016 and 2017 data. This also allows checking the robustness of the analysis to some extent. Results were broadly similar irrespective of what years were included.

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

[5] 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

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

[7] 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.

[8] 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.

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

[10] This includes reward-based crowdfunding, whereby backers provide funding to individuals, projects or companies in exchange for non-monetary rewards or products, and donation-based crowdfunding, whereby Donors provide funding to individuals, projects or companies based on philanthropic or civic motivations with no expectation of monetary or material return.

[11] E-Invoicing is the ability to directly send and receive standardised electronic invoice documents between two different businesses' finance and accounting systems.

[12] A regulatory sandbox is a framework set up by a financial sector regulator to allow live testing of financial sector innovations in a controlled environment under a set of predefined parameters and under the regulator's supervision.

[13] British Business Bank, 2018. *Small Business Finance Markets*. Available from: https://www.british-business-bank.co.uk/wp-content/uploads/2018/02/Small-Business-Finance-Markets-2018-Report-web.pdf

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2. Fostering the use of Intangibles to strengthen SME access to finance

This chapter provides an overview of how intangible assets can be relevant for SMEs to obtain external funding, with a focus on debt financing. It describes the challenges with respect to intangible-backed financing and presents the case for possible policy intervention. Drawing on government initiatives throughout different countries, the chapter concludes with policy implications and lessons learned.

The chapter is based on a publication in the OECD SME and Entrepreneurship Policy Papers series by Martin Brassell, CFE consultant, and CEO Inngot Limited, and Kris Boschmans, Policy Analyst, OECD/CFE/SMEE.

https://www.oecd-ilibrary.org/economics/fostering-the-use-of-intangibles-to-strengthen-sme-access-to-finance_729bf864-en

Introduction and rationale

Intangible asset-backed finance cuts across two major policy areas: innovation (with its well-documented relationships to growth and competitiveness) and SME access to finance. The chapter builds on previous work of the OECD on these issues, such as the "New approaches to SME and entrepreneurship financing: Broadening the range of instruments", which identified various challenges on both the demand and supply sides of finance markets (OECD, 2015[1]) and OECD work on Knowledge-Based Capital and the economic impact of intellectual property. It follows the two-pronged approach advocated by the G20/OECD High Level Principles on SME financing, which proposes to consider the feasibility of broadening the set of assets suitable for use as collateral to include intangibles, to ease access to lending for knowledge-based companies (G20/OECD, 2015[2]).

What are intangible assets and why do they matter

Intangible assets are assets that lack physical substance and can be broadly catalogued under three headings; (i) computerised information, (ii) innovative property and (iii) economic competencies (see Table 2.1).

Table 2.1. Types of intangible assets

Category of intangible assets	Type of intangible assets included
Computerized Information	Software Databases
Innovative Property	R&D Mineral Explorations Copyright and creative assets New product development in financial services New architectural and engineering designs
Economic Competencies	Brand-building advertisement Market research Training of staff Management consulting Own organisational investment

Source: (Corrado, Hulten and Sichel, 2005[3]).

Chapter one of this publication documents that straight bank debt remains the main source of external finance for the vast majority of small and medium-sized enterprises (SMEs) and most policy initiatives to ease access to finance have consequently centred on bank lending. Banks generally place strong reliance on traditional forms of collateral. As the underlying assets that are typically accepted as collateral are becoming less central to many SMEs' value propositions, this can represent a fundamental funding issue.

In OECD and emerging countries alike, investments in intangible assets have outstripped investments in tangible assets in recent years. In the United Kingdom, for instance, intangible assets account for up to 80% of firms' value by one estimate1. There is not only a link between investments in intangibles and economic performance at the firm level, but also at the country level. Recent studies have concluded that across the EU, contributions made by intangible assets were strongly correlated to overall productivity, spillovers between investing firms and non-investing firms, and venture capital activity

(Corrado, Haskel et al. 2012). Similarly, in the United States, patenting firms have contributed disproportionately to jobs (Graham, Grim et al 2015).

This is especially the case for innovation-driven, high-growth enterprises, a small share of the SME population, but accounting for a disproportionately large share of employment creation and value added. Despite the undoubted contribution IP and other intangible assets make to the business models employed by such companies, to date they remain difficult to harness to access finance. While such firms in particular would benefit from the possibility to collateralise intangible assets, these are prevalent throughout a wide spectrum of sectors and businesses. For example, intangible assets are very important in companies in software and biotech, but they represent a sizeable share of overall assets also in more "traditional" sectors such as textiles or even real estate (Brand Finance Institute, 2017[4]).

Debt

At least three forms of mainstream commercial debt provision, as practiced by banks and alternative lenders, may have something to gain from IP scrutiny.

- The most desirable outcome, in terms of unlocking the hidden value within business-owned intangibles, is to lend against their value and use IP as collateral (secured lending);
- However, unsecured lending that does not place reliance on IP value, but takes the existence of IP into account when assessing a firm's strength, can also be beneficial;
- There can also be a very good fit between asset backed financing techniques and IP, with the possibility of using sale and license-back techniques to unlock value in a manner that can address concerns about title and ownership.

Debt funding is the key context in which intangible asset value is consistently under-utilised, and therefore constitutes the focus of this study. Better understanding and recognition of the connection between a business's commercial success and its use of intangibles has the potential to make lending safer rather than riskier, whether secured or unsecured. However, it is relevant to note that enhanced use of intangibles can foster SME access to other financing sources, including grants, soft loans and equity

Grants and soft loans

Grant and soft loan funding is often awarded for purposes that anticipate the creation of new intangible assets. The intangible assets that will be created with the assistance of grant funding seldom exist prior to the commencement of a project, but the capability to create them – including the "background IP" – needs to be present in order for an SME to make a credible application for support, either on its own or as part of a collaborative partnership. In this sense, there is an implicit link between grant funding and the presence of existing IP and intangible assets, as well as the creation of new ones.

Equity

Equity investors are generally cognisant of IP and intangible assets, although their presence is seldom the sole, or even the key, criteria for "conventional" equity investment decisions. The quality of the business owner and the management team, for example, often plays a bigger role in the investment decision (Brassell and King, 2013[5]). Even factors beyond the individual business and its assets may play a decisive role, for example related tax concessions or other policy measure or the state of the market in which the business operates. In addition, equity investors seldom make detailed enquiries into the presence and value of intellectual property and other forms of intangible assets in the context of earlier stage funding.

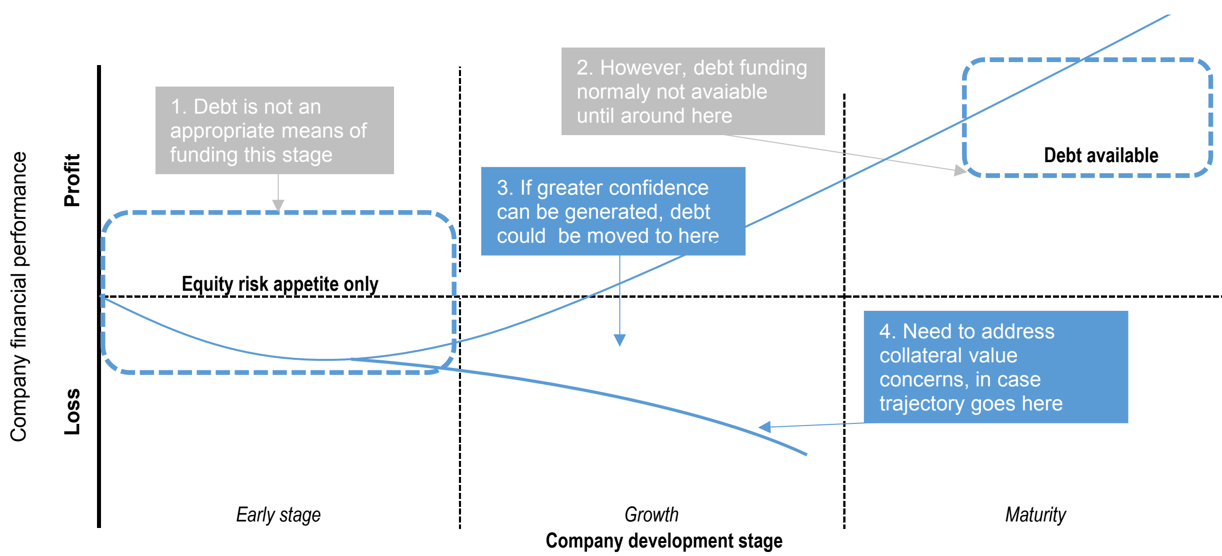
The potential market failure to secure debt financing

Despite their utility as drivers of business value, however, intangible assets are not easily collateralised and have limited usefulness to secure external financing. This is most apparent for debt funding and for firms that are relatively intangible-rich, but lack tangible assets that are easy to collateralise by comparison.

In the early stages of their life cycle, these firms rely heavily on external equity funding, possibly together with grants, while debt generally is not an appropriate source of financing. Usually, equity sources can be complemented by debt financing only when these firms have sufficiently matured and moved decisively into profitable trading. The period in between, that is after the early stages of a firms' life cycle, but before sustained profitability is reached, is sometimes referred to as the "valley of death." Typically, this is a period in which additional external finance is required to realise growth ambitions, but insufficiently available (see Figure 2.1).

Figure 2.1. Illustration of the potential to bring debt finance to bear at an earlier stage of business maturity

The x axis represents an SME's development stage, and the y axis represents their cumulative profit/loss performance



Source: Ingott (2017).

Better availability of debt-based finance during this phase would unlock more growth and enable these SMEs to invest and innovate. SMEs that have mostly invested in intangible assets face considerable difficulties attracting credit, however. Debt funding is the key context in which intangible asset value is consistently under-utilised, and therefore constitutes the focus of this study.

There appears to be a market failure at play, resulting from four primary and ongoing challenges related to intangibles, explained in detail below. While none of these challenges are individually insuperable, government intervention may be warranted to reach sufficient scale and drive down transaction costs. The absence of routine consideration of intangible assets means that systems and standards comparable to those that have developed to support due diligence activities in other contexts have yet to be in common usage, because the need has not been established for them. At the same time, the lack of these systems and standards means that intangible assets are not routinely considered. Policy support may create a virtuous cycle whereby financial institutions become more accustomed to collateralising intangible assets, thereby driving down transaction costs and vice versa.

Challenges in funding intangibles

Valuation

The first of the challenges is the difficulty in valuing intangible assets. In order for lenders to underwrite loans against IP and other intangibles, a certain level of confidence and comfort in their established values is necessary. At present, however, there is no standard method to value intangibles. Three common methods which are generally accepted within the industry co-exist (see Box 2.1).

Box 2.1. Valuation methods for intangible assets

Under the first method, the cost approach, intangibles are valued according to the historical investments that were required to create them less deductions for legal, functional market or technical obsolescence. There are several variations of this approach with other applications emphasizing replacement cost or reproduction cost rather historical investment. The cost approach is premised on the idea that an arm’s length buyer would not be willing to pay more than the amount needed to develop reproduce or replace intangible assets. This method is often employed for valuing software-based intangibles and applying asset-backed financing techniques, but it may not be an appropriate valuation method for certain intangibles and under certain circumstances. First, it is not suitable for assets that are subject to IP rights protection since such assets cannot be legally reproduced or used. Second, in some businesses it may be very difficult to isolate the costs of formulating specific assets with precision if they have been developed over an extended period. Third, buyers can often find grounds to argue that the creation or implementation costs of intangibles can be made lower than suggested by sellers. Finally, businesses typically do not create assets with the expectation that their business value would be limited to their cost and in this sense the very premise of the cost approach may be flawed.

The second valuation method entails assessing the contributions intangibles make to a business’s income. This valuation approach focuses on the future benefits one would expect to receive by owning intangible assets. There are several ways by which the value of intangibles can be isolated from other assets within a business. These methods include profit differentials (assessing the marginal earnings companies can obtain with a set of assets compared to other alternatives), excess earnings (calculating earned income from intangibles as a residual of total income), and relief from royalty (assessing the willingness to pay of a third party to license the technology). The relief to royalty approach has been widely accepted as the most accurate valuation technique since it relies on real world licensing transactions directly related to IP and intangibles. Regardless this method and other income approach methods rely on forward looking estimates to gauge contributions to income. As such, these valuation methods entail inevitable uncertainties that should be scrutinised and risk assessed considering market conditions and companies' actual historical performance. In younger businesses whose cash flows are less established these uncertainties will be more problematic.

The third commonly used valuation method for intangible assets is the market comparison approach. Under this approach, valuation is centred on a comparison of similar asset bundles that have recently been sold. Based on the comparability of assets, "multiples" are calculated and assigned to a target company's financial performance and intangibles. This approach provides the best way of assigning an open market value to intangibles as it is premised on historical buy/sales transactions. However, it is difficult to apply in practice given the absence of transparent markets in which intangible assets are traded and the heterogeneous nature of intangible asset characteristics which often renders them incomparable. Additionally, sales of IP do not tend to occur separately but are rather "wrapped up" with the acquisitions of whole entities. As such extracting the distinct market value of intangibles alone can be a difficult process.

Several published standards and guides, such as the International Standard (ISO 10668), General Principles for Monetary Patent Valuation (DIN77100), Austrian Standard Institute Standards (ONARM A6800 & A6801) and those drawn by the International Valuation Standards Council (IVSC), document the suitability of the cost, market and income methods. These standards, however, do not advocate for any specific method but stipulate that the three approaches can be used individually or in combination depending on the purpose, value concept and brand characteristics of the intangibles in question.

In the absence of a single agreed upon method, valuation outcomes tend to differ drastically depending on the method being used. As such, the values of different intangibles may be inherently incomparable. This problem raises the need for financiers to propose a standard value concept to leverage intangibles as collateral. Under these circumstances, lenders must be careful to attribute accurate values to intangibles they wish to take as collateral, since lender valuations often understate true worth as they are based on possible "fire sale" disposal values.

The possibility of different valuation outcomes may also create conflicts of interest in the determination of accurate valuations. While lenders may understate intangibles values (by factoring in a considerable amount of risk into their disposal values), valuations paid for by companies that own intangibles will naturally be motivated to inflate asset values. As such, policy interventions should focus on generating confidence in valuation reports and incentivizing financiers and valuation experts to act responsibly. Requiring that valuations be conducted by state-backed organizations, multinational accountancy practices or similarly qualified private sector specialists may provide a solution in this regard. However, by concentrating this task among a small number of large companies or the state, market inefficiencies may be created in the form of higher costs which can render such services uneconomic and beyond the reach of SMEs.

Finally, the value of intangible assets can be considerably volatile over time. For example, while most tangible assets depreciate, it is very possible that intangible assets may increase in value if well managed. Valuation methods for tangible assets typically incorporate the effects of age and condition on future value predictions, but problems arise when applying these methods to intangibles. Accommodating technical obsolescence is far more difficult. The lack of insurance policies that cover losses of intangibles (due to infringement or invalidation) similarly creates substantial risk in their valuation compared to tangible assets that can be more easily covered against theft, fire and other forms of damage. Under such uncertainties, lending activities that make use of intangibles can be conducted over short periods of time to mitigate against intangible asset volatilities. Adopting conservative valuation methods that reduce the proportion of agreed asset values that are considered for collateral may also help in this regard.

Difficulties in obtaining effective security over intangible assets

The second challenge related to intangibles is the difficulty in obtaining effective security over them. This challenge is exacerbated by variations in the security interest regimes of different countries and the sometimes lack of enforceability of security interests during distress events. These create practical challenges for lenders in establishing controls over intangible assets. There are two main methods lenders can pursue to secure intangibles: asset-backed finance structures or security mechanisms commonly associated with term loans.

Under asset-backed approaches, establishing security involves a contractually binding purchase of the asset(s) in which lenders obtain legal title to the assets while companies obtain their usage rights. In the event of a loan default, lenders simply re-possess the assets and there is no need for a formal transfer of ownership. Asset-backed approaches have been applied to intangible assets in several countries including Korea and the United Kingdom.

The second mechanism for obtaining security over IP is a fixed charge or pledge. These exempt lenders from maintenance obligations and prevent assets from being disposed of or used outside of a company's ordinary course of business. Although it is possible to use mortgages over intangibles, doing so is complex and creates difficulties for companies that need to act against a suspected infringer. Fixed charges or pledges are the preferred security mechanisms in some territories.

Establishing security interests over intangible assets requires three considerations: verification of the existence and ownership of the asset, prior interests on the asset at the time of the loan agreement and any occurrences that may undermine lenders' legal rights to the asset after the security facility has been created. Once these enquiries have been made, security interests must be perfected through registration of the asset to establish the lender's priority position over the asset and notify other relevant stakeholders of the security interest. In registering liens and security interests, lenders should be cognizant of the time lapses that occur in the updating and publishing of registries. In China, for example, there are separate authorities responsible for registering pledges against patents, trademarks and copyright materials, and each registrar is published at different time intervals (with the exception of the copyright pledge register which is not published at all).

When companies have assets that relate solely to their domestic territories, lenders are unlikely to experience difficulties in registering security interests against most types of IP. However, when companies have extensive IP portfolios that are registered internationally, enforcement of security may be more problematic, especially if assets pertain to countries that do not have a common law or established security regime. In this regard, standardization of practices and information sharing between lenders who require security documentation in diverse territories can help lower underwriting costs.

Redeployment issues and absence of liquid secondary markets

The third constraint relates to the redeployment of intangible assets, that is, one company's ability to utilise the intangible assets of another. When redeployment is considered, the business performance of the company owning the intangibles is of particular importance. If the owner of the intangibles is financially distressed, the realisable value of its assets may have been eliminated especially if the IP and intangibles are a causal factor of the distress. Under certain circumstances, intangible assets may still be desired by other companies even in the midst of a potential liquidation. In other cases, practical concerns exist regarding the separability of intangible assets from their parent organisations. For example, the assets may be associated with a business model so unique that no other company can derive value from them. Alternatively, the assets may have been impaired or damaged through neglect or be incomplete and missing crucial factors (such as the know-how) needed to realize their full value. Under any of these circumstances, there may be several legal and technical obstacles to the redeployment of intangible assets from a distressed company.

The lack of transparent, open markets for intangible assets (compared with the tangible assets a company typically owns) is another well acknowledged structural issue. Markets do exist for IP and intangible sale, but are mostly informal. Those that are formal (such as IP auctions) tend to deal principally (though not solely) in assets offered by trading businesses. This adds to the difficulties in redeploying these assets as well as realising value upon liquidation.

Transaction costs

The fourth key constraint related to intangibles in the context of debt finance is the high transaction costs they entail. The heterogeneity of intangibles often renders them incomparable and as such limits financiers' ability to gain substantial transaction experience from a well-defined set of intangibles. This lack of routine activity makes scaling debt services difficult.

Insufficient corporate reporting of intangibles (which often do not appear on company balance sheets) further increases transaction costs of intangibles-related debt financing. Even when corporate reporting is clearer, lenders still often view intangibles as having zero value or as a liability, which understates their true contributions. The absence of standardised definitions regarding assets that should be reported on financial statements creates an information gap between companies and their stakeholders (both on the supply side and demand side). Overcoming these information asymmetries require lenders (and other stakeholders) to engage in further enquiries which results in additional transaction costs. Intellectual capital statements, integrated reporting and other standardised reporting methods can address these information gaps and lower the transaction costs of collateralising intangibles. However, the development of such standards will have to originate from accounting regulators and this is only likely to occur once transparent and active markets exist to recover values from intangible asset classes. A third constraint to reducing transaction costs is the insufficient bank understanding of intangible assets and the contributions they make to business models (which may arise from underreporting of intangibles). In the increasingly digitalised marketplace, numerous points of parity exist between intangible assets and tangible assets and as such many financing schemes already take account of intangibles values. For example, in the IT sector, computer hardware (a tangible good) can only be made functional through software (an intangible good). The interdependence of hardware and software similarly pervades the automobile industry. Raising awareness of the sometimes-symbiotic relationship between tangibles and intangibles can reduce the information asymmetries described above. In this regard, policy interventions (both tools and incentives) that provide a framework within which experiments can be conducted, data extracted/analysed and lessons learned will be useful for overcoming this barrier.

Current practices of public support to intangible-backed financing

The challenges and constraints presented above provide a compelling argument for the existence of an external financing market failure for SMEs as it relates to intangibles-backed debt financing. The lack of scale and experience may well be the main obstacle to develop market-based solutions. For example, secondary markets would remain illiquid without sufficient scale. Lenders remain reluctant to accept intangibles as collateral as a consequence, which hampers the development of liquid markets and so on. As another example, the costs to estimate the value of intangibles will only go down with sufficient experience, but these high costs make it unlikely that procedures and processes will be developed. This vicious cycle or "catch 22 situation" can likely only be resolved by the provision of a "safety net" provided or facilitated by policy makers.

Many countries have recognized the existence of this market failure and implemented support-systems to address it. It should be noted that while initiatives to stimulate the collateralisation of intangibles are relatively uncommon and often in their infancy, many countries have developed other support mechanisms to ease access to finance for intangible-rich SMEs. A number of countries have used credit guarantee structures tailored to innovative SMEs who typically rely on intangibles rather than tangible assets for their business models. "Innovation Boxes" or "Patent Boxes" that reduce the tax paid on product or service revenues associated with qualifying IP rights are other means to that end. Over 30 countries (many in Europe) also provide tax credits against R&D expenditures to incentivise innovation. Chapter one of this publication, as well as the individual profiles for every country participating in the scoreboard exercise (Chapter three), provide an overview of the main policy instruments to support SMEs in need of finance. The focus of this section is to describe policy initiatives in a number of countries supporting intangible-backed financing directly.

Europe

France has designed a number of policies to support innovative companies at their various stages of development to access finance. In October 2017, an investigation of the issues concerning intangibles and their financing was published by France's Business Financing Observatory (OFE, 2017). The digital transformation of SMEs represents a significant challenge in the coming years, which may be difficult to finance from retained profits. However, Bpifrance, the French public investment bank, supports companies in their intangible investment project, notably through uncollateralized loans and bank loan guarantees. In addition, the ministry of the economy and finance recently launched a new website (https://www.cap-immateriel.fr/) gathering different tools that aim to encourage business leaders and investors to implement business strategies based on fostering the use of intangibles

In a similar vein, Italy has a wide range of SME finance support mechanisms, especially by the extensive use of credit guarantees, some of which are targeting innovative SMEs, and where the presence of certain intangible assets may function as a signalling device to prove innovativeness. The country has not initiative policies specifically to collateralise intangibles, however. However, in 2008, a Memorandum of Understanding concerning the economic evaluation of patents was signed with the aim to establish a shared methodology for attaching an economic value to patents. This proved to be a technically challenging exercise incorporating 86 indicators on five different modules.

In the United Kingdom, the Intellectual Property Office (IPO) has for some years operated a programme of subsidised IP audits for SMEs (around 300 being made available annually). Whilst these are primarily aimed at encouraging companies to develop and strengthen IP protection strategies, evaluations make it apparent that they also increase awareness of asset value, and have assisted a number to raise finance, and there is appears to be interest from the government to develop additional policy support.

China

China is the most active market for state-backed IP financing which began in 2006 and has grown rapidly since then with approximately 2 000 companies receiving some form of IP-financing in 2015. Support for IP financing in China has been driven by a number of actors including the state (through its State Intellectual Property Office or SIPO), the Ministry of Finance, and a number of dedicated funds in high-growth areas aimed at encouraging commercial lender participation in the space.

The dedicated funds have proven particularly crucial for growing IP-backed portfolios in China and Shanghai has been a focal area in this regard, given its sizeable high-tech SME population. The goal of Shanghai's dedicated fund has been to expand the use of short term loans to SMEs. The fund has been successful over the past 10 years due largely to three main initiatives:

- The establishment of standards and approved financial practices covering IP pledge evaluation criteria and operational guidelines;
- The use of pilots and experiments, for example, the establishment of a RMB 100 million fund in Pudong in 2006 which guaranteed loans to high-tech, early stage SMEs based on IP and goodwill;
- Streamlining administrative processes such as the registration of IP pledge contracts.

By 2013, 500 loans had been provided to Shanghai SMEs for a total value of RMB 1.8 billion. Despite the program's success several bottlenecks still remain that are being addressed by the Shanghai IP Office. These include barriers to scale (market immaturity, high costs, risk concerns), the lack of diversity in intervention targets (which have focused largely on patents) and inconsistencies in evaluation criteria and frameworks.

Japan

In Japan, IP-backed finance began in 1995 and grew steadily until 2015 at which point approximately 260 companies had benefitted from IP related loans for a total transaction volume of JPY 16 billion. Japan's current focus is to address asymmetric information by supporting the credit decision-making processes of regional business lenders, primarily qualifying banks and credit unions. The efforts have been led by the Japan Patent Office

(JPO) and the country's Financial Service Agency with an emphasis on two pillars. The first is the funding of up to 150 IP evaluation reports annually for qualifying banks which identify the intangible assets owned by key SMEs and their role in companies' credibility and financial strength (which is expressed as a financial value). The second initiative is intended to complement the first and focuses on enhancing institutional education through annual symposia and seminars that provide lenders with information on existing IP rights and their contributions to SMEs' cash flows and business models. The reports and education initiatives have allowed lenders to incorporate similar information-gathering routines in their underwriting processes, which is expected to translate into more standardised forms of IP-backed financing.

Korea

In its drive to become a "creative economy," the Korean Government has made several enhancements to its existing support of IP and intangible asset financing since 2013. The most prominent IP financing initiatives are operated by the Korea Development Bank (KDB) with the "Techno Banking" initiative the most prominent. Under this scheme, loans for purchasing, commercialising and collateralising IP are provided while the "Pioneer" IP fund invests in intellectual property and obtains income from licensing. The KDB simultaneously established a collection fund for distressed IP which addresses the issues regarding the disposal of intangible assets. Korea also benefits from well-developed credit guarantee schemes, some of them supporting intangibles-backed financing with the Korea Credit Guarantee Fund (KODIT), KOTEC and CGF comprising the primary actors. KODIT is the oldest and most established of these companies with a capital fund totaling USD 4.7 billion. It offers underwriting of up to 95% of an IP valuation for lending and securitisation. Its loan programmes have been helpful in obtaining some commitment to IP funding from other banks though exact details on the provision of these kinds of loans remains unclear.

Malaysia

In Malaysia, IP-related financing has been driven by MyIPO, Malaysia's IP Corporation with assistance from the Ministry of Finance and Multimedia Development Corporation. The focus of MyIPO's work has concentrated on two focus areas. The first is the development of standards to cover IP valuation. The model is intended to increase lender confidence in IP values and spells out the steps of the IP-financing and valuation process, specifying that the relief from royalty method should serve as a standard valuation approach for loan underwriting (the model provides examples of how relief from royalty should be applied to patents, brands and copyright materials). MyIPO's second focal area of investment has been in the development of local firms' and individuals' understanding of IP assessment and valuation through a training and certification programme delivered in conjunction with specialist IP valuation consulting firms from abroad. The consulting firms were also used to facilitate all of Malaysia's early loans which have thus far been financed by Malaysia Debt Ventures using a MYR 200 million fund provided by the government. The fund offers firms 5-year, guaranteed loans (insured through Malaysia's Credit Guarantee Corporation) of up to MYR 10 million or 80% of the value of the IP which include a 12-month grace period and 2% interest rebate as borrowing incentives. Uptake has been slow with only 11 companies receiving loans so far. The lack of provision of similar services by other lenders and the presence of several legal constraints relating to the validity of charges made against IP rights are thought to be the main constraints discouraging wider adoption these IP-backed loans.

Singapore

Singapore does not have any dedicated funds for IP finance but instead provides mainstream banks with guarantees of up to 80% of borrowers' IP value (subject to a cap). The guarantees are provided through an SGD 100 million guarantee facility administered by IP ValueLab, a subsidiary of the Intellectual Property Office of Singapore and cover patents, trademarks and copyright materials. IP valuations on which the financing is based must be conducted by an approved valuation panel member. The initiative began in April 2013 but gained traction slowly due to bank unfamiliarity with IP assets, the programme's relatively informal application process and high prospective transaction costs. To address these bottlenecks, applicant companies were encouraged to undertake a low-cost valuation exercise to gauge lender interest in the guarantee scheme. Two local banks, DBS and UOB, have since offered several loans to patent-owning businesses and are soliciting the interest of other prospective borrowers.

United States

The United States is relatively advanced in the use of IP and intangibles-backed financing. These initiatives are almost exclusively private sector-led with the US Patent and Trademark Office primarily focused on the rights regime rather than sponsoring business support, however. In the United States, patents are routinely used as collateral for the provision of loans. Analysis by the US Patent and Trade Mark Office indicates that these types of lending activity are highly concentrated between a few lenders and patent owners (the top six lenders account for 2/3 of total number of security interests and the top 7 patent owners account for 20% of loans). This high-degree of concentration of intangibles-related financing activity among large stakeholders and large transactions (which involve many other assets such as accounts receivable, inventory and cash) indicates that the value of patents is not necessarily a finance enabler. As such, it appears that lenders may be using patents to obtain an additional degree of control over borrowers in the event of a default (as specified in Article 9 of the Uniform Commercial Code) irrespective of the actual value of a patent. In this regard, it is unlikely that this practice helps SMEs secure financing they could not have secured otherwise.

Common features and variations of policy interventions

Confidence-building measures are a common feature of all state-backed schemes. A key point of comparison relates to the level and nature of the guarantee coverage provided. This ranges from 50% in Malaysia to 80% in Singapore, 95% in Korea and up to 100% in China.

Measures to broaden the availability of skilled valuers are apparent in several markets, though the Japan Patent Office has taken a more direct approach by directing the provision of the valuation reports itself, albeit provided by private sector companies. State control over this process appears strongest in Korea; present but indirectly applied in China; provided by way of guidance or provision of a control/administrative function in Malaysia and Japan respectively; and left to market forces in Singapore, which is more in line with practices in other regions of the world in this regard.

Centrality of control of these policy measures varies greatly from one country to the other. In Korea, its IP financing initiatives is decided at the central level of government, while In Japan, the emphasis is on supporting locally-based lenders, helping them to understand more about their customers' IP rights, rather than seeking to build scale quickly by working with the largest lending institutions. China takes an intermediate position by permitting regions and localities to develop their own schemes, and has actively experimented with decentralisation of certain aspects, such as pledge registration.

Policy implications and lessons learned

Although the policy approach will vary depending on the characteristics of a country's SME population, the nature of their business activities, the culture that exists regarding the use of IP rights and the importance of various intangible assets as drivers of business value, some lessons can be drawn from policy experiences so far.

Reaching scale will require lowering transaction costs and the adoption of a long-term approach

Finance schemes should be designed to work at scale and have capacity to absorb potential losses. Absent aid or intervention, private lenders will naturally gravitate towards larger deals which are better able to absorb high transaction costs and generate higher absolute profits, but will not probably benefit smaller or younger firms mostly in need of additional finance. A similar conflict arises when considering the risks of underwriting intangibles-backed loans. During the underwriting process, conservative lenders are likely to scrutinise IP and intangibles and back the very strongest firms and their assets, which are unlikely to be SMEs that are not (yet) profitably trading. This selective lending would limit opportunities to develop insights across a broad range of businesses and ultimately hinder financial services from being scaled more widely, especially to SMEs who would not be able to access external debt otherwise..

To achieve scale, policy interventions must address the current issue of high transaction costs, particularly in the early stages when parties are still gaining familiarity with the product, deal volumes are small and due diligence requirements are high. Subsidies that cover key underwriting costs such as valuation costs may help incentivise bankers to take less conservative lending approaches at early stages of development. Such measures have been important features of policy interventions in Japan and Singapore. Further experimentation will also be required to establish new interventions to address longer-term costs and sustainability. A potential solution is to develop a system analogous to that routinely used for credit scoring, which has a proven ability to operate at scale and is better aligned with data-driven approaches to policy interventions (described below).

Achieving scale will also require time. It is likely that interventions will have transformational effects on the economy after a number of years given the lack of lender experience with IP and other intangibles. As such, stakeholders (lenders, governments, SMEs, consulting firms) will need to be patient over the medium term following the policy action. A considerable time lapse would also be required for sufficient loan volume to complete a loan cycle, a prerequisite condition for generating useful data regarding repayments, defaults, losses and recoveries. In short, successful schemes may demonstrate some short-term benefits for SMEs in terms of capital availability but will require longer time periods to effectively assess their success in developing lender confidence in intangible assets.

Guarantees (and insurance) appear to be crucial elements of the policy mix

Guarantees provided by the state or by state-backed organisations have featured in all countries where intangibles-backed financing schemes have been implemented. State-backed guarantee programmes help develop confidence in the use of intangibles for financing and reassure lenders of the values ultimately attributed to assets. They address the private sector's gap in risk experience by encouraging it to disburse risk capital all the while addressing any shortfalls in intangibles value in the event of a recovery. As such they are an important safety net that helps mitigate potential losses to lenders in the medium term and accommodate growing demand.

The private sector needs to be engaged

Another desirable feature of policy interventions is that they must effectively engage the private sector so as to be not reliant on government support indefinitely. In short, while guarantees and other support measures are important for kick-starting policy initiatives and addressing immediate short-term risk-related concerns, ways should be sought to create interest from the private sector absent of government involvement.

To date, IP and intangibles funding mechanisms have typically been formulated by a mix of state-backed endeavours and private sector action. The current evidence available suggests that the use of dedicated funds produces early results but is less useful in establishing private sector interest in the space. For example, in China and Malaysia, intangibles-related lending appears to have originated from banks or lenders that are the direct recipients of aid/incentives (guarantee funds, interest rate concessions, administrative streamlining), with few others following suit, possibly because of the time it takes to change banking behaviour.

A strong evidence base needs to be established and shared

Policy interventions should facilitate the generation of evidence and risk-sharing experience amongst lenders to communicate best practices and demonstrate that intangibles can have realisable value. This would allow lenders to more routinely consider them as an asset class capable of being collateralised. Routine consideration by lenders would result in more transaction experiences, a better understanding of intangibles and increased confidence in valuation levels, all of which would enhance market development and lower transaction costs, creating a virtuous circle driven mainly by private sector actors. In this regard, digitalisation should be used as a data collection and analysis tool to measure progress, produce evidence and disseminate information to the wider market.

The initial requirement of a data-driven policy approach is to ensure that the information gathered is appropriately baselined and comparable. As such, an established set of qualifying criteria and assumptions should be created and applied across funding opportunities in the space. For example, regarding eligibility criteria, ensuring that information is captured on the characteristics of all applicants and their asset holdings (including intangibles) will be insightful for understanding which types of businesses and assets produce the most positive outcomes. Ensuring that such data is exchangeable across stakeholders will also allow participating institutions to benefit from any lessons learned. Finally, digitalisation will better facilitate information gathering when multiple funding instruments are deployed concurrently. Data-driven approaches should also not discourage experimentation which is ultimately the necessary tool for engaging and accommodating the wide array of business models, assets, sizes, strategies and aspirations of all SMEs.

The market would benefit from more standardised valuations methods

To be successful, valuation standards should be practical but also theoretically robust. To date, the income method (based on historical and projected financials) has demonstrated the most suitability in this regard. Approaches that better assess the realisable value of IP, taking into account the likelihood of successful asset disposal and potential recovery prices should also be considered given their relevance to lenders. Introducing standard "haircuts" that can be applied to intangibles (which would outline to what extent the asset's market value should be reduced for the purpose of collateral levels)can provide lenders with more accurate and conservative valuations regarding the disposal value of intangibles in the event of a default or collection. Such standards would also be beneficial for avoiding too much reliance on original valuations which are often imprecise and ensuring that lenders do not benefit from being over-collateralised.

Patents are a solid starting point, but other types of intangibles should also be considered for collateralisation

Policy measures should seek to adopt a broad definition of intangibles suitable for collateralisation. Patent rights have received the majority of attention in terms of IP-backed financing due largely to the fact that they are data-rich, undergo considerable scrutiny to confirm their novelty and can be registered in a relatively straightforward manner. While patents remain a useful signalling device, they should not be a precondition for IP finance eligibility. Due to the technical requirements needed to obtain and exercise them, however, patents are only utilised by a small minority of SMEs and also tend to be inseparable from other intangibles in terms of value (such as contractual agreements, organisational capital and knowhow, and brand recognition). As such, they should not be a precondition for IP finance eligibility and other intangibles should be considered as well for collateralisation. Software and other intangibles protected by copyrights for example, present a strong opportunity in this regard.

Potential future research

Intangibles-backed finance requires a number of elements to be in place in order to work successfully for SMEs. These include the questions of how an asset's suitability as security for lending can best be determined, how value is attributed to it, how this value can be recovered, and what the appropriate regulatory framework should look like. Each of these aspects merits closer study.

In addition, more research could be developed to link the emergence of intangible assets as a primary driver of SMEs' success with SME finance trends, as identified by the annual Scoreboard on SME and Entrepreneurship Financing. Collateral requirements have remained broadly constant over the 2007-17 period, even though the relative importance of assets that banks typically accept as collateral has declined. This could explain, to some extent, why SME lending has remained weak in recent years, even though financing conditions as well as the macro-economic environment has improved. At the same time, volumes for most other sources of finance than straight debt have gone up in recent years, possibly suggesting firms that have relatively few tangible assets turning to other sources of finance than straight debt. More research is necessary to analyse if that is indeed the case and, more generally, to gauge how the increasing importance of intangible assets influence SME financing trends.

Notes

[1] Most intangible assets are capitalised in national accounts, and spending on intangibles is most often accounted as an intermediate expenditure. This makes intangible assets inherently hard to quantify. Researches typically estimate the investments in intangibles, and the overall importance of intangible assets, through expenditure data (such as the INTAN-Invest dataset) (Corrado et al., 2018[6]).

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Part I. Country snapshots

This chapter contains a snapshot view of SME and entrepreneurship finance developments, as well as the scoreboard with core indicators for countries covered in this report. A more comprehensive discussion is provided in the full country profiles published online

3. Australia

According to the Bureau of Statistics (ABS), there were 2 234 384 small and medium sized enterprises (SMEs) in Australia in 2016-17. SMEs account for 99.8% of all enterprises in Australia and employ 7.4 million people, which equates to around 68% of employment in the private sector.

The Australian economy has completed its 27th consecutive year of economic growth, with transition from the investment phase of the mining boom towards broader-based sources of growth progressing broadly as expected. Real GDP grew by 2.8% in 2017-18.

Interest rates are historically low for both SMEs and large businesses. SME interest rates in Australia have gradually declined from 8.6% in 2007 to 5.23% in 2017. However, the interest rate spread between SME loans and large enterprise loans increased from 96 basis points in 2007 to 183 basis points in 2008, and remained high at 200 basis points in 2017.

New lending to SMEs declined in two consecutive years since 2015 (4.9% in 2016 and 8.1% in 2017) after a period of growth, having risen by 7.4% (2013), 7.9% (2014) and 6.7% (2015). Total outstanding SME loans increased by 3.8% in 2016 and 3.7% in 2017. In 2017, the share of SME outstanding loans stood at 30.9% of total outstanding business loans.

Total valuations of all investments by Venture Capital and Later Stage Private Equity (VC&LSPE) investment vehicles rose by 4.7% in 2015-16 and by 14.8% in 2016-17, from AUD 8 802 million reported as at 30 June 2015 to AUD 10 575 million as at 30 June 2017. Leasing and hire purchase volumes dropped from AUD 9 546 million in 2007 to a low of AUD 6 904 million in 2009. Leasing and hire purchase volumes have recovered since, rising to AUD 11 516 million in 2017, an increase of 22% over the previous year.

The number of bankruptcies per 10 000 businesses increased from 45 in 2007 to 54 in 2013. It has since reached a ten-year low of 32 in 2017.

The Australian Government has a comprehensive SME agenda aimed at promoting growth, employment and opportunities across the economy. Its policies for promoting SMEs focus on reducing red tape, improving the operating environment for businesses, increasing incentives for investment, and enhancing rewards and opportunities for private endeavour. Policies aiming to increase long-term opportunities for SMEs include innovative finance and crowd-sourced equity funding; competition and consumer policies; taxation and business incentives; export financing; and small business assistance.

Table 3.1. Scoreboard for Australia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
						Debt						
Outstanding business loans, SMEs	AUD million	188 709	203 880	203 598	223 624	234 271	238 267	241 356	249 979	260 399	270 408	280 339
Outstanding business loans, total	AUD million	710 284	771 265	720 651	705 119	713 755	763 802	748 579	783 277	853 539	879 647	907 287
Share of SME outstanding loans	% of total outstanding business loans	26.57	26.43	28.25	31.71	32.82	32.34	32.24	31.91	31.24	30.74	30.90
New business lending, total	AUD million	374 997	336 145	265 484	265 820	310 696	273 774	292 430	360 436	391 641	341 766	345 952
New business lending, SMEs	AUD million	77 517	79 914	69 562	82 506	81 561	73 674	79 130	85 373	91 126	86 658	79 656
Share of new SME lending	% of total new lending	20.67	23.77	26.20	31.04	26.25	26.91	27.06	23.69	23.27	25.36	23.03
Non-performing loans, total	% of all business loans	0.5	2.07	3.27	3.55	3.16	2.68	2.03	1.39	1.01	1.13	0.78
Interest rate, SMEs	%	8.56	7.99	7.56	8.29	7.94	7.07	6.44	6.18	5.58	5.29	5.23
Interest rate, large firms	%	7.6	6.16	5.85	6.67	6.37	5.29	4.29	4.15	3.59	3.2	3.23
Interest rate spread	% points	0.96	1.83	1.71	1.62	1.57	1.78	2.15	2.03	1.99	2.09	2.00
						Non-bank finance						
Venture and growth capital	AUD million	6 939	8 315	7 903	8 912	8 700	7 652	8 348	7 907	8 802	9 213	10 575
Venture and growth capital	%, Year-on-year growth rate		19.83	-4.95	12.77	-2.38	-12.05	9.10	-5.28	11.32	4.67	14.78
Leasing and hire purchases	AUD million	9 546	9 342	6 904	7 140	7 579	8 691	7 549	8 690	10 368	9 474	11 516
Factoring and invoicing	AUD million	54 757	64 991	63 101	58 661	61 422	63 361	63 272	62 391	64 400		
						Other indicators						
Bankruptcies, Unincorporated	Number	5045	4427	4426	5616	5266	5858	4761	4007	4088	4350	4168
Bankruptcies, Unincorporated	Per 10,000 enterprises	42	36	36	45	43	50	42	35	34	36	34
Bankruptcies, Corporates	Number	7 489	9 067	9 465	9 605	10 439	10 583	10 854	8 822	10 093	8 511	7 819
Bankruptcies, Corporates	Per 10,000 companies	48	55	56	54	57	55	54	41	45	36	31
Bankruptcies, Total	Per 10,000 businesses	45	47	47	50	51	53	49	39	41	36	32
Invoice payment days, average	Number of days	53	56	54	53	54	53	54	53	47		
Outstanding business credit, Unincorporated business	AUD million	111 132	117 360	118 651	121 880	124 793	131 227	136 413	141 931	149 628	156 793	164 053
Outstanding business credit, Private trading corporations	AUD million	499 822	555 064	514 268	500 067	514 463	523 799	530 638	556 069	591 751	624 743	635 854

The full country profile is available at

Https://doi.org/10.1787/fin_sme_ent-2019-en

4. Austria

In 2015, SMEs made up 99.7% of all firms and employed 67.5% of the labour force.

New lending has been in continuous decline since 2009, except for a slight bump in 2011. This downward pattern continued in 2016, with new lending to SMEs falling by 7.6%. This development is dominated by a decline in short term loans (less than 6 months). These loans are typically of very short maturity and are regularly rolled over. Due to multiple counting of these loans, their development has an over-proportionate effect on new loans statistics. Whereas short term loans decreased by 50% from 2009 to 2016, long term loans increased by 11.1% over the same period.

The weak dynamics of bank lending in the corporate sector are due to both demand and supply side factors. However, for the first time since 2007, demand for bank loans reveals a clear positive trend.

Interest rates for SMEs decreased for the fifth year in a row, further improving on a historical low of 2.0% in 2015 to reach 1.9% in 2016. Interest rates for large firms as well as the interest rate spread declined in 2016.

As in many countries, venture and growth capital investments in Austria are very volatile. One major investment can make a big difference in the data. Total venture and growth capital slumped in 2012 to less than EUR 70 million, after a peak of EUR 208 million in 2011. At EUR 76.2 million in 2016, this figure more than halved compared to the previous year.

Crowdfunding as an alternative source of financing is gaining importance. In 2016, Austrian crowdfunding platforms collected EUR 22.8 million compared to EUR 8.7 million in 2015.

In 2016, bankruptcies per 1 000 firms stood at their lowest level since 2009 amounting to only 10 per 1 000 firms compared to 18 in 2009. Rejected loan applications had been decreasing from 10.2% in 2009 to 0.4% in 2012. However, in 2016, this indicator stood at 2.5%, down from 5.5% in the previous year. The ratio of non-performing loans (NPLs) decreased markedly from 4.2% in 2015 to 3.1% in 2016.

Business-to-business (B2B) payment delays have not recovered to their 2007 level of 8 days, and have ranged from 11 to 13 days in 2009-14. Business-to-customer (B2C) payment delays have more than halved in the reference period, falling from 20 days in 2007 to 9 days in 2014.

In July 2016, the Austrian Government launched a comprehensive start-up programme with a total volume of about EUR 185 million within three years. This “Start-up Package” aims at fostering access to finance, realising the potential of high-growth firms and reducing barriers to improve the start-up ecosystem in Austria.

Table 4.1. Scoreboard for Austria

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt											
Outstanding business loans, total	EUR million	123 067	134 897	132 413	135 465	138 840	140 384	140 329	136 606	137 203	136 829
New business lending, total	EUR million	..	..	85 490	74 896	73 041	80 867	73 460	73 126	61 711	55 543
New business lending, SMEs	EUR million	..	..	10 054	9 414	9 476	9 347	8 884	8 237	8 116	7 499
Share of new SME lending	% of total new lending	..	..	11.76	12.57	12.97	11.56	12.09	11.26	13.15	13.50
Short-term loans, SMEs	EUR million	..	..	6 014	5 139	4 944	4 901	4 536	4 016	3 345	3 010
Long-term loans, SMEs	EUR million	..	..	4 040	4 275	4 532	4 446	4 348	4 221	4 771	4 489
Share of short-term SME lending	% of total SME lending	..	..	59.82	54.59	52.17	52.43	51.06	48.76	41.21	40.14
Government loan guarantees, SMEs	EUR million	341	164	214	173	143	158	167	172	204	192
Government guaranteed loans, SMEs	EUR million	429	211	279	226	185	207	211	225	258	282
Direct government loans, SMEs	EUR million	535	579	574	607	633	539	594	490	543	583
Non-performing loans, total	% of all business loans	..	..	..	..	..	..	..	4.1	4.2	3.1
Interest rate, SMEs (loans up to EUR 1 million)	%	5.11	5.47	2.89	2.43	2.92	2.46	2.28	2.27	2.02	1.92
Interest rate, large firms (loans over EUR 1 million)	%	4.69	5.04	2.33	1.96	2.55	1.98	1.77	1.74	1.61	1.54
Interest rate spread	% points	0.42	0.43	0.56	0.47	0.37	0.48	0.51	0.53	0.41	0.38
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	26.33	27.53	25.50	28.32	27.64	25.70	28.66	21.23
Rejection rate	1-(SME loans authorised/ requested)	..	..	10.24	2.60	0.78	0.41	2.67	6.02	5.52	2.49
Non-bank Finance											
Venture and growth capital (seed, start-up, later stage)	EUR million	60.9	57.4	73.5	43.3	97	38.6	57.1	59.7	108.9	50.5
Venture and growth capital (growth capital)	EUR million	22.9	15.7	39.6	31.9	111.6	26	25	45.2	77.8	25.7
Venture and growth capital (total)	EUR million	83.8	73.1	113.1	75.2	208.6	64.6	82.1	104.9	186.7	76.2
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	-12.8	54.7	-33.5	177.4	-69.0	27.1	27.8	78.0	-59.2
Other Indicators											
Payment delays, B2B	Number of days	..	8	8	11	12	11	12	13	..	..
Payment delays, B2C	Number of days	20	16	6	11	11	9	9	9	..	..
Bankruptcies, total	Number	6 295	6 315	6 902	6 376	5 869	6 041	5 459	5 423	5 150	5 226

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5. Belgium

In 2015, SMEs dominated the business enterprise landscape in Belgium, accounting for 99.9% of all firms.

The outstanding stock of SME loans expanded 5.6% in 2017, 3.9 percentage points up from its growth rate the previous year.

SME interest rates continued to decrease, and were 1.7% in 2017. The interest rate spread between loans charged to large enterprises and loans charged to SMEs was 26 basis points in 2017.

Survey data illustrates that lending conditions eased between 2013 and the end of 2015, and have remained relatively stable since then.

After having experienced strong growth in 2016 (25%), leasing volumes receded moderately in 2017 (-3.49%). Overall, factoring continues to be more widely used by Belgian companies. Factoring expanded strongly in 2017, growing 10.81% during the year and achieving rates of more than 10% every year between 2012 and 2017 (with the exception of 2016, where the factoring growth rate was 2.74%). Factoring contributed to almost 16% of GDP in 2017, as opposed to only 6.3% of GDP in 2008.

Venture capital investments continue to show considerable variation due to the small number of deals conducted every year. Total venture capital investments decreased 38.8% in 2017, after having increased 60% in 2016.

Average payment delays for business to business transactions have been decreasing for the entire reference period. Payment delays decreased from a 17-day average in 2009 to an 8-day average in 2017.

After a steady decrease of bankruptcies during the 2014–16 period, the number of registered failures rose to 9 968 (+8.7%) in 2017.

Policy initiatives to ease SMEs' access to finance are taken at the federal and regional level.

The Walloon region launched the "Helping hand" loan initiative in 2016 as a pilot project. The initiative aims at mobilising private citizen savings for young SMEs through a tax-efficient loan mechanism. This initiative was formally introduced in 2017 and will remain operational until December 2019.

The Federal Government enacted a corporate income tax reform in December 2017. The standard corporate income tax rate will be gradually reduced from 33.99% in 2017 to 25% in 2020. SMEs will further benefit from a marginal tax rate of 20% on the first EUR 100 000 they generate in profits.

Table 5.1. Scoreboard for Belgium

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
						Debt						
Outstanding business loans, SMEs	EUR billion	82.8	89.1	88.9	93.9	100.0	109.6	109.5	100.7	104.4	108.0	114.1
Outstanding business loans, total	EUR billion	134.2	149.4	141.8	150.6	153.7	167.6	162.0	151.7	164.6	163.4	170.1
Share of SME outstanding loans	% of total outstanding business loans	61.72	59.62	62.73	62.35	65.07	65.43	67.60	66.39	63.44	66.12	67.05
Outstanding short-term loans, total	EUR billion	37.4	40.4	34.1	35.4	36.5	34.5	33.8	31.4	30.9	32.0	33.6
Outstanding long-term loans, total	EUR billion	59.7	66.1	72.2	77.2	79.3	82.5	83.9	80.3	84.8	90.8	97.8
Share of short-term lending, total	% of total business lending	38.52	37.91	32.08	31.45	31.50	29.48	28.74	28.08	26.71	26.05	25.58
Government loan guarantees, SMEs	EUR million	..	156.5	411.9	553.9	317.5	266.0	480.2	265.6	448.2	398.3	458.4
Government guaranteed loans, SMEs	EUR million	..	312.7	832.7	888.4	561.7	484.3	826.1	476.7	805.6	735.9	828.3
Direct government loans, SMEs	EUR million	..	113.7	142.2	141.9	148.3	170.5	235.6	..	..	..	..
Interest rate, SMEs	%	5.45	5.70	3.01	2.51	2.88	2.32	2.06	2.09	1.83	1.72	1.66
Interest rate, large firms	%	4.72	5.05	2.09	1.70	2.22	1.74	1.76	1.77	1.60	1.34	1.40
Interest rate spread	% points	0.73	0.65	0.92	0.81	0.66	0.58	0.30	0.32	0.23	0.38	0.26
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	74.30	71.90	78.60	..	..	..	..	..
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	22.22	26.46	30.20	29.33	29.36	39.33	36.61	36.71	37.18
Rejection rate	1-(SME loans authorised/ requested)	..	..	0.52	5.13	6.44	10.40	10.91	5.88	5.71	6.13	5.07
Utilisation rate	SME loans used/ authorised	77.80	79.05	80.69	80.07	80.16	77.45	77.79	79.76	79.62	80.11	79.63
						Non-bank finance						
Venture and growth capital	EUR million	395.23	355.54	448.52	243.18	224.40	351.63	285.13	401.62	358.27	573.24	350.70
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	-10.04	26.15	-45.78	-7.72	56.70	-18.91	40.86	-10.79	60.00	-38.82
Leasing and hire purchases	EUR million	4405.9	4856.4	3756.4	4005.5	4439.0	4450.2	4121.7	4356.9	4800.5	6009.6	5800.1
Factoring and invoicing	EUR million	19.2	22.5	23.9	32.2	36.9	42.4	47.7	55.4	61.2	62.8	69.6
						Other indicators						
Payment delays, B2B	Number of days	..	..	17	17	15	19	18	19	13	10	8
Bankruptcies, total	Number	7 680	8 476	9 420	9 570	10 224	10 587	11 740	10 736	9 762	9 170	9 968
Bankruptcies, total (growth rate)	%, year-on-year growth rate	..	10.36	11.14	1.59	6.83	3.55	10.89	-8.55	-9.07	-6.06	8.7

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6. Brazil

Micro and small-sized enterprises (MSEs) form an essential part of the Brazilian economy, accounting for 98.5% of all legally constituted companies (11.5 million), for 27% of GDP, and for 41% of the total payroll.

The reference interest rate of *Banco Central do Brasil* (Special Clearance and Escrow System - SELIC) has been gradually declining, from 14.15% per annum in December 2015, to 13.65% in December 2016, 6.9% in December 2017 and 6.4% in August 2018[1]. The previous period of rate hike (from 7.25% in March 2013 to 14.25% in September 2016) led to high interest rates on loans for large corporate borrowers (14.8%) and SMEs (30.6%), leading to a shrinking demand for new SME loans. Interest rates have increased more for micro-enterprises and SMEs than for large businesses. However, this trend was reversed when the central bank decreased its rate at the end of 2016, thus decreasing interest rates for SMEs.

The stock of SME loans fell in 2015 and new lending to SMEs declined in 2014 and 2015. Both observations are in contrast with lending to large businesses, where the outstanding stock of loans, as well as new lending was up in 2014 and 2015.

Since 2008, large companies have been receiving a larger share of the business loans granted compared to SMEs. The government has taken on a more active role in this area, often with the aim to provide financial services to small businesses, excluded from classic financial institutions. Notable developments include a micro-credit programme, a quota to use 2% of demand deposits of the National Financial System to finance loans to low-income individuals and micro entrepreneurs, and a strong increase in the number of agencies where financial services are provided.

The regulatory framework for angel investors has been revised in 2016 and further adjusted in 2017, removing some long-standing barriers for investors in SME markets, most notably by offering more legal protection in the case of company closures, more latitude to investment and more information sharing between recipients and investors. In addition, new regulations concerning investment-based crowdfunding and FinTech were introduced in 2017 and 2018.

SEMPE, the Special Secretariat for Micro and Small Enterprises (SEMPE/MDIC) is the main body of the Brazilian government responsible for formulating, coordinating, articulating and defining public policy guidelines aimed at strengthening, expanding and formalising artisans, individual entrepreneurs and micro and small enterprises. In addition, SEMPE/MDIC leads the articulation of actions aimed at improving the business environment and at contributing to the expansion and sustainability of micro and small enterprises, with the aim to contribute to employment and income generation.

[1] https://www.bcb.gov.br/htms/selic/selicdiarios.asp

Table 6.1. Scoreboard for Brazil

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Outstanding business loans, SMEs	BRL billion	281.13	347.21	388.58	476.96	564.12	629.56	681.31	692.26	656.25	578.29	523.36
Outstanding business loans, total	BRL billion	506.61	689.55	780.83	935.86	1 114.03	1 286.53	1 460.03	1 623.01	1 734.61	1 565.18	1 436.38
Share of SME outstanding loans	% of total outstanding business loans	55.49	50.35	49.76	50.97	50.64	48.93	46.66	42.65	37.84	36.95	36.44
New business lending, total	BRL billion	..	..	..	..	..	917.83	948.01	992.11	1 027.21	817.48	735.23
New business lending, SMEs	BRL billion	..	..	..	..	..	566.88	562.21	532.2	490.9	408.98	398.48
Share of new SME lending	% of total business lending	..	..	..	..	..	61.76	59.3	53.64	47.79	50.03	54.20
Outstanding short-term loans, SMEs	BRL billion	105.57	109.37	104.07	119.57	150.72	158.58	161.9	155.96	141.47	122.28	116.75
Outstanding long-term loans, SMEs	BRL billion	160.04	200.91	240.04	309.64	386.91	469.35	518.06	534.8	513.04	454.62	403.23
Share of short-term SME lending	%	39.75	35.25	30.24	27.86	28.03	25.25	23.81	22.58	21.61	21.20	22.45
Government guaranteed loans, SMEs	BRL billion	0.07	0.08	0.11	0.05	2.21	2.01	1.74	2.02	2.84	3.27	5.05
Direct government loans, SMEs	BRL billion	10.09	11.76	13.85	14.47	17.16	18.93	22.12	24.12	27.21	29.06	30.46
Non-performing loans, total	% of all business loans	1.51	1.53	2.65	1.82	2.01	2.21	1.84	1.88	2.39	3.15	2.99
Non-performing loans, SMEs	% of SME loans	2.64	2.79	4.68	3.39	3.63	4.18	3.56	3.9	5.43	6.7	5.67
Interest rate, SMEs	%	..	..	..	..	..	19.7	23.7	25.2	34.8	31.7	25.1
Interest rate, large firms	%	..	..	..	..	..	9.0	12.0	13.3	16.4	17.4	9.0
Interest rate spread	% points	..	..	..	..	..	10.7	11.7	11.9	18.4	14.3	16.1

The full country profile is available at

Https://doi.org/10.1787/fin_sme_ent-2019-en

7. Canada

In 2017, Canadian small businesses (1-99 employees) constituted 97.9% of all businesses and employed 8.3 million individuals, or 69.7% of the private sector labour force.

Supply-side survey data shows that debt outstanding to all businesses increased by 6.6% in 2017, to CAD 823 billion, while lending to small businesses increased by 3.3%, to CAD 102.5 billion. Small businesses' share of total outstanding business loans decreased by 0.4 percentage point, to 12.4% in 2017 - its lowest level since 2000.

Small business credit conditions have remained relatively stable since 2011. The average interest rate charged to small businesses in 2017 slightly decreased to 5.2% from 5.3% in 2016. The average business prime rate, which remained at 3% over the 2011-14 period, slightly decreased to 2.8% in 2015 and to 2.7% in 2016, before increasing again to 2.9% in 2017. The business risk premium is back to its 2015 level of 2.3% in 2017, reflecting stable access to finance for small businesses in Canada.

The small business 90-day loan delinquency rate has returned to pre-recession levels. In 2017, the 90-day loan delinquency rate reached 0.47%, lower than the level of 0.66% observed in 2007.

Equity financing increased by 10.6% in 2017, reaching CAD 3.5 billion. Between 2016 and 2017, early stage venture capital increased by 25.7%, reaching CAD 2 billion, while later stage venture capital declined by 4%, reaching CAD 1.3 billion.

In 2017-18, the Government of Canada continued its commitment to support entrepreneurship and the growth of SMEs. In particular, the government is supporting innovative and growth-oriented businesses in reaching their potential, and to helping firms put innovation at the core of their business strategy. In February 2018, the five winners of the Innovation Supercluster Initiative were announced, which include SMEs and large businesses, as well as academic institutions across the country, focusing on advanced manufacturing, artificial intelligence, digital technology, oceans, and protein industries.

The government has also made CAD 400 million available through the Business Development Bank of Canada (BDC), a financial Crown corporation, for the new Venture Capital Catalyst Initiative (VCCI) that will increase late-stage venture capital available to Canadian entrepreneurs.

Futurpreneur Canada, a not-for-profit organisation, which provides mentorship, learning resources and start-up financing to young entrepreneurs, also received CAD 14 million over two years in funding, starting in 2017-18, to continue its support of Canada's next generation of entrepreneurs.

Supporting women entrepreneurs has continued to be one of the key focus areas for the Government of Canada. In Budget 2018, the government announced its CAD 2 billion commitment to its new Women's Entrepreneurship Strategy, which provides dedicated support to encourage more women to start and grow their businesses, as well as to work with them to move into exporting.

Table 7.1. Scoreboard for Canada

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	CAD billion	83.4	83.4	86.4	85.7	89.1	87.2	91.1	94.0	96.1	99.2	102.5
Outstanding business loans, total	CAD billion	479.8	534.0	482.3	489.5	503.2	548.0	592.6	642.9	716.2	772.4	823.7
Share of SME outstanding loans	% of total outstanding business loans	17.39	15.61	17.92	17.50	17.71	15.90	15.38	14.62	13.42	12.84	12.45
New business lending, total	CAD billion	..	..	..	..	126.2	141.6	151.0	168.7	188.4	204.0	233.9
New business lending, SMEs	CAD billion	..	..	..	..	20.2	21.7	22.8	23.2	24.0	22.8	25.2
Share of new SME lending	% of total new lending	..	..	..	..	15.99	15.30	15.10	13.74	12.73	11.16	10.78
Outstanding short-term loans, SMEs	CAD billion	15.1	..				6.9	..	15.6	..	..	24.2
Outstanding long-term loans, SMEs	CAD billion	21.1	..	..	..	..	12.8	..	12.4	..	..	32.4
Share of short-term SME lending	% of total SME lending	41.62	..	43.40	36.30	35.13	39.00	46.00	55.71	47.20	36.20	42.8
Government loan guarantees, SMEs	CAD billion	1.20	1.30	1.20	1.30	1.30	1.10	1.10	1.50	1.20	1.3	1.4
Direct government loans, SMEs	CAD billion	4.40	4.10	5.50	4.70	6.00	5.80	4.60	6.50	6.70	7.9	8.0
Interest rate, SMEs	%	7.50	..	6.20	5.80	5.30	5.40	5.60	5.10	5.10	5.30	5.20
Interest rate, large firms	%	6.10	..	3.10	2.60	3.00	3.00	3.00	3.00	2.80	2.70	2.90
Interest rate spread	% points	1.40	..	3.10	3.20	2.30	2.40	2.60	2.10	2.30	2.60	2.30
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	47.7	..	56.1	66.7	64.8	76.0	56.0	66.6	80.0	74.0	64.1
Percentage of SME loan applications	SME loan applications/ total number of SMEs	17.0	..	14.0	18.0	24.0	26.0	30.0	27.0	23.0	26.0	26.0
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	9.0	8.0	7.0	9.0	12.8	7.0	9.0	9.5
Non-bank finance												
Venture and growth capital	CAD billion	..	..	..	..	..	..	1.90	2.00	2.30	3.20	3.50
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	..	..	..	..	..	..	5.3	15.0	39.1	9.4
Other indicators												
90-Day Delinquency Rate Small business	%	0.69	1.01	1.42	0.84	0.63	0.57	0.42	0.43	0.59	0.51	0.47
90-Day Delinquency Rate Medium business	%	0.05	0.06	..	..	0.04	0.01	0.01	0.02	0.04	0.05	0.04
Leasing request rate	%	20.8		1.00	2.00	7.00	8.00	11.0	7.90	8.00	9.00	7.2
Leasing approval rate	%	93		76	97	97.3	95	95	98.6	94	94	97.6
Bankruptcies, SMEs	Per 1 000 firms with employees	7.00	6.60	5.90	4.60	4.30	3.80	3.60	3.40	3.30	3.10	2.84
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate		-5.71	-10.6	-22.0	-6.52	-11.6	-5.26	-5.56	-2.94	-6.06	-8.39

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8. Chile

Economic growth has been declining in Chile since 2013. After having experienced increasing growth rates between 2014 (1.8%) and 2015 (2.3%), GDP growth decreased to 1.6% in 2016 and to 1.5% in 2017. However, according to the Central Bank, growth in 2018 is expected to range between 2.5% and 3.5% due to increased global growth and better economic forecasts for Chile's key commercial partners.

According to the Banking Landscape Report (SBIF), lending activity – measured as growth in credit placements – grew 2.5% over 2016-17. The SME share of outstanding business loans likewise increased in 2017 to 20.7%, reaching its highest level over the reference period. Micro and small enterprises are the primary actors responsible for the rise in outstanding SME loans and *Banco Estado* has been the key financial institution working to improve SME access to finance along with *Corporación de Fomento de la Producción* (CORFO).

Credit conditions have been more restrictive for SMEs in recent quarters. According to the Central Bank, SMEs display stronger credit demand, but face more restricted credit supply. Nevertheless, credit approval conditions have remained stable for both large firms and SMEs, and the interest rate spread between large firms and SMEs fell from 5.3% in 2016 to 4.7% in 2017.

According to Fourth Longitudinal Enterprise Survey (ELE) data, which surveyed more than 320 000 enterprises between 2014 and 2015, rejection rates for SME loans dropped significantly from 41.4% in 2007, to 14.7% in 2015, and have remained stable since. In 2015, the SME loan utilisation rate was 96.7%, the highest rate since 2007. The rise of the utilisation rate related to a shift toward bank financing as a primary source of funds (as opposed to self-generated resources), and to an overall decline in interest rates.

Regarding Venture Capital Funds, the *Corporación de Fomento de la Producción* (CORFO) and Start-Up Chile programmes are the main instruemnents of SME equity financing, although other private and public initiatives have been developed as well. Venture capital investments declined in 2017 to CLP 21.9 billion from CLP 40 billion in 2016.

A novelty regarding SME finance is the development of Chile's Fintech Industry, which has grown 34% in the last 2 years. Rapid growth in this space highlights a thriving ecosystem composed of over 70 companies offering a diverse array of financial services to SMEs, ranging from payment and remittances to lending to crowdfunding and scoring services. This has been taken into account by the Ministry of Finance, which recently announced that it would work along the Financial Stability Council to develop regulation for the industry by 2019.

Payment delays to SMEs have decreased since 2010. Nevertheless, the average payment term for SMEs increased to 49 days during the fourth trimester of 2017. Average payment delays for large firms remained stable during this time.

The *Fondo de Garantía para Pequeños Empresarios* (FOGAPE) and CORFO Credit Guarantee Schemes provide guarantee rights to financial intermediaries through an auction process. The number of operations and value of guarantee-backed credits increased under both programmes compared to previous years. During 2017, *Fondo de Garantía de Inversiones* (FOGAIN) and FOGAPE backed credits totalling CLP 766 billion and CLP 489 billion, respectively.

Table 8.1. Scoreboard for Chile

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans. SMEs	CLP trillion	6.8	7.6	8.1	9.3	10.1	11.5	11.8	13.7	15.8	17.3	18.7
Outstanding business loans. total	CLP trillion	40.9	49.9	46.3	48.1	57.2	64.6	69.8	76.4	84.9	88.7	90.3
Share of SME outstanding loans	% of total outstanding business loans	16.7	15.2	17.5	19.3	17.7	17.9	16.9	18.0	18.6	19.5	20.7
New business lending. total	CLP trillion	..	..	..	53.3	58.0	58.0	58.1	63.9	67.8	67.4	67.7
New business lending. SMEs	CLP trillion	..	..	..	2.6	3.1	3.8	3.8	4.4	5.1	5.1	5.6
Share of new SME lending	% of total new lending	..	..	..	4.9	5.3	6.5	6.6	6.8	7.5	7.6	8.2
Outstanding Short-term loans. SMEs	CLP trillion	..	..	..	1.6	2.0	2.3	1.8	1.8	1.9	1.8	1.8
Outstanding Long-term loans. SMEs	CLP trillion	..	..	..	1.0	1.1	1.5	2.0	2.5	3.2	3.3	3.8
Share of short-term SME lending	% of total SME lending	..	..	..	60.2	63.3	60.3	47.8	41.9	36.9	35.8	32.8
Government loan guarantees. SMEs	CLP trillion	0.2	0.3	0.8	1.1	1.3	1.9	1.9	1.6	1.7	1.8	1.7
Government guaranteed loans. SME	CLP trillion	0.3	0.5	1.3	1.8	2.0	2.9	3.1	2.3	2.4	2.6	2.6
Non-performing loans. total	% of all business loans	…	…	2.5	2.2	2.1	2.2	2.4	2.6	2.4	2.1	2.3
Non-performing loans. SMEs	% of all SME loans	..	..	5.9	6.1	5.5	5.4	6.1	6.1	5.9	5.3	5.2
Interest rate. SMEs	%	..	..	..	..	..	..	11.8	10.3	9.3	9.3	8.4
Interest rate. large firms	%	..	..	..	..	..	..	4.7	4.0	3.8	4.0	3.7
Interest rate spread	% points	..	..	..	..	..	..	7.1	6.3	5.5	5.3	4.7
Collateral. SMEs	% of SMEs needing collateral to obtain bank lending	44.0	..	49.8	..	..	..	72.8	..	68.1	..	..
Percentage of SME loan applications	SME loan applications/total number of SMEs	32.9	..	32.4	..	..	..	26.4	..	24.6	..	..
Rejection rate	1-(SME loans authorized/ requested)	41.4	..	15.0	..	..	..	12.3	..	14.7	..	..
Utilization rate	SME loans used/ authorized	86.6	..	91.0	..	..	..	87.9	..	96.7	..	..
Non-bank finance												
Venture and growth capital	CLP billion	26.7	19.3	22.2	27.1	33.9	43.1	30.8	43.2	34.7	40.0	21.9
Venture and growth capital (growth rate)	%. year-on-year growth rate	..	-27.8	15.3	22.0	25.1	27.0	-28.5	40.1	-19.6	-100	-45.3
Leasing and hire purchases	CLP billion	3.0	3.6	3.5	3.8	4.5	5.0	5.6	6.2	6.6	6.7	7.8
Factoring and invoicing	CLP billion	2.0	2.0	1.4	1.9	2.4	2.6	2.6	2.6	2.8	3.0	3.8
Other indicators												
Payment delays. B2B	Number of days	..	..	..	75.8	74.9	56.7	52.7	55.2	58.0	54.9	56.0
Bankruptcies. SMEs	Number	122	127	125	136	146	146	164	6	154	295	285
Bankruptcies. SMEs (growth rate)	% year-on-year growth rate	..	4.1	-1.6	8.8	7.4	0.0	12.3	-96.3	2 467	91.6	-3.4

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9. Colombia

Micro, small and medium enterprises (MSMEs) represent an important part of the Colombian economy. In 2017, according to the National Department of Statistics (DANE), MSMEs contributed to 40% of GDP, generated 80% of employment and constituted 90% of the country's productive sector.

Bank credit is the main source of finance for SMEs. According to the Great Pyme Anif Suvey, 40% of SMEs requested credit in 2017. This percentage amounted to 43% in the industrial sector, 42% in the commercial sector and 35% in the service sector. When comparing these results with 2016, credit request increased by 6 percentage points over a year (34% on average in 2016). This trend is in line with the drop in inflation, which led to an easing of the monetary policy of the Bank of the Republic, as well as to a decline in interest rates.

An important part of Colombian SMEs did not access alternative financing sources during the second half of 2017 (41% in the industry, 39% in the commerce and 41% in the services sector). Own resources were the most important source of financing for SMEs (24% industry, 25% commerce and 30% services), followed by suppliers the firms work with (23% industry, 22% commerce and 15% services). On the other hand, leasing, reinvestment of profits, factoring and the extra banking market did not exceed 5% for any macro-sector.

According to the National Association of Financial Institutions (Anif), most SMEs used credit resources to finance working capital in the second half of 2017 (around 68% in the industry, 67% in the commerce one and 51% in the services sector). The second most important reason was the consolidation of liabilities into one main source of debt. The percentage of companies that used these resources to search for better terms, rates or amortisation conditions for current loans with financial intermediaries was 25% in the industry sector, 24% in the commerce, and 23% in the services sector. The third most popular source of finance was the purchase or lease of machinery for the industrial sector 16%, and remodelling or adjustments for 14% of the trade and 17% of the services sector. Over 2016-17, the value of loans to MSMEs increased by 4.5%, and MSME loans as a share of total commercial loans increased by 24 basis points, from 25.53% of 2016 to 25.77% in 2017.

The decrease in interest rates in 2017 led to an increase of 6.24% in short-term loans and a 4% increase in long-term loans for SMEs. The average interest rate applied to loans to SMEs decreased by 150 basis points, from 16.87% in 2016 to 15.37% in 2017.

From January to September 2017, the Investment Program “Bank of Opportunities" spent USD 2 578.5 million[2] of loans to micro-entrepreneurs through Banks, Financing Companies, microcredit NGOs and Cooperatives.

[2] Average TRM (Representative Market Exchange Rate) of 2017= COP 2.951,32

The National Guarantee Fund S.A. is the entity through which the government seeks to facilitate access to credit for micro, small and medium enterprises, by granting guarantees. In a legal act derived from the obligation of a debtor against a financial intermediary, the national guarantee fund pays, in whole or in part, the obligation guaranteed in the event of default by the debtor. In 2013, the Law 1676 of 2013 on Registry of Guarantees was enacted to expand the possibilities of access to credit through guarantees for entrepreneurs throughout the country.

Table 9.1. Scoreboard for Colombia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
							Debt					
Outstanding business loans, SMEs	COP billion	25.61	28.59	26.58	29.12	39.97	46.76	51.6	55.23	58.17	62.09	64.88
Outstanding business loans, total	COP billion	78.4	94.7	95.9	113.8	134.8	152.8	171.3	197.2	226.3	243.2	251.8
Share of SME outstanding loans	% of total outstanding business loans	32.67	30.19	27.70	25.58	29.66	30.61	30.11	28.01	25.70	25.53	25.77
New business lending, total	COP billion	67.7	76.0	77.2	79.0	77.7	95.4	104.0	117.0	117.7	117.3	153.3
New business lending, SMEs	COP billion	13.2	13.5	15.22	16.91	21.09	23.53	23.57	24.69	25.53	25.3	34.11
Share of new SME lending	% of total new lending	19.50	17.76	19.71	21.39	27.13	24.67	22.65	21.10	21.70	21.57	22.25
Outstanding short-term loans, SMEs	COP billion	4.98	7.52	6.14	6.41	10	11.55	12.36	12.93	13.8	13.59	14.44
Outstanding long-term loans, SMEs	COP billion	20.63	21.07	20.44	22.71	29.97	35.22	39.24	42.3	44.37	48.5	50.44
Share of short-term SME lending	% of total SME lending	19.45	26.30	23.10	22.01	25.02	24.70	23.95	23.41	23.72	21.89	22.26
Government loan guarantees, SMEs	COP billion	0.56	1.39	1.82	1.94	5.46	6.19	7.14	7.51	7.72	10.52	11.53
Government guaranteed loans, SMEs	COP billion	2.23	2.59	2.98	3.16	7.26	9.12	10.81	11.96	12.69	15.37	16.51
Non-performing loans, total	% of all business loans	0.95	1.27	1.59	1.07	1.00	1.03	1.08	1.33	1.34	1.51	2.36
Non-performing loans, SMEs	% of all SME loans	2.52	3.66	5.05	3.68	1.76	1.81	1.99	2.45	2.25	3.12	3.71
Interest rate, SMEs	%	20.09	23.13	20.43	18.66	14.34	14.68	13.24	13.54	14.69	16.87	15.37
Interest rate, large firms	%	12.53	14.24	10.09	7.23	9.28	9.25	7.98	8.33	8.78	11.00	9.16
Interest rate spread	% points	7.56	8.89	10.34	11.43	5.06	5.43	5.26	5.21	5.91	5.86	6.21
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	79.25	87.54	86.28	87.31	90.04	90.12	90.02	89.30	91.04	91.71	92.15
Percentage of SME loan applications	SME loan applications/ total number of SMEs	49	53	44.6	49.6	47	44	43.3	39.6	42.6	34	40
Rejection rate	1-(SME loans authorised/ requested)	2	4	9	5	3	4	7	3	7.5	4	8
Utilisation rate	SME loans used/ authorised	98	96	91	95	97	96	93	97	92.5	96	92

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
						Non-bank finance						
Venture and growth capital	COP billion									1.83	2.91	4.23
Venture and growth capital (growth rate)	%, Year-on-year growth rate										59 .3	45 .5
Leasing and hire purchases	COP billion	11.01	12.30	12 .88	14 .06	17.73	21.08	24.07	27.79	33.34	39.45	41.98
Factoring and invoice discounting	COP billion	5.77	6.04	7.15	7.01	12.85	10.55	17.56	23.75	31.47	25.77	25.53
						Other indicators						
Payment delays, B2B	Number of days	49	50	61	62	59	55	56	65	66	85	95
Bankruptcies, SMEs	Number	33	95	149	159	178	116	156	141	164	200	246
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate		187.9	56.84	6.71	11.95	-34.8	34.48	-9.62	16.31	21.95	23.00

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10. Czech Republic

In 2017, there were roughly 1.1 million active enterprises in the Czech Republic. 99.8% of these firms were SMEs with less than 250 employees each. Together, they employed almost 1.8 million people, or 58.4% of the Czech Republic's workforce. Micro-firms dominated the business landscape, comprising 96.3% of all SMEs in 2017 (roughly stable from 2016).

SME interest rates stayed at the same level in 2017 vis-à-vis 2016. Over the 2007-16 period, SME interest rates continued dropping year-on-year (by 50.3% in total). The recent stagnation in interest rates was likely caused by tightening a monetary policy by the Czech National Bank (CNB) from 2017 onwards, which decided to increase interest rates from 0.25 to 0.50 percentage points in 2017.

Venture capital investments peaked in 2008, and then declined dramatically. This trend continued in 2017, with VC investments amounting to 8.6% of their 2008 value. Growth capital fell even more steeply, from EUR 192 million in 2009, to EUR 4.9 million in 2016. In 2017, it grew to 7.6 million.

Government support for enterprises and entrepreneurs primarily comprises measures with respect to developmental and operational financing, export support, support of the energy sector, development of entrepreneurial skills and financial literacy of entrepreneurs, technical education and research, as well as development and innovation.

In December 2012, the Czech government adopted a Small and Medium Sized Enterprises Support Strategy 2014-20 (SME 2014+), which represents the key strategic document for the preparation of the European Union (EU) cohesion policies over the 2014–20 programming period in the area of enterprise development. This includes the Operational Programme Enterprise and Innovations for Competitiveness (OPEIC), and similarly important national SME support programmes.

SME 2014+ also acknowledges the need to support social enterprises and strengthen social entrepreneurs' education. The SME 2014+ is implemented through national programmes that support enterprises, such as the GUARANTEE, ENERG, VADIUM or Inostart programmes; and via the OPEIC.

SME 2014+ aims to motivate entrepreneurs to utilise available funding for the development of their businesses through national and EU programmes. This includes several tools, such as government loan guarantees (Czech-Moravian Guarantee and Development Bank), financing schemes for exporting SMEs (Czech Export Bank) and innovative businesses (INOSTART programme), as well as a programme to draw financial resources from the EU structural fund (OPEIC), which provides support to SMEs through grants, preferential loans and guarantees.

The Czech-Moravian Guarantee and Development Bank (CMGDB) is a specialised state-owned banking entity with a primarily mission of facilitating SME access to financing. Next to the programmes GUARANTEE and EXPANSION, the CMGDB launched two new programmes – ENERG and VADIUM, financed by the national budget. In June 2017, the CMGDB launched a new programme ENERG, earmarked for SMEs located in the capital of Prague. Entrepreneurs can obtain an investment loan of up to CZK 20 million for investment projects that spur energy savings in the company. In July 2018, the Bank launched a new programme VADIUM, which provides small entrepreneurs with guarantees (of up to CZK 50 million) for bids in public tenders. In 2018, the Bank also became an intermediary for equity investments from the Central Europe Fund of Funds (CEFoF), administered by the European Investment Fund. CEFoF will invest into innovative SMEs and small mid-caps in a later stage venture and growth phase, with a volume of financial resources of at least EUR 80 million.

Table 10.1. Scoreboard for the Czech Republic

Indicator	Unit	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt											
Outstanding business loans, SMEs	EUR billion	555.03	527.55	550.08	587.91	589.68	610.79	621.39	652.59	702.81	725.63
Outstanding business loans, total	EUR billion	850.76	784.07	783.54	831.21	840.59	871.58	890.23	935.36	994.86	1036.1
Share of SME outstanding loans	% of total outstanding business loans	65.24	67.28	70.20	70.73	70.15	70.08	69.80	69.77	70.64	70.03
New business lending, total	EUR billion	866.11	780.87	667.98	599.09	694.94	500.50	544.73	607.59	510.58	457.94
New business lending, SMEs	EUR billion	207.24	147.74	123.40	124.12	129.83	86.66	97.76	118.28	100.46	101.24
Share of new SME lending	% of total new lending	23.93	18.92	18.47	20.72	18.68	17.31	17.95	19.46	19.68	22.11
New short-term loans, SMEs	EUR million			73 626	72 433	77 853	45 531	40 360	41 742	36 974	33 918
New long-term loans, SMEs	EUR million			49 772	51 684	51 977	41 129	57 404	76 475	63 490	67 325
Share of short-term SME lending	% of total SME lending			59.67	58.36	59.97	52.54	41.28	35.31	36.80	33.50
Government loan guarantees, SMEs	EUR million	3 529	6 369	6 593	472	1 534	3 251	4 010	6 913	3 530	4 014
Government guaranteed loans, SMEs	EUR million	5 094	9 550	10 070	630	2 215	4 616	5 771	9 947	5 055	5 758
Direct government loans, SMEs	EUR million	286	209	629	1 090	782	101	86	65	7	291
Non-performing loans, total	EUR million	35 340	61 904	70 166	67 876	61 480	62 032	58 694	52 677	50 307	43 225
Interest rate, SMEs	%	5.57	4.64	4.01	3.73	3.48	3.13	3.76	2.70	2.50	2.50
Interest rate, large firms	%	4.84	3.46	3.34	2.63	2.43	1.89	2.00	1.80	1.80	1.90
Interest rate spread	% points	0.73	1.18	0.67	1.10	1.05	1.24	1.76	0.90	0.70	0.60
Non-bank finance											
Venture and growth capital	EUR million	1046	220	51	18	9	20	35	10	9	11
Venture and growth capital (growth rate)	%, Year-on-year growth rate		111.24	-31.16	-87.91	-48.09	114.83	71.45	-70.20	-9.99	19.19
Other indicators											
Payment delays, B2B	Number of days	18.00	19.00	14.00	14.00	15.00	14.00	14.00	14.00	19.00	16.00
Bankruptcies, SMEs	Number	873	1 280	1 301	1263	1345	1379	1228	1001	904	769
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate		46.62	1.64	-2.92	6.49	2.53	-10.95	-18.49	-9.69	-14.93

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11. Denmark

In 2016, not counting non-employer enterprises, SMEs accounted for 98.2% of all enterprises in Denmark.

SME lending suffered disproportionately in the aftermath of the financial crisis. The share of new business lending to SMEs relative to total new business lending declined from 12% in 2007 to 9% in 2009. In 2017, the share of SME lending stood at 10%, which was low by international standards. New lending to SMEs remained stable between 2016 and 2017, after having decreased 34% between 2015 and 2016.

Survey data illustrates that credit conditions in Denmark have become much more favourable since 2011, when almost 40% of SMEs described their financial conditions as bad. In spite of a slight increase since December 2016, only 17% of SMEs described their financial conditions as bad in December 2017. The demand for new small enterprise loans continuously increased between the first quarter of 2015 and the first quarter of 2018, and overall credit demand for small enterprise loans steadily increased since the first quarter of 2015, with only a few exceptions.

SME interest rates have decreased from an average of 6.6% in 2008, to 2.5% in 2017. Since interest rates for large enterprises declined even more during this period, the interest rate spread between small and large firms widened from 0.9% in 2008 to 2% in 2013. Since then, however, the spread has consistently decreased, reaching 1.3% in 2017.

Due to a sharp increase in growth capital investments, total venture and growth capital investments increased 78% over 2016-17, reaching their highest level to date after having decreased 13% between 2015 and 2016.

Payment delays declined from 4 days in 2016 to 2 days in 2017, continuing their downward trend since 2012. The number of bankruptcies was stable between 2016 and 2017, after having increased 40% between 2014 and 2016. Regardless, the prevalence of bankruptcy remains significantly below the levels observed in 2009 and 2010.

Vækstfonden (The Danish Growth Fund) is a government backed investment fund that was created in 1992. Vækstfonden offers guarantees and loans to established SMEs and entrepreneurs, invests equity in young companies with growth potential, and engages in fund-of-funds activities by investing in venture and small/mid-cap funds. In 2013, Vækstfonden introduced new direct loans for SMEs and merged its previously entrepreneur-focused loan scheme with its credit guarantee programme.

The amount of government loan guarantees and government guaranteed loans have developed in opposite directions between 2012 and 2017. Government loan guarantees issued to SMEs decreased from a total loan amount of DKK 1 222 million in 2012, to DKK 514 million in 2017. The amount of government guaranteed loans on the other hand increased from DKK 61 million in 2012 to DKK 1 377 million 2017.

Table 11.1. Scoreboard of Denmark

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
						Debt						
Outstanding business loans, total	DKK billion	732	809	814	812	809	830	860	914	940	989	1 033
New business lending, total	DKK billion	332	385	318	313	292	241	303	474	519	508	521
New business lending, SMEs	DKK billion	41	35	28	35	34	39	37	55	73	51	52
Share of new SME lending	% of total new lending	12.3	9.1	9.0	11.2	11.7	16.3	12.1	11.5	14.1	10.1	10.1
New short-term loans, SMEs	DKK billion	26	26	22	23	24	20	22	34	35	31	29
New long-term loans, SMEs	DKK billion	14	9	6	23	10	19	15	21	38	21	23
Share of short-term SME lending	% of total SME lending	65.00	74.29	78.57	50.00	70.59	51.28	59.46	61.82	47.95	59.62	55.77
Government loan guarantees, SMEs	DKK million	210	178	209	769	1 192	1 222	783	658	668	620	514
Government guaranteed loans, SMEs	DKK million	..	..	..	..	17	61	286	746	1 076	1 257	1 377
Interest rate, SMEs	%	5.97	6.59	5.33	4.39	4.38	3.91	3.78	3.44	2.99	2.74	2.49
Interest rate, large firms	%	5.23	5.68	3.63	2.49	2.40	2.14	1.73	1.65	1.53	1.34	1.23
Interest rate spread	% points	0.75	0.91	1.70	1.90	1.97	1.77	2.04	1.79	1.45	1.40	1.26
						Non-bank finance						
Venture and growth capital	DKK million	263	205	179	282	186	270	241	224	346	301	537
Venture and growth capital (growth rate)	%. Year-on-year growth rate	..	-22.3	-12.4	57.4	-34.0	45.1	-10.8	-7.1	54.4	-12.9	78.2
						Other indicators						
Payment delays, B2B	Number of days	7.2	6.1	12.0	12.0	13.0	12.0	10.0	9.0	4.0	4.0	2.0
Bankruptcies, SMEs	Number	..	..	2 563	2 583	1 938	1 958	1 698	1 328	1 584	1 853	1 888
Bankruptcies, SMEs (growth rate)	%. Year-on-year growth rate	..	..	..	0.78	-24.97	1.03	-13.28	-21.79	19.28	16.98	1.89

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12. Estonia

In 2016, Estonian SMEs employed 78% of the workforce and accounted for 75.7% of total value added. 90.5% of all firms were micro-enterprises, i.e. firms with less than 10 employees, employing 30% of the workforce and accounting for 26.2% of total value added in 2016.

Lending to Estonian SMEs contracted significantly in the aftermath of the financial crisis, with new SME loans almost halving from EUR 3.6 billion in 2007 to EUR 1.9 billion in 2010. Following the rebound of the Estonian economy, new SME lending began to slowly pick up again after 2011, but remained below pre-crisis levels in 2017, as was the case for outstanding SME loans. Under the Estonian corporate income tax system, all reinvested profits are tax-free. Thus, companies have incentives to reinvest their profits, which may be an explanation for low demand for loans.

The base interest rate on SME loans up to EUR 1 million decreased steadily from 4% in 2012 to slightly below 3% in 2016. For larger loans, the interest rate declined from 3% to 2.1% over the same period. In 2017, both interest rates slightly increased to 2.99% (SME loans) and 2.12% (large company loans).

Venture and growth capital peaked in 2007 and 2008, and fell sharply in the following years, reaching a low in 2011. VC trends in Estonia have broadly followed VC trends of other European countries. In 2016, venture capital investments increased 250%, reaching their highest level ever.

Both new leasing and the outstanding leasing stock declined sharply between 2008 and 2009, and only recovered somewhat in 2011. While the total outstanding factoring stock remained quite stable in recent years, factoring flows grew considerably and more than doubled between 2009 and 2017, from EUR 909.3 million to EUR 2 090.4 million.

Payment delays, bankruptcies and non-performing loans increased sharply in the aftermath of the financial crisis, peaking in 2009-10, but began to level off post-2010. In 2017, payment delays continued to drop below their 2007 pre-crisis level; data shows a marked and continuous decline in payment delays since 2010. In 2017, non-performing loans amounted to a 1.9% share of total SME loans (more than four times lower than its peak in 2010), while SME bankruptcies increased by 2% year-on-year.

The Estonian government provides loan guarantees to all types of companies. Government loan guarantee volumes have been much higher in recent years than in the past (especially over 2007-08), but have overall followed an erratic pattern since 2009. In 2015, government loan guarantees to SMEs amounted to EUR 65.6 million. In 2016, government loan guarantees to SMEs increased by 42.5%, but have since decreased by 35.5% to 60.9 million in 2017. Big movements in 2016 were due to high demand for this kind of services.

EstFund is a fund of funds, set up in 2016 by the Estonian Government and the European Investment Fund that aims to increase venture capital investments in Estonian SMEs.

EstFund invests EUR 60 million into venture capital funds in total, which can be complemented by private investments of up to EUR 40 million. Investments began at the end of 2017 and in the summer of 2018 two more funds were added to the programme.

Table 12.1. Scoreboard for Estonia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
							Debt					
Outstanding business loans, SMEs	EUR billion	2.44	2.49	2.13	1.90	1.68	1.61	1.65	1.70	1.67	1.71	1.81
Outstanding business loans, total	EUR billion	6.80	7.20	6.86	6.46	5.95	6.15	6.25	6.44	6.80	7.34	6.93
Share of SME outstanding loans	% of total outstanding business loans	35.83	34.55	31.01	29.37	28.28	26.24	26.45	26.40	24.56	23.23	26.1
New business lending, total	EUR billion	8.55	7.31	4.46	4.26	5.06	5.61	6.17	6.41	6.68	6.99	7.19
New business lending, SMEs	EUR billion	3.60	3.52	2.13	1.87	1.96	2.12	2.37	2.46	2.25	2.37	2.55
Share of new SME lending	% of total new lending	42.09	48.21	47.70	43.82	38.63	37.80	38.43	38.42	33.73	33.84	35.5
Short-term loans, SMEs	EUR million	480.53	475.13	377.13	317.84	325.92	302.35	317.41	333.41	300.81	314.86	320.18
Long-term loans, SMEs	EUR billion	1.96	2.01	1.75	1.58	1.36	1.31	1.34	1.37	1.37	1.39	1.49
Share of short-term SME lending	% of total SME lending	19.73	19.09	17.74	16.76	19.39	18.74	19.20	19.62	18.00	18.46	17.7
Government loan guarantees, SMEs	EUR million	15	23	52	66	53	60	52	66	66	93	61
Government guaranteed loans, SMEs	EUR million	27	39	86	122	116	122	100	111	112	171	100
Non-performing loans, total	% of all business loans	0.61	3.71	8.76	8.53	5.91	3.79	2.01	1.97	1.56	1.62	1.35
Non-performing loans, SMEs	% of all SME loans	0.95	3.59	7.36	8.17	6.31	5.18	3.27	2.96	2.79	2.88	1.94
Interest rate, SMEs	%	6.11	6.71	5.34	5.06	4.92	4.02	3.41	3.36	3.04	2.96	2.99
Interest rate, large firms	%	5.68	6.13	4.21	3.90	3.76	3.05	2.86	2.68	2.05	2.08	2.12
Interest rate spread	% points	0.43	0.58	1.14	1.16	1.16	0.98	0.56	0.68	0.99	0.88	0.87
							Non-bank finance					
Venture and growth capital	EUR million	..	4.74	4.51	17.75	5.53	16.60	10.90	48.20	14.00	49.00	..
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	..	- 5.00	293.72	- 68.84	200.24	- 34.34	342.20	- 70.95	250.00	..
Leasing and hire purchases	EUR million	891.17	709.63	222.77	281.29	519.37	649.60	545.75	537.16	542.69	676.13	718.45
Factoring and invoicing	EUR billion	1.29	1.41	0.99	0.91	1.13	1.92	1.98	2.09	2.24	2.09	2.29
							Other indicators					
Payment delays, B2B	Number of days	9	8.1	12.7	12.8	10.2	10.1	9.4	7	6.9	6	5.5
Bankruptcies, SMEs	Number	202	423	1055	1028	623	495	459	428	376	335	343
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	109.41	149.41	- 2.56	- 39.40	- 20.55	- 7.27	- 6.75	- 12.15	- 10.90	2.39

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13. Finland

In Finland, 99.3% of all employer firms were SMEs in 2017, employing 63.2% of the labour force. The number of employer firms decreased from 2013 to 2015, indicating that some employers have switched to self-employed status due to diminished demand for their products and services.

New SME lending continued its expansion for the third year in a row, from EUR 8 444 million in 2015 to EUR 9 607 million in 2017. The share of new SME lending as a percentage of total new lending also increased in 2017.

Interest rates for both SMEs and large firms, as well as the interest rate spread between SMEs and large firms, stagnated in 2016-17. 34% of SMEs required collateral to obtain bank financing in 2016, down from 38% in 2015. The loan rejection rate was 7% in 2017.

Although the amount of venture capital investments slightly decreased in 2017, investment activity in Finland was still relatively high considering the average amount invested in the reference period 2007-17.

Average payment delays in Finland were historically low, compared to other countries before the crisis. Finnish firms have a strong payment discipline, which they also maintained during and after the financial crisis.

The number of bankruptcies filed by SMEs in Finland fell for the fourth year in a row. 2 160 SMEs filed for bankruptcy in 2017, the lowest figure in the reference period.

Finnvera is a financing company owned by the government of Finland and the country's official export credit agency. Finnvera provides financing for the start-up, growth and internationalisation of enterprises, as well as guarantees against risks arising from exports. In 2015-16, a few improvements relating to SME financing granted by Finnvera were introduced. Because of the increased compensation of possible credit and guarantee losses, Finnvera was able to increase its risk-absorption capacity.

The Finnish economy experienced an upswing in 2016-17. According to the Ministry of Finance, GDP growth was 2.6% in 2017 and is expected to increase to 2.9% in 2018. This economic upswing has also increased demand for SME finance as can be observed from the most recent Banking Barometers provided by Finance Finland.

Table 13.1. Scoreboard for Finland

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, total	EUR billion	48.4	57.6	54.1	56.5	60.4	63.3	66.7	68.4	72.5	76.0	78.1
New business lending, total	EUR billion	42.7	54.4	50.9	54.4	37.4	34.9	39.5	35.6	35.0	36.4	37.1
New business lending, SMEs	EUR billion	11.6	11.9	9.9	8.3	7.9	7.7	7.3	6.8	8.4	9.1	9.6
Share of new SME lending	% of total new lending	27.11	21.85	19.56	15.25	21.11	22.23	18.55	19.21	24.14	24.92	25.90
Short-term loans, SMEs	EUR million	..	..	..	839	1 615	1 613	1 312	1 250	1 655	1 864	2 046
Long-term loans, SMEs	EUR million	..	..	..	3 314	6 287	6 136	6 018	5 583	6 789	7 219	7 561
Share of short-term SME lending	% of total SME lending	..	..	..	20.20	20.44	20.82	17.90	18.29	19.60	20.52	21.30
Government loan guarantees, SMEs	EUR million	416	438	474	447	497	408	379	476	522	570	540
Direct government loans, SMEs	EUR million	385	468	593	397	369	342	284	287	385	275	241
Non-performing loans, total	% of all business loans	..	..	..	..	..	..	..	..	4.07	3.07	2.68
Non-performing loans, total (amount)	EUR million	..	..	..	..	..	..	..	..	1 423	1 119	994
Interest rate, SMEs	%	5.39	5.58	3.02	2.66	3.23	2.86	2.81	2.94	2.96	2.76	2.75
Interest rate, large firms	%	4.83	5.08	2.24	1.86	2.59	2.07	1.91	1.92	1.46	1.33	1.35
Interest rate spread	% points	0.56	0.50	0.78	0.80	0.64	0.79	0.90	1.02	1.50	1.43	1.40
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	33	34	35	41	41	38	35	34
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	13.85	18.42	20.79	21.50	21.85	27.70	21.97	23.89	19.99
Rejection rate	1-(SME loans authorised/ requested)	..	..	6.98	4.92	3.12	8.08	7.06	6.71	6.24	5.59	6.76
Non-bank finance												
Venture and growth capital	EUR million	189	218	146	351	148	185	173	168	190	219	203
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	15.3	-33.0	140.4	-57.8	25.0	-6.5	-2.9	13.1	15.3	-7.3
Leasing and hire purchases	EUR million	..	..	1 067	1 361	1 566	1 765	1 658	1 858	..	..	..
Other indicators												
Payment delays, B2B	Number of days	6	5	7	7	7	7	6	6	5	5	5
Bankruptcies, SMEs	Number	2 254	2 612	3 275	2 864	2 947	2 961	3 131	2 986	2 574	2 408	2 160
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	15.9	25.4	-12.5	2.9	0.5	5.7	-4.6	-13.8	-6.4	-10.3

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14. France

France has approximately 3.8 million small and medium enterprises (SMEs). They account for 99.9% of all enterprises.

Outstanding SME loans increased by more than 4.5% between 2016 and 2017, reaching EUR 244 094 million in 2017. Since 2014, the spread between interest rates charged to SMEs and to large firms has steadily decreased. Furthermore, SMEs' access to bank lending remains high: 86% of SMEs' requests for cash credits were fully or almost fully granted, while 95% of SMEs requests for investment loans were fully or almost fully served.

Private equity investments in French firms increased sharply in 2017, to EUR 14.3 billion, + 15% compared to 2016. The consolidation of private equity investments in SMEs has been confirmed for all segments of private equity in 2017 compared to 2016, with the exception of expansion capital.

Factoring has continuously increased in France since 2009.

Payment delays reached 13.3 days in 2015, the highest figure since the crisis, and then decreased steadily in 2016 and 2017 to 11 days.

For the second time since the financial crisis, the number of SME bankruptcies dipped below 60 000.

In terms of government policies responding to the financing constraints faced by SMEs, in 2017, credit mediation assisted 909 enterprises, unblocking a total of EUR 193 million of credit. However, the number of requests has decreased in comparison with previous years, partly due to the better dynamism of economic growth, as well as to the overall global easing of access to bank financing.

The Government is also involved in reducing business-to-business payment delays. The transparency, anti-corruption and economic modernisation law enacted in December 2016 strengthens the legislative framework to fight against business-to-business payment delays. The maximum fine for firms that do not respect legal payment delays has been raised to two million. Moreover, a procedure known as "name and shame" has been introduced. Henceforth, there is a systematic advertising of fines decisions on the website of the Ministry of Economy and Finance. As a result, in 2017, 230 fine procedures have been launched, representing nearly EUR 14.7 million, and 23 have been published on the website of the Ministry of Economy and Finance.

Better access to financing for very small firms has also been the focus of public action. Since 2016, Bpifrance has distributed online development loans to address the investment financing needs of firms from 3 to 50 employees with tangible and intangible investment projects. This measure, implemented in some regions, is being expanded. In addition, the Banque de France set up a network of correspondents in every region since 2016 to break the isolation of entrepreneurs and to solve financing issues.

Table 14.1. Scoreboard for France

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
						Debt						
Outstanding business loans, SMEs	EUR billion	180.6	189.1	189.6	199.7	210.3	214.1	216.6	219.3	224.3	233.0	244.1
Outstanding business loans, total	EUR billion	868.8	927.4	938.8	974.4	1012.6	1009.9	1026.0	1036.1	1078.2	1130.1	1193.3
Share of SME outstanding loans	% of total outstanding business loans	20.8	20.4	20.2	20.5	20.8	21.2	21.1	21.2	20.8	20.6	20.5
New business lending, total	EUR billion	86.4	67.6	-9.5	9.1	34.6	7.8	1.6	18.9	35.0	43.8	56.1
Outstanding short-term loans, SMEs	EUR billion	43.1	42.7	37.5	38.1	40.3	41.1	42.8	43.3	43.6	43.9	44.8
Outstanding long-term loans, SMEs	EUR billion	115	123	128	134	143	147	146	149	152	159	167
Share of short-term SME lending	% of total SME lending	27.2	25.7	22.7	22.1	22.0	21.9	22.6	22.6	22.3	21.7	21.1
Government loan guarantees, SMEs	EUR billion	5.9	6.9	11.3	11.9	9.8	8.5	8.9	7.8	8.0	8.4	8.9
Government guaranteed loans, SMEs	EUR billion	2.7	3.2	5.8	5.3	4.2	4.2	4.4	4.8	5.0	5.2	5.1
Non-performing loans, total	% of all business loans	3.7	3.7	4.7	4.6	4.0	4.1	4.3	4.1	4.1	3.9	3.6
Interest rate, SMEs	%	5.1	5.4	2.9	2.5	3.1	2.4	2.2	2.1	1.8	1.5	1.4
Interest rate, large firms	%	4.5	4.8	2.0	1.6	2.2	1.7	1.5	1.3	1.2	1.1	1.1
Interest rate spread	% points	0.6	0.7	0.9	0.9	0.9	0.7	0.7	0.8	0.6	0.4	0.3
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	..	9.4	8.5	7.3	6.3	5.2	4.4
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	38.4	35.6	35.7	37.9	37.9	37.1
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	..	11.12	8.00	6.61	7.55	6.21	
Utilisation rate	SME loans used/ authorised	87.7	87.8	87.2	86.4	87.0	87.6	87.3	87.5	87.2	87.0	86.8
						Non-bank finance						
Venture and growth capital	EUR billion	2.0	2.4	2.4	2.9	3.5	2.4	2.5	3.2	4.6	4.7	4.4
Venture and growth capital (growth rate)	%, Year-on-year growth rate	24.73	21.34	-1.08	22.22	21.34	-32.5	3.35	30.98	42.55	2.54	-7.38
Leasing and hire purchases	EUR billion	9.3	9.5	9.0	8.5	8.1	6.6	6.1	5.7	7.1	7.7	7.8
Factoring and invoice discounting	EUR billion	21.2	22.5	18.8	20.7	22.5	22.6	24.8	25.6	28.0	31.0	36.6
						Other indicators						
Payment delays, B2B	Number of days	12.18	11.90	11.80	11.98	12.18	11.83	12.08	12.21	13.28	11.90	11.04
Bankruptcies, SMEs	Number	51 301	55 524	63 163	60 298	59 451	61 066	62 507	62 371	62 984	57 922	54 555
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate		8.23	13.76	-4.54	-1.40	2.72	2.36	-0.22	0.98	-8.04	-5.81

The full country profile is available at

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15. Georgia

In 2016, pursuant to the National Strategy of SME Development, the Georgian National Statistics office introduced a new methodology and definitions to calculate statistics on the country's SMEs.

According to the new methodology, in 2017, 99.72% of all firms in Georgia were SMEs, and accounted for 64% of total private employment, 56.1% of total business sector turnover and 58.7% of production value. These empirical findings illustrate Georgia's economic dependence on small and medium companies.

In line with the recent economic expansion, credit to SMEs rose significantly year over year between 2010 and 2017 by more than 270%. Throughout that period, total business loans grew more than 212%, and the proportion of SME loans as a percentage of total business loans grew from 36.4% to 43.1%, a high point over the period.

The average interest rate charged to SMEs in Georgia is high by OECD standards, but has significantly declined in recent years, from 16.5% in 2010 to 10.36% in 2017. Compared to 2016, average interest rates increased slightly, by 45 basis points in 2017. Concomitantly, during the same period, the interest rate spread between large enterprises and SMEs grew to only 0.92%.

Although exact data on the availability and use of alternative financial instruments is lacking, available evidence strongly suggests that Georgian SMEs are very dependent on the banking sector for meeting their financing needs and that non-bank instruments play a very marginal role.

According to the World Bank Group's Doing Business indicator, Georgia improved its "ease of doing business" in 2017 moving from 16th to 9th position and in 2018 from 9th to 6th. According to Doing Business, Georgia implemented substantive changes in the local regulatory framework from 2016 to 2018. Most notably, the country improved its performance resolving insolvencies, by making insolvency proceedings more accessible for debtors and creditors, improving provisions on the treatment of contracts during insolvency, and granting creditors greater participation in important decisions during the proceedings. As a result, enterprise liquidation and bankruptcy procedures increased more than 28% in 2017 reaching 293 in total. Moreover, the country simplified business registration procedures, the tax system, and the enforcement of contracts.

In 2017, the overall volume of non-performing SME loans exceeded GEL 221 million, the highest level since 2010, while the share of non-performing SMEs loans decreased to 4.3%, the second lowest level since 2010. The lowest level was reached in 2014 when the share of non-performing SMEs loans was 4.2%.

To promote SME development and support SMEs' competitive growth, the Ministry of Economy and Sustainable Development of Georgia (MoESD) established Enterprise Georgia and Georgia's Innovation and Technology Agency. Both agencies provide financial support to SMEs, as well as a broader range of services that includes mentoring, trainings and various advisory services.

In addition to the establishment of these two agencies, the government of Georgia has introduced several private sector development programmes, which include financial and technical assistance components to support small and medium companies at different stages of development.

Table 15.1. Scoreboard for Georgia

Indicators	Units	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
						Debt					
Business loans, SME	GEL million	..	..	1 400	1 548	1 738	2 051	2 422	3 621	3 992	5 176
Business loans, total	GEL million	3 458	3 097	3 843	4 501	4 989	5 663	6 715	8 433	10 500	12 000
Business loans, SMEs	% of total business loans	..	..	36.4	34.4	34.8	36.2	36.1	42.9	38.0	43.1
Non-Performing Loans, total	GEL million	766	926	784	667	810	791	988	1 200	1 380	1 337
Non-performing loans, SMEs	GEL million	..	..	144	134	111	102	101	161	206	221
Non-performing loans, total	% of all business loans			16.1	11.5	12.2	10.7	10.6	9.8	10.1	7.7
Non-performing loans, SMEs	% of total SME loans	..	..	10.3	8.7	6.4	5	4.2	4.4	5.2	4.3
Interest rate, SME	%	..	..	16.50	15.50	14.50	11.60	10.70	12.70	9.70	10.36
Interest rate, large firms	%	..	..	13.60	14.10	12.80	11.20	10.00	11.40	9.90	9.30
Interest rate spread		..	..	2.90	1.40	1.70	0.40	0.70	1.30	-0.20	1.06
Collateral, SMEs	%	..	..	..	..	..	95.6	..	..		
Rejection rate	%	..	..	..	..	..	4.6	..	..		
Utilization rate	%	..	..	..	..	..	95.4	..	..		
Procedures of enterprises' liquidation (incl. bankruptcy)	Number	61	52	2 094	3 176	2 524	1 775	1 785	1 560	229	293
Procedures of enterprises' liquidation (incl. bankruptcy)	Year-on-year growth rate	-48.74	-14.75	3 926.92	51.67	-20.53	-29.68	0.56	-12.61	-85.3%	28%

The full country profile is available at

Https://doi.org/10.1787/fin_sme_ent-2019-en

16. Greece

99.9% of Greek enterprises are SMEs, and the majority of SMEs are micro-enterprises. On average, micro-enterprises contribute more to employment and add more value in Greece than in other European countries.

The financial crisis and the ensuing sovereign debt crisis has had a profound impact on the Greek economy since 2010.

Bank funding dried up for Greek SMEs in the aftermath of the financial crisis. In 2009, new lending shrank more than a tenfold from 2007 and 2008 levels. Although lending to SMEs recovered somewhat in 2010, data show a clear downward path in SME lending over the 2011-16 period. In 2016, new loans to SMEs more than halved compared to 2014. In 2017, however, SME lending slightly increased, following a 7-year period of consistent decline. Nevertheless, SME lending volumes were still far below their 2008-09 levels.

The SME interest rate has decreased in recent years, but remains much higher compared to other Eurozone economies, illustrating that the accommodative stance of the European Central Bank (ECB) had relatively little impact on Greek SMEs. The interest rate spread between SMEs and large firms increased in 2016 compared to the low point of 2014, but remained stable in 2017, as the reduction of large firms' interest rate was more important than the reduction of SME interest rates during this period (2014-2017).

Leasing and hire purchases also decreased severely as a result of the economic crisis and remained well below pre-crisis levels in 2017. By contrast, factoring and invoice discounting activities have remained relatively stable over 2007-16, and have increased since 2014.

The Greek Government operates a number of loan guarantee programmes. These programmes gained pace between 2010 and 2011, but the sovereign debt crisis prevented Greece from continuing such support in 2012. As a result, loan guarantees declined 50% that year, and have continued to decline ever since. Various actions were announced by the Greek Government in 2017, such as the establishment of the Intermediate Entrepreneurship Fund and the Western Macedonian's Regional Development Fund. These funds complement The Entrepreneurship Fund II and The Energy Saving Fund II established in 2016, which use European Structural Investment Funds and national financial sources, as well as programmes for the provision of short-term and long-term export credit insurance to SMEs.

The government also supports equity financing through minority participation in venture capital funds, venture capital companies, and similar vehicles. Additionally, the Greek Government, with the cooperation of the European Investment Fund, announced the launch of EquiFund in 2016, a private equity fund that will invest in high value-added and innovative early and growth stage companies.

Finally, various legislative actions continue to be taken by the government with the cooperation of the Central Bank of Greece to address the serious increase of non-performing loans (NPLs) among Greek SMEs.

In 2019, the Greek Government will proceed with the establishment of the Hellenic Development Bank (HDB), which will take place through the transformation and administrative capacity building of two existing entities, the Hellenic Fund for Entrepreneurship and Development S.A. (ETEAN S.A.) and its subsidiary, the New Economy Development Fund S.A. (TANEO SA). HDB's scope will be to improve SMEs' access to finance, to foster innovation, to facilitate investments in infrastructure, to encourage equity investments and other alternative financing sources and to provide business support to SMEs, mainly through shared-risk loans and guarantee facilities, as well as financial expertise to the public sector. The first phase of transformation will be completed within Q1 2019, with the adoption of the new legal framework. The second phase, during which HDB will be implemented, will be completed by the end of 2019. HDB will deploy a list of new products worth approximately EUR 5 billion (public and private funds) within the next five years and fulfill its scope of establishment, by targeting projects that will have an impact on sustainable growth, regional development, job creation and investments, while at the same time being financially autonomous and sustainable.

Table 16.1. Scoreboard for Greece

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	EUR billion	..	..	..	44.9	41.6	39.1	48.1	48.1	46.9	48.4	44.7
Outstanding business loans, total	EUR billion	102	124	124	117	113	101	97	95	89	88	82
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	38.5	36.8	38.8	49.7	50.6	52.6	55.3	54.4
New business lending, total	EUR Billion ('000 000 000)	..	36.5	36.3	20.7	29.4	21.8	24.3	14.9	6.9	5.8	7.3
New business lending, SMEs	EUR billion	..	12.5	13.0	4.4	5.2	4.1	3.7	2.3	1.2	1.1	1.1
Share of new SME lending	% of total new lending	..	34.2	35.6	21.4	17.8	18.9	15.0	15.6	17.0	18.4	15.5
Outstanding short-term loans, SMEs	EUR billion	..	..	..	..	..	..	..	18.1	17.6	18.8	17.0
Outstanding long-term loans, SMEs	EUR billion	..	..	..	..	..	..	..	30.1	29.3	29.6	27.7
Share of short-term SME lending	% of total SME lending	..	..	..	..	..	..	..	37.6	37.6	38.9	38.0
Government loan guarantees, SMEs	EUR billion	..	..	..	..	..	..	0.37	0.31	0.24	0.56	1.08
Non-performing loans, total	% of all business loans	4.60	4.30	6.70	8.70	14.2	23.4	31.8	29.4	31.0	30.3	30.5
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	..	..	41.2	44.1	43.2	..
Interest rate, SMEs	%	6.57	6.82	4.62	5.53	6.77	6.87	6.51	5.80	5.38	5.32	4.91
Interest rate, large firms	%	5.32	5.71	3.52	4.27	5.74	5.92	5.77	5.55	4.82	4.61	4.20
Interest rate spread	% points	1.25	1.11	1.10	1.26	1.03	0.95	0.74	0.25	0.56	0.71	0.71
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	51.4	40.5	49.4	46.7	45.9	46.2	49.2	39.8	25.7
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	37.9	39.6	30.8	29.9	21.4	25.5	18.8	21.5	17.5
Rejection rate	1-(SME loans authorised/ requested)	..	..	25.8	24.5	33.8	28.3	26.0	21.5	19.9	18.2	16.2
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	..	..	..	..	..
Non-bank finance												
Venture and growth capital	EUR million	19.0	32.7	16.7	25.0	10.1	..	4.8	12.6	36.8	38.0	44.5
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	72	-49	50	-60	..	..	160	193	3	17
Leasing and hire purchases	EUR billion	7.28	7.87	7.50	7.28	6.85	6.22	3.36	4.08	4.72	4.40	4.25
Factoring and invoice discounting	EUR billion	1.28	1.73	1.77	1.73	1.49	1.53	1.41	1.69	1.69	1.72	1.74
Other indicators												
Payment delays, B2B	Number of days	..	25	34	30	35	40	43	41	36	47	.
Bankruptcies, SMEs	Number	513	359	355	355	445	415	392	330	189	108	123
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	-30	-1	0	25	-7	-6	-16	-43	-43	14

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17. Hungary

Bank lending to the corporate sector expanded in 2017, by 10% for all companies, and by 12% for SMEs. Banking competition intensified, accompanied by an improvement in economic prospects and an easing of credit terms. Banks surpassed their commitments to boost lending to SMEs made under the Market-Based Lending Scheme, and have fully maintained these commitments for the most part during 2018.

The Market-Based Lending scheme is implemented since 2016 and consists in the following programmes:

- Supplementing the central bank instruments with an interest rate swap conditional on lending activity (LIRS) and a preferential deposit facility. The total amount allocated to LIRS is HUF 1,000 billion, and banks can access the programme if they increase their stock of (performing) loans to SMEs by one-quarter of the allocated amount annually, i.e. by HUF 250 billion. The preferential deposit facility is a supplementary instrument, under which banks will be able to place part of their liquidity in excess of the amount of required reserves on their current accounts at the Bank’s policy rate.
- Creating incentives through capital adequacy requirements for banks: when a bank is considering providing long-term lending to SMEs, applying a lower supervisory capital requirement may be considered. The precise conditions may be finalised after consultations with the banking sector.
- Providing the banking sector with an access to the corporate credit reporting system: the development of a corporate credit reporting system is underway at the MNB, which may be an efficient tool for banks in mapping out credit risks as precisely as possible.

Based on banks' responses to the Lending Survey, credit conditions eased for both SMEs and large firms in the fourth quarter of 2017 and the interest rate spread fell. Based on credit institutions' responses to the Lending Survey, there was a growth in credit demand in both the large corporate and the SME segments. Looking ahead, banks anticipate that demand for credit, and particularly long term credit will grow.

Garantiqa Ltd. Continued to play a key role in assisting SMEs obtain financing. An important objective of their 2017 business plan was to increase the availability of counter-guarantee options. In Q4 2017, Garantiqa Ltd. introduced the COSME LGF guarantee programme in cooperation with EIF, in order to stimulate development loans, improve access to credit by SMEs (especially those excluded from grant schemes due to grant restrictions), and finance start-ups. Under this agreement, Garantiqa will provide guarantees for HUF 80 billion worth of loans through its 50% counter-guarantee. This represents financing opportunities for some 3 500 Hungarian enterprises.

Table 17.1. Scoreboard for Hungary

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	HUF billion	5 280	5 823	5 379	4 783	4 797	5 014	5 064	4 831	4 942	4 889	4 518
Outstanding business loans, total	HUF billion	8 466	9 613	8 959	8 770	8 825	7 892	7 648	7 761	7 355	7 073	7 881
Share of SME outstanding loans	% of total outstanding business loans	62.36	60.58	60.05	54.54	54.36	63.53	66.21	62.25	67.20	69.13	57.33
New business lending, SMEs	HUF billion	3 851	4 384	3 660	3 531	3 585	3 870	4 662	4 302	3 665	4 187	4 355
Short-term loans, SMEs	HUF billion	2 473	2 966	2 832	2 775	2 767	3 052	2 654	2 570	2 424	2 708	2 798
Long-term loans, SMEs	HUF billion	1 377	1 418	828	756	818	818	2 008	1 732	1 241	1 478	1 557
Share of short-term SME lending	% of total SME lending	64.23	67.66	77.37	78.59	77.18	78.86	56.93	59.75	66.14	64.69	64.25
Government loan guarantees, SMEs	HUF billion	308	352	409	377	343	251	350	346	348	469	601
Government guaranteed loans, SMEs	HUF billion	381	436	600	472	437	314	458	434	429	569	731
Non-performing loans, total (amount)	HUF billion	..	..	..	832	1 155	1 272	1 124	961	697	577	498
Non-performing loans, total	% of all business loans	3.10	4.70	10.10	12.8	17.4	17.7	16.1	13.7	9.6	5.4	3.3
Non-performing loans, SMEs	% of all SME loans		5.40	8.90	12.8	15.9	20.5	18.6	20.7	13.7	6.3	4.4
Interest rate, SMEs	%	10.19	11.25	12.31	8.99	9.38	9.7	7.4	5.1	4.7	4.2	3.3
Interest rate, large firms	%	8.97	10.28	11.07	..	..	8.9	5.9	4.1	2.4	2.8	1.8
Interest rate spread	% points	1.22	0.97	1.24	..	..	0.80	1.50	1.00	2.30	1.40	1.50
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	..	..	..	71	64.5	60.1	53.4
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	..	..	68.8	67	84.4	71.6	49.2
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	81.5	..	..	..	..
Non-bank finance												
Venture and growth capital	HUF million	3 949	13 782	720	6 982	11 308	19 361	15 880	18 759	27 742	12 070	11 470
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	249.00	-94.78	869.72	61.96	71.22	-17.98	18.13	47.89	-56.49	-4.97
Leasing and hire purchases	HUF million	..	..	..	..	..	..	..	..	..	274 766	243 743
Factoring and invoicing	HUF million	..	..	..	..	..	..	..	..	..	126 038	25 951
Other indicators												
Payment delays, B2B	Number of days	16.30	19.00	19.00	15.00	22.00	20.00	..	17.40	17.40	..	..
Bankruptcies, total	Number	153	168	212	232	279	301	376	644	488	377	322
Bankruptcies, total (growth rate)	%, Year-on-year growth rate	..	10.35	25.65	9.5	20.4	7.9	24.7	71.3	-24.2	-22.9	-14.4

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18. Indonesia

In Indonesia, SMEs consist of micro, small and medium-sized enterprises with up to IDR 10 billion of assets, or a maximum turnover of IDR 50 billion, as defined by the Law of Republic of Indonesia 20/2008 Based on that definition, 99.99% of enterprises were SMEs in 2017 (62 922 617 SMEs compared to 5 460 large enterprises in 2017[3]).).

Due to different methodologies in defining SME loans, raising comparability issues, data for 2007-2009 were excluded. Two data sources are available in Indonesia for SME finance: bank data and non-bank data (finance companies, the Indonesian Export Financing Institution LPEI/Eximbank, and the state micro-credit company Permodalan Nasional Madani -PNM).

All these sources of finance are included in the first scoreboard table. In order to provide more precise information about the specificities of SME financing in Indonesia, a second scoreboard table has been included in the 'Alternative sources of finance' section, with data from the non-banking sector only.

Outstanding SME lending from banks has shown consistent growth throughout the 2010-2017 period, increasing by 172.3% in seven years, reaching IDR 1 059.2 trillion. Moreover, bad debts were kept at a healthy level, with Non-Performing Loans (NPLs) staying under 5% throughout 2010-2017. Outstanding business loans are expected to increase a lot for all companies in 2018, since lending as of the end of the first semester has already exceeded the annual amount of 2017.

Long-term loans have been the predominant type of loans for SMEs over the period. Particularly, banks consider Indonesian SMEs more and more reliable, as they were given larger amount of loans with longer terms over the 2010-17 period.

Lending interest rate for SMEs has declined faster than interest rate for large companies over the 2010-2017 period, even though they remain slightly higher. The interest rate spread declined from 2.16 percentage points in 2010 to 1.62 percentage points in 2017. The main reason behind these higher rates is the lack of collaterals pledged by SMEs for their loans.

From 2012 to 2017, financing channeled by the Venture Capital Company shows a significant increase, reaching IDR 7.1 trillion in 2017, a 63.45% increase compared to 2012. Meanwhile, leasing activities increased by 7.26% in 2017 compared to 2016 (+187.12% during the 2007-2017 period), while factoring activities also increased by 15.65% in 2017 compared to 2016 (+504.54% since 2007).

Since 2007, the Indonesian Government is developing a financing scheme programme called People Business Credit Programme or Kredit Usaha Rakyat (KUR). The goal of this program is to increase SMEs' access to finance and work as a bridge for SMEs to obtain a financing scheme from a financial institution. This program has a good performance as outstanding loans from KUR has increase, amounting to IDR 22.8 trillion

[3] Ministry of Cooperatives and SMEs of The Republic of Indonesia, 2018.

in 2015, IDR 94.4 trillion in 2016 and IDR 96.7 trillion in 2017. The total NPL ratio is also very low as it stands at 0.73% in 2016 and 0.26% in 2017.

Table 18.1. Scoreboard for Indonesia, 2007-18

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (June)
Debt													
Outstanding business loans, SMEs	IDR trillion	110.1	127.0	127.4	389.0	476.8	551.5	637.3	733.0	792.1	952.2	1 059.2	1 099.0
Outstanding business loans, total	IDR trillion	1 001.9	1 307.7	1 307.8	1 777.8	2 217.5	2 726.8	3 321.2	3 707.7	4 093.9	4 908.4	5 320.1	5 584.2
Share of SME outstanding loans	% of total outstanding business loans	10.99	9.71	10.20	21.86	21.46	20.19	19.15	19.74	19.32	19.38	19.90	19.68
Outstanding short-term loans, SMEs	IDR trillion	..	..	..	102.6	120.8	141.7	195.0	215.4	100.1	115.0	94.3	88.7
Outstanding long-term loans, SMEs	IDR trillion	..	..	..	286.1	354.9	408.7	440.9	516.5	623.8	729.0	901.0	944.4
Share of short-term SME lending	% of total SME lending	..	..	..	26.40	25.39	25.74	30.67	29.43	13.83	13.63	9.47	8.58
Government guaranteed loans, SMEs	IDR trillion			17.2*	17.2	29.0	34.2	40.9	40.3	22.8	94.4	96.7	64.6
Direct government loans, SMEs	IDR trillion	..	0.04	0.41	1.07	1.15	1.25	1.43	1.15	1.56	1.25	0.41	0.01
Non-performing loans, total	% of all business loans	4.08	3.20	3.35	2.55	2.16	1.87	1.77	2.16	2.49	2.96	2.63	2.77
Non-performing loans, SMEs	% of all SME loans	4.80	3.87	4.22	3.97	3.43	3.23	3.19	4.00	4.20	4.05	3.89	4.36
Interest rate, SMEs	%	16.30	16.79	16.60	14.89	14.53	13.99	14.14	14.54	13.99	13.59	13.06	12.91
Interest rate, large firms	%	12	13	13	12.73	12.28	11.60	11.88	12.48	12.51	12.16	11.39	11.41
Interest rate spread	% points	4.14	3.30	3.79	2.16	2.25	2.39	2.26	2.06	1.48	1.43	1.67	1.49
Non-bank finance													
Venture and growth capital	IDR trillion	..	..	..	..	..	4.3	6.0	6.9	7.2	8.5	7.1	8.2
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	..	..	..	..	..	38.70	14.68	4.38	17.69	-16.26	14.65
Leasing and hire purchases	IDR trillion	36.5	50.7	46.5	53.7	76.6	105.1	117.4	111.0	105.4	97.7	104.8	112.3
Factoring and invoice discounting	IDR trillion	2.2	2.2	2.0	2.3	3.9	5.1	7.7	9.4	10.7	11.5	13.3	14.6

Note: This scoreboard consists in data from both bank and non-bank. Data from non-bank start in 2016 due to the availability of data. Another scoreboard that includes only non-bank data is to be found in the "Alternative sources of SME financing" part of the full profile. Data for venture and growth capital, leasing and hire purchases, factoring and invoice discounting are for all business, including large enterprises. *Data for 2007-2009.

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19. Ireland

Irish SMEs contribute to just under 70% of employment, and account for 99.8 percent of all enterprises.

Debt levels of Irish businesses are declining steadily and have reduced 42% since 2010 from EUR 27.1 billion to EUR 15.8 billion in 2017.

Gross new lending to core SMEs was EUR 3.6 billion in 2017, representing a 3.3% annual increase.

Loan approval rates continue to be stable with 88% of applications either fully or partially approved.

The interest rate spread between large (2.13%) and small loans (4.28%) has decreased for the first time since 2007.

Venture capital raised by Irish SMEs continues to grow, and reached EUR 994 million in 2017, a 12% increase since 2016.

Bankruptcies increased 12% in 2017, but have cumulatively declined since their peak in 2011. 2017 figures show a 9% decline compared to 2015 figures.

Significant progress has been made towards resolving SME NPLs in recent years and NPL trends continue to move in a downward trajectory.

In order to mitigate the impact on credit conditions in Ireland due to uncertainties surrounding Brexit, the government has sought to introduce various mitigation measures for SMEs, including the Brexit Loan Scheme, and is exploring other mitigation measures.

Some of the main policies introduced to encourage access to credit for small and medium businesses include:

- The Supporting SMEs Online Tool, a cross-government initiative, where small businesses receive a list of available government supports based on their responses to a short questionnaire.
- The Strategic Banking Corporation, an initiative designed to increase the availability of funding to SMEs at a lower cost and on more flexible terms than has recently been available on the Irish Market.
- The Credit Guarantee Scheme which encourages additional lending to small businesses by offering a partial government guarantee to banks against losses on qualifying loans to eligible SMEs.
- The Microenterprise Loan Fund which provides support in the form of loans for up to EUR 25 000, available to start-up, newly established, or growing micro enterprises with viable business propositions employing less than 10 people.
- The Credit Review Office which helps SME or Farm borrowers who have had an application for credit of up to EUR 3 million declined or reduced. The Credit

Review Office also examines cases where borrowers feel that the terms and conditions of their existing loan, or new loan offer, are unfairly onerous or have been unreasonably changed to their detriment.

Table 19.1. Scoreboard for Ireland

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	EUR billion	..	..	..	27.10	27.34	25.70	24.52	21.40	19.31	16.11	15.82
Outstanding business loans, total	EUR billion	56.08	59.57	52.50	42.42	40.31	38.06	36.65	31.79	29.82	28.00	27.74
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	63.89	67.82	67.51	66.89	67.32	64.78	57.54	57.04
New business lending, SMEs	EUR billion	..	..	..	2.28	2.21	1.99	1.91	2.40	2.65	3.24	3.68
Outstanding short-term loans, SMEs	EUR billion	17.26	15.02	10.93	6.05	3.81	3.06	3.02	2.39	1.79	2.03	2.52
Outstanding long-term loans, SMEs	EUR billion	2.12	1.93	1.34	0.93	0.58	0.54	0.60	0.78	1.09	1.00	0.73
Non-performing loans, total	% of all business loans	..	..	..	..	17.69	23.66	26.14	23.88	17.16	13.92	10.00
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	41.00	41.00	27.00	26.00	18.70	22.60
Interest rate, SMEs	%	6.23	6.67	3.98	3.88	4.68	4.34	4.3	4.78	4.77	4.65	4.28
Interest rate, large firms	%	5.95	6.19	3.22	2.86	3.33	2.81	2.76	2.98	2.43	2.18	2.13
Interest rate spread	% points	0.28	0.48	0.76	1.02	1.35	1.53	1.54	1.8	2.34	2.47	2.15
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	..	..	..	41	40	46	41
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	36	39	36	31	30	23	21
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	30	24	20	14	15	16	15
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	81	82	84	75	75
Non-bank finance												
Venture and growth capital	EUR million	225.9	242.9	288.1	310.2	274.4	268.9	284.9	400.7	522.1	888.1	994
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	7.53	18.61	7.67	-11.54	-2.00	5.95	40.65	30.30	70.10	12.00
Other indicators												
Bankruptcies, SMEs	Number	344	613	1245	1386	1410	1317	1119	1007	816	642	720
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	78.20	103.10	11.33	1.73	-6.60	-15.03	-10.01	-18.97	-21.32	12.15

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20. Israel

Small and medium enterprises (SMEs) constitute the overwhelming majority of companies in Israel. As of 2016, there were 541 722 businesses in Israel and 99.5% of them were SMEs which employed up to 100 workers each.

SME and entrepreneurship policies in Israel are primarily designed by the Ministry of Economy and Industry and implemented by the Israel Innovation Authority (IIA) and the Small and Medium Business Agency (SMBA). While the IIA (formerly known as the Chief Science Office) has a longstanding presence in the Israeli policy framework and focuses on leading technology-based start-ups and SMEs, the SMBA has been established more recently to cater to all SMEs in Israel's main economic sectors through business management training and coaching, subsidised access to finance (for example, through the the national loans guarantee programme) and a new network of business development centres (MAOF centres).

In March 2016, the credit data law was passed, whose intent is to establish a central database for household and SME credit by 2018. The law is expected to improve competition and data accessibility in the Israeli credit market. In January 2017, another law that separates credit card companies and banks was passed as part of a series of moves to enhance competition in the banking industry, and lower financing costs for SMEs.

For the first time in 20 years, a new company received a credit-clearing license, allowing it to enter and compete in the credit cards market the following year. This is expected to lower credit card clearing costs of small and medium-sized businesses.

In March 2017, the Israel Securities Authority completed the enactment of mass financing regulations for research and development companies and SMEs. In April 2017, the same agency published regulations that define regulation hierarchy and easements for small corporations that issue shares.

In March 2017, the Knesset (Israel's legislature) passed the Ethics of Payments to Suppliers Law (known in the EU as Late Payments Directive). This law determines the maximum period within which payments can be made to suppliers for the sale of goods, provision of services or performance of work. The purpose of the law is to reduce the payment period for the business sector, thereby diminishing the need for working capital credit among SMEs, and to increase transparency in payments.

Table 20.1. Scoreboard for Israel

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	ILS billion	169.3	171.2	161.6	173.8	177.7	187.0	186.7	211.9	244.6	256.6	271.5
Outstanding business loans, total	ILS billion	413.9	460.9	425.2	438.9	458.6	450.4	445.7	447.9	415.6	422.8	443.0
Share of SME outstanding loans	% of total outstanding business loans	40.9	37.14	38.01	39.6	38.75	41.52	41.89	47.31	58.86	60.69	61.28
Government loan guarantees, SMEs	ILS million	27	17	121	164	116	116	215	232	257	184	143
Government guaranteed loans, SMEs	ILS million	170	109	757	1 028	890	1 057	1 951	2 112	2 340	1 838	1 587
Non-performing loans, total	% of all business loans	..	..	..	..	..	..	..	..	2.77	2.20	1.51
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	..	..	..	2.13	1.63	1.44
Interest rate, SMEs	%	..	..	..	..	..	..	..	..	3.96	3.83	4.01
Interest rate, large firms	%	..	..	..	..	..	..	..	..	2.95	2.97	3.10
Interest rate spread	% points	..	..	..	..	..	..	..	..	1.02	0.86	0.91
Non-bank finance												
Venture and growth capital	USD billion	1.76	2.08	1.12	1.22	2.08	1.88	2.40	3.41	4.31	4.83	5.24
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	18.0	-46.1	8.8	70.3	-9.5	28.0	41.8	26.4	12.2	8.5
Other indicators												
Payment delays, B2B	Number of days	..	..	..	..	..	..	..	..	..	57.2	53
Bankruptcies, SMEs	Number	..	..	2 061	2 834	3 737	5 000	5 610	5 322	5 175	7 900	..
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	..	..	37.51	31.86	33.8	12.2	-5.13	-2.76	52.66	..

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21. Italy

Small and medium-sized enterprises dominate the business landscape in Italy, employing approximately 80% of the industrial and service labour force, and generating over two-thirds of turnover and value added.

Slow economic recovery translated into a subpar recovery in lending markets: credit to firms expanded slightly in 2017 and at a more sustained pace in early 2018, but remained highly uneven. Lending increased for large enterprises, but continued to fall for smaller firms, resulting in a persistent gap in credit developments by firm size.

Supply conditions remained broadly accommodative, but collateral requirements held steady at a high level compared to the past. The cost of credit stood at historically very low levels: the average interest rate charged to SMEs decreased slightly to half the value recorded at the outbreak of the crisis, further narrowing the spread between small and larger enterprises.

Credit quality improved further as the economic recovery gained strength. The ratio of SME new non-performing loans to outstanding loans declined further, falling below pre-crisis levels. Bad loans, a legacy of the deep recession, started falling after years of continuous growth.

Equity financing for SMEs, provided in the form of early stage and expansion capital, slightly increased in 2017 compared to the previous year, while resources devoted to firms of all sizes nearly halved; as a result, the SME share nearly doubled to more than 60%.

Business-to-business payment delays reached a new 10-year low in 2017. The economic recovery fostered a further improvement in payment patterns, both in agreed timeframes and average delays in excess to these agreed spans. Bankruptcies dropped for the third year in a row, down by 11% on the previous year.

Several financial support measures, introduced or stepped up during the crisis, continued to help firms to cope with the still moderate economic growth.

Credit guarantee schemes continued to play a key role in easing access to finance: in 2017, the Central Guarantee Fund provided EUR 12.3 billion in guarantees for EUR 17.5 billion worth of loans. The post-crisis period led to increased government spending in the fund, up to a level that led to its overhaul. The reform to its operations, which is due to come into effect in early 2019, is based on a new evaluation system of firms' creditworthiness, and aims to promoting a more efficient and targeted allocation of public resources.

Long-term individual savings plans (*piani individuali di risparmio* or PIR) were introduced by the 2017 Budget Law to widen firms' financing opportunities, channelling private savings to investment in financial instruments issued by Italian companies. In 2017, 44 Italian mutual funds offered individual savings plans: their total assets amounted to EUR 12.4 billion, of which more than 56% was invested in corporate securities issued by domestic non-financial companies.

Initiatives have been undertaken over the last years to provide capital to potentially high growth firms by establishing public-private funds of funds. These measures flanked direct co-investment funds aimed at boosting the development of technological start-ups and innovative SMEs. More recently, late-stage funds have been launched in order to face the scale-up challenge, enabling SMEs to seize growth opportunities.

Table 21.1. Scoreboard for Italy, 2007-17

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	EUR billion	187	191	193	210	207	204	197	192	188	175	170
Outstanding business loans, total	EUR billion	998	1067	1057	1122	1134	1118	1061	1025	1015	984	958
Share of SME outstanding loans	% of total business loans	18.7	17.9	18.3	18.7	18.2	18.2	18.5	18.7	18.5	17.8	17.7
Short-term loans, SMEs	EUR billion	59	56	52	50	48	47	42	39	35	31	28
Long-term loans, SMEs	EUR billion	115	120	125	136	133	128	122	115	112	103	101
Total short and long-term loans, SMEs	EUR billion	174	177	177	186	181	175	164	155	148	134	130
Share of short-term loans, SMEs	% of total short and long-term SME loans	34.0	31.9	29.3	26.9	26.4	26.6	25.7	25.3	23.8	22.9	21.8
Direct government loans, SMEs	EUR million	337	373	255	276	272	252	390	597	392	418	431
Government guaranteed loans, SMEs (CGF)	EUR million, flows	2 300	2 353	4 914	9 119	8 378	8 190	10 811	12 935	15 065	16 703	17 462
Government loan guarantees, SMEs (CGF)	EUR million, flows	1 146	1 160	2 756	5 225	4 435	4 036	6 414	8 392	10 216	11570	12 260
Non-performing loans, SMEs	EUR million	12 760	13 875	16 470	23 952	26 047	28 924	32 365	37 150	40 136	41 389	39 935
Non-performing loans, SMEs	% of total SME loans	6.8	7.3	8.5	11.4	12.6	14.2	16.5	19.4	21.4	23.6	23.6
Interest rate, SMEs	%	6.3	6.3	3.6	3.7	5.0	5.6	5.4	4.4	3.8	3.2	3.1
Interest rate, large firms	%	5.7	4.9	2.2	2.2	3.3	3.8	3.4	2.6	2.1	1.8	1.8
Interest rate spread	%	0.6	1.4	1.4	1.5	1.7	1.8	2.0	1.8	1.7	1.4	1.3
Collateral, SMEs	%	54	54	52	53	55	54	55	55	56	57	57
Rejection rate	% of firms reporting that they had not obtained some or all of the credit requested	3.1	8.2	6.9	5.7	11.3	12.0	8.9	8.4	6.0	4.0	4.3
Utilisation rate	SME loans used / authorised	79.7	80.7	80.7	82.8	83.6	85.7	86.7	87.0	86.7	84.5	84.2
Non-bank finance												
Venture capital investments (early stage), SMEs	EUR million	66	115	98	89	82	135	82	43	74	103	133
Growth capital investments (expansion), SMEs	EUR million	295	440	260	263	500	504	438	230	170	155	161
Growth capital investments (expansion), total	EUR million	641	796	371	583	674	926	914	1179	333	710	337
Other indicators												
Payment delays, B2B (all firms)	Average number of days	..	23.6	24.6	20.0	18.6	20.2	19.9	18.5	17.3	15.4	14.2
Bankruptcies, total	Number	6 162	7 508	9 380	11 239	12 157	12 543	14 133	15 689	14 739	13 531	12 061
Bankruptcies, total	%, Year-on-year growth rate		21.8	24.9	19.8	8.2	3.2	12.7	11.0	-6.1	-8.2	-10.9
Incidence of insolvency, total	per 10 000 enterprises	11.2	13.7	17.0	20.3	21.6	22.0	25.0	27.9	26.4	24.1	21.5

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22. Japan

Japanese SMEs accounted for 99.7% of all businesses and employed 34 million individuals, or approximately 70.1% of the private sector labour force in 2014.

Lending to SMEs decreased every year between 2007 and 2012, reaching a total decrease of 6.6% over that period. In 2013, outstanding SME loans rose by 1.5%, and have continued to increase since then, reaching JPY 271.5 trillion in 2016 and JPY 282.1 trillion in 2017 (+3.9%).

Average interest rates on new short-term loans in Japan were very low and continuously declined between 2007 and in 2017, more than halving from 1.64% to 0.61%. Long-term interest rates on new loans followed a broadly similar pattern, declining from 1.7% in 2007 to 0.8% in 2017, and were thus only slightly higher than short-term interest rates.

Japanese venture capital investments peaked in FY 2007 at JPY 193 billion, and decreased by 29.5% and 36% in FY 2008 and 2009 respectively. Since 2009, VC investments have been inconsistent. In 2017, VC investments totalled JPY 197 billion, a 29.6% increase from 2016.

Leasing volumes to SMEs plummeted in the aftermath of the financial crisis, dropping by almost 40% between 2007 and 2009. Between 2010 and 2013, leasing volumes recovered. In 2016, leasing volumes were JPY 2.56 trillion and they increased slightly to JPY 2.57 trillion in 2017, but still remain well below 2007 levels.

SME bankruptcies, which account for more than 99% of all bankruptcies in Japan, decreased by more than 40% between 2007 and 2017, reaching a 27-year low of 8 397 (-0.5% from 2016).

Total non-performing business loans have continuously declined since 2013, after having experienced erratic movement over the 2007-12 period. In 2016, total NPLs declined by 2.91% to JPY 11 787 billion in 2016 and by 2.52% to JPY 10 483 billion in 2017.

The Japanese Government offers financial support for SMEs, in the form of a credit guarantee programme and direct loans for SMEs. In March 2018, the total amount of outstanding SME loans was approximately JPY 267 trillion (provided by domestically licensed banks and credit associations). The outstanding amount of the credit guarantee programme was JPY 22.2 trillion (covering 1.3 million SMEs), and the outstanding amount of the direct loan programme was JPY 21.2 trillion, (covering 1 million of Japan’s 3.81 million SMEs).

Table 22.1. Scoreboard for Japan, 2007-17

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	JPY trillion	260.8	259.1	253.1	248.3	245.6	243.6	247.2	251.7	258.4	265.6	275.4
Outstanding business loans, total	JPY trillion	374.5	385.0	379.3	366.1	366.9	370.4	369.7	387.2	395.2	405.1	415.5
Share of SME outstanding loans	% of total outstanding business loans	69.64	67.31	66.72	67.82	66.94	65.76	66.87	65.00	65.38	65.57	66.29
Value of CGCs loan guarantees (Government loan guarantees, SMEs)	JPY trillion	29.4	33.9	35.9	35.1	34.4	32.1	29.8	27.7	25.8	23.9	22.2
Non-performing loans, total (amount)	JPY trillion	17.1	17.1	16.8	16.6	17.2	17.3	15.3	13.9	12.8	11.8	10.5
Non-performing loans, total	% of all business loans	4.56	4.45	4.42	4.54	4.68	4.66	4.14	3.60	3.23	2.91	2.52
Prime lending rate for short-term loans	%	1.88	1.68	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48
Prime lending rate for long-term loans	%	2.30	2.40	1.65	1.60	1.40	1.20	1.20	1.10	1.10	0.95	1.00
New short-term interest rate (Not only for businesses)	%	1.64	1.53	1.23	1.10	1.04	1.02	0.91	0.88	0.80	0.67	0.61
New long-term interest rate (Not only for businesses)	%	1.73	1.67	1.46	1.29	1.21	1.16	1.10	1.00	0.94	0.80	0.80
Outstanding short-term interest rate (Not only for businesses)	%	1.67	1.49	1.26	1.19	1.10	1.03	0.88	0.85	0.78	0.62	0.58
Outstanding long-term interest rate (Not only for businesses)	%	2.05	1.99	1.76	1.65	1.54	1.42	1.30	1.19	1.10	0.97	0.90
Non-bank finance												
Venture capital investments (all stages total)	JPY billion	193	136	87	113	124	102	181	117	130	152	197
Venture capital investments (all stages total)	%, year-on-year growth rate	..	-29.53	-36.03	29.89	9.73	-17.74	77.45	-35.36	11.11	16.92	29.60
Venture capital (seed and early stage)	% (share of all stages)	..	..	36.80	32.50	44.30	57.80	64.50	57.20	62.80	68.30	62.90
Venture capital (expansion and later stage)	% (share of all stages)	..	..	63.20	67.50	55.70	42.20	35.50	42.80	37.20	31.70	37.1
Leasing, SMEs	JPY billion	3 471	2 822	2 100	2 139	2 231	2 284	2 645	2 363	2 604	2 566	2 570
Other indicators												
Bankruptcies, SMEs	Thousands	14.0	15.5	15.4	13.2	12.7	12.1	10.8	9.7	8.8	8.4	8.4
Bankruptcies, SMEs	%, year-on-year growth rate	..	10.76	-0.82	-13.96	-4.22	-4.81	-10.18	-10.37	-9.43	-4.17	-0.50
Bankruptcies, total	Thousands	14.1	15.6	15.5	13.3	12.7	12.1	10.9	9.7	8.8	8.4	8.4
Bankruptcies, total	%, year-on-year growth rate	..	11.04	-1.06	-13.95	-4.41	-4.79	-10.47	-10.35	-9.44	-4.15	-0.49

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23. Kazakhstan

In 2017, SMEs accounted for 96.2% of all businesses in Kazakhstan, 36.6% of the total employed population and 25.6% of national GDP.

Outstanding SME loans decreased by 10.2% in 2017, after two years of growth. New lending to SMEs also decreased by 23.2% in 2017. Consequently, SME outstanding loans as a share of total business loans dropped slightly to 32.6%, while the share of new SME loans in total new lending dropped nearly 6 percentage points to 20.0%.

Interest rates for SMEs have fluctuated over the reference period, growing steadily from a record low of 11.5% in 2014 to 14.0% in 2016. In 2017, however, they receded to 13.7%, but 1.4 percentage points higher than the average interest rate charged to large enterprises.

Among non-bank sources of finance, leasing has the largest market and is steadily growing. In 2017, leasing and hire purchases were 2.9 times their 2009 level.

Total non-performing loans (loans with arrears of more than 90 days in banks' portfolios increased to 9.3% in 2017, while SME's NPL ratio reached 9.6%.These figures are under than the National Bank's maximum NPL requirement of no more than 10% of the total value of loan portfolios.

The government plays an important role in maintaining SMEs' access to lending. Primarily, it allocates funds to commercial banks for the provision of concessional lending to SMEs in times of liquidity shortages in the market. The largest placement of state funds for SME lending took place in 2009, when the interest rate for SMEs was restricted to 11.5%. In 2014-15, the government also restricted the interest rate charged to SMEs in the manufacturing industry to 6%. As a result of these measures, the market experienced an unusual situation in which there was a negative interest rate spread between SMEs and all businesses in 2009, 2015 and 2016. In 2017, however the interest rate spread between SMEs and the whole business sector became positive at 1.27%.

Since 2010, the government, through its "Damu" Entrepreneurship Development Fund, has subsidised interest rate expenses and provided loan guarantees for SMEs under the "Business Roadmap 2020" Programme. Loan guarantees are becoming increasingly popular in Kazakhstan, and have grown in number from just three in 2010 to 3 662 at the beginning of 2018.

Table 23.1. Scoreboard for Kazakhstan

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
						Debt						
Outstanding business loans, SMEs	KZT billion	1 508	1 571	1 708	1 389	1 341	1 412	1 283	1 788	2 060	3 105	2 789
Outstanding business loans, total	KZT billion	5 220	5 605	5 879	5 892	6 849	7 534	8 110	8 532	9 027	9 234	8 568
Share of SME outstanding loans	% of total outstanding business loans	28.89	28.02	29.06	23.58	19.58	18.74	15.83	20.95	22.83	33.62	32.55
New business lending, total	KZT billion	7 764	5 373	3 742	3 291	4 795	5 774	6 109	8 044	7 345	7 724	7 615
New business lending, SMEs	KZT billion	1 870	1 273	753.10	690 .15	794 .48	1 050	889 .71	1 198	1 279	1 984	1 524
Share of new SME lending	% of total new lending	24.08	23.70	20.13	20.97	16.57	18.18	14.56	14.90	17.41	25.68	20.02
Short-term loans, SMEs	KZT billion	296	298	236	206	219	277	199	392	390	826	411
Long-term loans, SMEs	KZT billion	1 211 2	1 273	1 472	1 183	1 122	1 135	1 084	1 395	1 670	2 279	2 377
Share of short-term SME lending	% of total SME lending	19.66	18.96	13.82	14.83	16.34	19.64	15.51	21.95	18.93	26.60	14.75
Government loan guarantees, SMEs	KZT million	..	..	..	339	2 060	3 854	3 336	7 284	11 021	11 952	17 016
Government guaranteed loans, SMEs	KZT million	..	..	..	677	4 238	10 991	7 090	15 423	26 964	26 903	42 783
Direct government loans, SMEs	KZT million	5 526	125 226	257 389	132 907	82 704	78 205	85 842	188 426	236 891	247 275	230 469
Non-performing loans, total	% of all business loans	..	..	..	..	..	29.80	31.15	23.55	7.95	6.72	9.31
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	22.33	22.40	11.74	12.69	8.79	9.58
Interest rate, SMEs	%	14.28	15.67	14.01	13.34	12.49	12.10	12.46	11.48	12.95	14.01	13.66
Interest rate, large firms	%	12.77	14.88	14.04	12.72	11.08	10.58	10.07	10.01	13.47	14.49	12.39
Interest rate spread	% points	1.51	0.79	-0.03	0.62	1.41	1.52	2.39	1.47	-0.52	-0.48	1.27
						Non-bank finance						
Leasing and hire purchases	KZT million	..	..	..	60 352	80 085	84 503	106 848	129 019	126 637	167 028	176 467
Factoring and invoicing	KZT million	..	..	..	..	..	7 889	15 125	33 160	37 655	..	..
						Other indicators						
Bankruptcies, total	Number	0	2	3	8	36	77	125	143	257	516	1978
Bankruptcies, total (growth rate)	%, year-on-year growth rate	..	..	50.00	166.67	350.00	113.89	62.34	14.40	79.72	100.78	283.33

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24. Korea

Lending patterns for SMEs and large firms are diverging; in 2017, the outstanding stock of SME loans expanded by KRW 45 trillion, while the stock of large business loans declined by KRW 4 trillion.

The share of outstanding short-term loans in total loans has been in continuous decline between 2007 (75%) and 2017 (51.3%).

Government loan guarantees increased strongly between 2008 and 2009, but have increased at a slower pace afterwards. Between 2016 and 2017, the volume of guarantees rose by 4.8%. The amount of direct lending to SMEs in 2017 reached KRW 4.7 trillion which is about 0.7% of all outstanding business loans to SMEs.

1.11% of all SME loans were non-performing in 2017, down from 1.30% in 2016 and below its 2010 peak of 3.11%. In contrast, 1.76% of all business loans were non-performing in 2017, indicating that large business loans are substantially likelier to be non-performing than SME loans. This could be attributed to conservative and risk-averse lending behaviors of Korean banks towards SMEs.

Interest rates to SMEs remained low (by historical Korean standards) in 2017, at 3.62%.

Venture and growth capital investments more than doubled between 2007 and 2017, and expanded by just over 10% between 2016 and 2017.

Leasing and hire purchases volumes rose by 16% year-on-year in 2017.

The number of bankruptcies increased to 2 735 in 2008 after the global financial crisis. Since then, its number has decreased, and was 494 in 2017, a record low.

The government plans to implement two measures to financially support SMEs. First, a “graduation policy” for government financial support’ limits total support for life-time working capital by KRW 2.5 billion. Second, the “provision of financial support for early stage enterprises” plans to allot over 60% of total government financial support to early stage enterprises.

The “Innovation Venture Capital Fund” plans to raise KRW 10 trillion over the next 3 years beginning in 2018. The government will invest KRW 3.7 trillion in the fund, and the remaining KRW 6.3 trillion will be provided by private funds.

Table 24.1. Scoreboard for Korea

Indicators	Units	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Non-bank finance												
Outstanding business loans, SMEs	KRW trillion	369	422	443	441	455	462	489	522	561	610	655
Outstanding business loans, total	KRW trillion	425	511	531	541	586	618	654	706	756	776	817
Share of SME outstanding loans	% of total business loans	86.8	82.6	83.5	81.5	77.7	74.7	74.7	74.0	74.2	78.6	80.2
Outstanding Short-term loans, total; loans for operation	KRW trillion	319	375	373	372	388	395	405	419	426	414	419
Outstanding Long-term loans, total; loans for equipment	KRW trillion	106	136	158	169	197	223	249	287	330	362	398
Share of short-term loans; loans for operation	KRW trillion	75.0	73.4	70.3	68.7	66.3	63.9	61.9	59.3	56.3	53.4	51.3
Government loan guarantees, SMEs	KRW trillion	40	43	56	56	55	57	60	60	61	63	66
Government guaranteed loans, SMEs	% of SME business loans	10.8	10.0	12.7	12.7	12.2	12.3	12.2	11.5	10.9	10.3	10.0
Direct government loans, SMEs	KRW billion	2 480	2 635	4 812	3 098	2 957	3 149	3 715	3 270	3 902	4 551	4 666
Non-performing loans, total	% of all business loans	0.81	1.41	1.6	2.6	1.73	1.66	2.39	2.09	2.56	2.06	1.76
Non-performing loans, SMEs	% of all SME loans	0.99	1.93	1.8	3.11	2.17	1.96	2.11	1.94	1.64	1.3	1.11
Interest rate, SMEs	%	7.04	7.61	6.18	6.52	6.36	5.93	5.11	4.69	3.95	3.63	3.62
Interest rate, large firms	%	6.27	6.81	5.62	5.98	5.81	5.50	4.87	4.51	3.79	3.40	3.31
Interest rate spread	%	0.76	0.79	0.56	0.54	0.55	0.43	0.24	0.18	0.16	0.24	0.31
Rejection rate	%, 1-(SME loans authorised/ requested)	..	..	..	..	..	..	..	6.90	3.70	12.20	12.90
Non-bank finance												
Venture and growth capital	KRW billions	992	725	867	1 091	1 261	1 233	1 385	1 639	2 086	2 150	2 380
Venture and growth capital (growth rate)	%		-26.9	19.7	25.8	15.6	-2.2	12.3	18.4	27.2	3.1	10.7
Leasing and hire purchases	KRW trillions	10.3	11.7	7.1	10.6	11.1	10.5	11.9	13.2	15.0	17.4	20.2
Other indicators												
Payment delays, SMEs	Number of days past due date	11.0	12.1	9.9	12.1	11.7	9.1	9.7	10.0	9.2	13.3	8.9
Bankruptcies, total	Number	2 294	2 735	1 998	1 570	1 359	1 228	1 001	841	720	555	494
Bankruptcies, growth rate	Year-on-year growth rate, %		19.2	-26.9	-21.4	-13.4	-9.6	-18.5	-16.0	-14.4	-22.9	-11.0

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Https://doi.org/10.1787/fin_sme_ent-2019-en

25. Latvia

In Latvia, 99.87 % of economically active merchants and commercial companies (with some exceptions) are SMEs, and 94.25 % of these SMEs are micro-enterprises.

Equity and short-term liabilities other than bank loans (including trade payables) are the primary source of financing for SMEs. Nevertheless, the banking sector plays a key role in financing SMEs as well. In 2016, more than 20% of SME assets were financed by the banking sector, according to the Bank of Latvia SME Lending Survey.

Given the prevalence of SMEs in the Latvian economy, loans to SMEs dominate the banking sector's lending activities, and comprised in 2017 76% of total outstanding loans to domestic non-financial corporations (NFCs). However, new lending (flow) to SMEs was smaller than in 2016, when significant amounts of large one-off lending took place.

Venture and growth capital increased in 2017 from EUR 79.4 million to EUR 120 million. In 2018, 3 new acceleration funds in addition to several seed, start-up and growth capital funds were introduced to the market to facilitate the development of venture capital investments.

The state promotes access to funding (through its micro-lending, start-up, and loans program) for firms lacking the financial credibility (collateral, net worth, cash flow and credit history) necessary to access funding from commercial banks or private investors.

Currently, state support programmes are introduced via the JSC Development Finance Institution Altum (ALTUM), a state-owned development finance institution offering aid and financial tools for various target groups. ALTUM develops and implements state aid programmes to compensate for market shortcomings that cannot be resolved by private financial institutions.

Table 25.1. Scoreboard for Latvia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	EUR million	7 727	8 672	8 376	7 764	7 035	6 154	5 404	4 939	4 771	4 942	4 482
Outstanding business loans, total	EUR million	8 865	10 359	9 681	8 888	8 212	7 474	7 058	6 379	6 274	6 373	5 887
Share of SME outstanding loans	% of total outstanding business loans	87.16	83.71	86.52	87.34	85.67	82.34	76.57	77.43	76.05	77.55	76.1
New business lending, total	EUR million	..	..	..	..	1 708	1 914	1 965	1 268	1 346	1 795	1 347
New business lending, SMEs	EUR million	..	..	..	..	1 506	1 625	1 613	1 020	947	1 399	974
Share of new SME lending	% of total new lending	..	..	..	..	88.20	84.90	82.08	80.47	70.39	77.95	72.3
Outstanding short-term loans, SMEs	EUR million	2 653	3 203	3 262	3 009	2 682	2 349	1 852	1 570	1 672	1 371	1 287
Outstanding long-term loans, SMEs	EUR million	5 048	5 409	4 912	4 701	4 353	3 805	3 552	3 369	3 099	3 571	3 195
Share of short-term SME lending	% of total SME lending	34.4	37.2	39.9	39	38.1	38.2	34.3	31.8	35.1	27.7	28.7
Non-performing loans, total	% of all business loans	0.7	3.2	20.2	20.8	16.4	9.7	6.9	5.9	4.4	2.7	3.1
Non-performing loans, SMEs	% of all SME loans	0.8	3.7	22.4	23.4	18.8	11.7	8.4	7.2	5.7	3.3	3.8
Interest rate, SMEs	%	8.3	8.9	7.9	7.1	5.8	4.5	4.5	4.7	4.5	4.4	3.8
Interest rate, large firms	%	6.6	7.1	5.2	4.3	4	3.6	3.8	3.3	3.1	2.5	2.6
Interest rate spread	% points	1.7	1.8	2.7	2.8	1.8	0.9	0.7	1.4	1.4	1.9	1.3
Non-bank finance												
Venture and growth capital	EUR million	..	..	..	..	..	..	..	37.95	51.98	79.37	120
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	..	..	..	..	..	..	..	36.97	52.69	51.13
Leasing and hire purchases	EUR million	1 576	1 594	1 145	841	810	867	875	864	932	939	1 034
Factoring and invoice discounting	EUR million	227.24	301.90	149.13	60.68	90.96	96.15	108.01	114.47	151.81	165.99	152.64
Other indicators												
Bankruptcies, SMEs	Number	..	1 620	2 581	2 549	822	880	820	959	803	730	588
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	..	59.32	-1.24	-67.75	7.06	-6.82	16.95	-16.27	-9.09	-19.45

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26. Lithuania

SMEs account for 99.6% of all enterprises operating in Lithuania, the majority of them (81.6%) being micro-enterprises. Most SMEs (80.9%) have chosen the legal form of private limited liability company and are primarily engaged in wholesale or retail trade activities (almost a third of all SMEs).

Equity capital and loans issued by non-banks (e.g. trade payables) are the main sources of funding for SMEs. As of 2016, equity capital financed half of SMEs' assets, while slightly more than a third of assets were acquired through non-bank loans. Nevertheless, banks play an important role in financing SMEs. As of 2016, almost 13% of all SME assets were acquired via bank loans.

Although SMEs account for the vast majority of enterprises and create almost 70% of gross value added, their share of total business loans is considerably small. By the end of 2017, this share amounted to 40% of the total portfolio of loans to non-financial enterprises. Furthermore, even though outstanding SME loans have been growing (+ 18% over 2014-17), their share in the total portfolio of loans to non-financial enterprises has barely changed over the years.

SMEs rarely use alternative sources of financing in Lithuania. At the same time, the survey of non-financial enterprises conducted by the Bank of Lithuania in H2 2018 indicates that one fourth of micro-enterprises need alternative sources of financing. However, almost none of these enterprises are using such instruments. For example, while there are clear legal regulations for crowdfunding in Lithuania and a significant number of enterprises providing such services, crowdfunding was actively used by only 0.6% of the surveyed micro-enterprises.

The government supports SMEs by ensuring that they benefit from favourable conditions to obtain the necessary financing to start a business. Loans with preferential rates are given under the EU Entrepreneurship Promotion Fund over the 2014-20 period. SMEs may also get loans with preferential rates from the Venture Capital Fund II. Moreover, when a company does not have sufficient collateral, it may apply to the state-controlled enterprise *UAB Investicijų ir verslo garantijos* (Investment and business guarantees, INVEGA), which provides a guarantee of loan repayment. In addition, municipalities provide significant support to SMEs: when starting business, small enterprises may expect their set-up costs, part of interest payments and other expenses to be compensated.

Table 26.1. Scoreboard for Lithuania

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
						Debt						
Outstanding business loans, SMEs	EUR million	..	..	..	..	..	..	..	3 143	3 231	3 404	3 723
Outstanding business loans, total	EUR million	8 409	9 864	7 978	6 816	6 906	7 047	6 828	7 404	7 740	8 611	9 252
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	..	..	..	..	42.45	41.74	39.53	40.24
New business lending, total	EUR million	7 759	9 452	7 252	4 868	3 792	3 220	3 236	3 128	4 275	4 248	4 639
Non-performing loans, total (NFCs)	% of all business loans	..	..	..	..	..	..	..	10.31	8.39	6.25	5.04
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	..	..	17.54	14.11	11.18	8.59
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	19.1	15.6	19.0	10.2	22.8	8.6	10.5	15.6
Interest rate spread	% points	..	..	1.46	1.53	1.79	1.51	1.51	1.59	1.60	1.68	1.53
						Non-bank finance						
Leasing and hire purchases	EUR million	..	..	..	..	..	..	..	..	1 471	1 870	2 272
Factoring and invoice discounting	EUR million	..	..	..	151	200	231	348	359	407	434	517
						Other indicators						
Payment delays, B2B	Number of days	..	..	..	..	..	..	..	..	..	26	27
Bankruptcies, SMEs	Number	606	954	1 842	1 637	1 272	1 401	1 552	1 685	1 983	2 732	2 970
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	57.43	93.08	-11.13	-22.30	10.14	10,78	8.57	17.69	37.77	8.71

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27. Luxembourg

SMEs account for 99.5% of all non-financial firms in Luxembourg. SMEs employed approximately 67.3% of the labour force and generated 65.2% of economy's total value added.

New business lending to all firms decreased in 2017 compared to 2016 and remains below the peak of 2008. New loans to SMEs (defined as loans below EUR 1 million) increased in 2017 compared to 2016. The share of new loans to SMEs increases at 12.8% in 2017, the highest in the last five years but, below the peak of 16.1% in 2011.

In 2016, the interest rate for SMEs amounted to 1.8%, down from 5.7% in 2008. The interest rates for SMEs remained systematically higher than the interest rate for large corporations in 2007-16, with a gap of 55 basis points in 2017. In relative terms, SMEs are paying 45% more in interest than large corporations.

Alternative forms of financing such as venture capital and factoring may hold high potential for SMEs seeking finance. In 2017, nearly EUR 60 million of venture capital was invested in Luxembourgish firms.

Bankruptcies in Luxembourg stood at 904 in 2017, much lower than the peak of 1 050 in 2012, but higher than the 574 in 2008.

A simplified form of société à responsabilité limitée ("S.à r.l.-S") entered into force in January 2017. The simplified S.à r.l.-, also dubbed "1-1-1 companies" (one person, one euro, in one day), can be created more quickly and with fewer start-up funds compared with a regular S.à r.l.-. The S.à r.l.-S is restricted to physical persons, and is intended to facilitate the development of new business activities. Over the period January- July 2017, 370 firms have been registered as S.à r.l.-S compared with a total of 6 083 registrations.

Table 27.1. Scoreboard for Luxembourg

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
New business lending, total	EUR million	113 817	181 792	166 287	111 898	111 568	105 854	100 444	92 349	83 076	87809	80 264
New business lending, SMEs	EUR million	12 800	14 555	14 754	15 441	17 979	15 593	13 713	10 765	10 142	9 395	9 698
Share of new SME lending	% of total new lending	11.25	8.01	8.87	13.80	16.11	14.73	13.65	11.66	12.21	10.70	12.08
Non-performing loans, total	% of all business loans	0.12	0.18	0.44	0.48	0.64	0.59	0.52	0.41	0.40	0.27	0.38
Interest rate, SMEs	%	5.51	5.72	2.81	2.71	2.68	2.22	2.05	2.08	1.88	1.75	1.76
Interest rate, large firms	%	4.96	4.97	2.59	2.30	2.62	1.86	1.64	1.47	1.42	1.20	1.21
Interest rate spread	% points	0.54	0.75	0.21	0.41	0.06	0.35	0.41	0.62	0.46	0.55	0.55
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	18.20	..	25.80	16.40	23.00	26.15	18.93
Non-bank finance												
Venture and growth capital	EUR thousand	103 343	298 650	49 021	132 917	281 484	86 212	38 601	127 758	144 368	193 590	58 371
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	188.99	-83.59	171.14	111.77	-69.37	-55.23	230.97	13.00	34.10	-69.85
Factoring and invoice discounting	EUR million	..	..	349	321	180	299	407	339	..	..	..
Other indicators												
Bankruptcies, SMEs	Number	659	574	693	918	978	1 050	1 049	850	873	961	904
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	-12.90	20.73	32.47	6.54	7.36	-0.10	-18.97	2.71	10.08	-5.93

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28. Malaysia

SMEs represent the vast majority of firms in the Malaysian economy, outnumbering large enterprises, both in terms of number and employment. According to the released Economic Census 2016, SMEs accounted for 98.5% of total business establishments in Malaysia in 2015.

Finance is becoming increasingly important for Malaysian companies, as reflected by the 9.3% growth in outstanding SME loans in 2016 (MYR 299.8 billion, from MYR 274.4 billion in 2015). Outstanding SME loans continued to grow in 2017, albeit at a slightly slower pace, increasing by 5.3% to MYR 315.7 billion. As total outstanding loans did not grow as rapidly, the share of SME lending in total business lending increased to 50.6% in 2017, from 48.7% in 2016 and 46.7% in 2015.

The annual average interest rate on SME loans by banking institutions (BIs) decreased from 7.8% in 2015 to 6.6% in 2016, but again increased slightly to 7.0% in 2017.

As of the end of December 2017, there were a total of 110 registered corporations within the Venture Capital and Private Equity sector (101 venture capital corporations (VCC) or venture capital management corporations (VCMC) and 9 private equity managing corporations (PEMC) or private equity corporations (PEC)). A total of MYR 7.0 billion are under management within these funds, which represents an increase of 7.7% year-on-year. Investments made in 2017 decreased significantly by 26.6%, to MYR 417.8 million, from MYR 569.5 million in 2016.

In 2017, the Credit Guarantee Corporation Malaysia Berhad (CGC) recorded a lower approval value of MYS 3.4 billion, as compared to MYS 4.2 billion in 2016, mainly due to the increased penetration to the microenterprise market segment, with lower average financing size. This is evidenced by the double-digit growth of 14.0% in the number of SME accounts approved, from 7 568 in 2016 to 8 637 in 2017.

Impaired financing, a proxy for non-performing loans, of the overall financial sector stood at 3.3% of total business loans, stable from 2016 and 2015 (3.3% and 3.2% respectively). Despite the rapid expansion of bank credit to SMEs, SME impaired financing substantively decreased from a peak of 7.5% in 2010, to 3.2% in 2017, and was thus almost on par with the share of large firms.

Since its inception in 2004, the National SME Development Council (NSDC) has continued to steer SME development in Malaysia by setting the strategic direction, and by formulating policies to promote the growth of SMEs across all sectors. The success of the NSDC can be measured through a number of outcomes, such as the adoption of a national definition for SMEs, the development of an SME database and statistics, the monitoring and analyse of SME performances to facilitate policy formulation, the streamlining dissemination of information on SMEs, the development of SME financial infrastructures and the endorsement of the formulation of an SME Masterplan.

More recently, the policy focus of the authorities has been to further expand the non-bank possibilities for risk capital, particularly to enhance access to finance for SMEs that are innovative, high-growth and active in new growth areas. The advent of Financial Technologies (FinTech) is transforming the financial landscape and these are expected to offer more financing alternatives to SMEs, including equity crowdfunding, investment account platforms (IAP) and peer-to-peer (P2P) lending.

Table 28.1. Scoreboard for Malaysia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
						Debt						
Outstanding business loans, SMEs	MYR billion	128.0	138.9	141.6	141.2	165.3	187.6	211.0	243.7	274.4	299.8	315.7
Outstanding business loans, total	MYR billion	290.7	328.3	343.1	375.3	422.0	465.1	499.8	545.9	588.1	616.0	623.8
Share of SME outstanding loans	% of total outstanding business loans	44.00	42.30	41.30	37.60	39.17	40.34	42.22	44.64	46.66	48.66	50.60
New business lending, total	MYR billion	163.1	129.0	104.9	141.1	171.4	169.5	178.8	196.4	179.3	178.7	200.0
New business lending, SMEs	MYR billion	63.2	58.9	50.9	62.2	75.2	84.7	78.3	77.7	72.0	74.6	70.7
Share of new SME lending	% of total new lending	38.77	45.70	48.50	44.06	43.90	49.94	43.78	39.57	40.12	41.77	35.33
Share of short-term SME loans outstanding	% of total SME lending	..	..	..	..	..	..	28.73	26.52	24.18	23.61	24.10
Share of long-term SME loans outstanding	% of total SME loans	..	..	..	..	..	..	71.27	73.48	75.82	76.39	75.90
Guarantee and Financing Schemes	No. of accounts (in thousands)	13.00	10.37	14.07	7.67	7.50	2.15	2.37	6.84	8.23	7.57	8.64
Guarantee and Financing Schemes	MYR million	4 567	3 014	3 112	2 495	2 861	1 066	1 546	3 175	3 356	4 224	3 380
Impaired financing, total (amount)	MYR billion	..	20.2	18.1	23.6	21.3	18.4	17.7	17.9	18.9	20.5	20.8
Impaired financing, total	% of all business loans	..	6.16	5.29	6.28	5.05	3.97	3.55	3.27	3.21	3.32	3.33
Impaired financing, SMEs (amount)	MYR billion	..	9.9	8.9	10.6	9.6	8.5	8.2	8.6	8.9	8.9	10.1
Impaired financing, SMEs	% of all SME loans	..	7.12	6.28	7.50	5.78	4.53	3.89	3.51	3.24	2.96	3.19
Interest rate, SMEs	%	..	6.39	5.50	5.69	5.74	5.72	6.06	7.18	7.81	6.60	7.00
Interest rate, large firms	%	..	6.08	5.08	5.00	4.92	4.79	3.79	5.41	5.11	5.06	4.82
Interest rate spread	% points	..	0.31	0.42	0.69	0.82	0.94	2.28	1.77	2.69	1.54	2.17
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	..	..	49.11	51.85	46.08	41.56	43.58
						Non-bank finance						
Total investment as at end of the period	MYR billion	1.78	1.93	2.59	3.39	3.59	2.76	3.43	3.25	2.22	2.92	2.45
Total investment as at end of the period	%, Year-on-year growth rate	53.90	8.13	34.06	31.05	5.81	23.12	24.52	5.45	31.58	31.61	16.05
Leasing and Factoring	MYR million	..	..	..	..	721	918	1 099	1 170	1 086	834	1 280

Note: Malaysia uses the term "Impaired financing" instead of "non-performing loans" and "Total investment as at end of the period" instead of "Venture and growth capital".

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29. Mexico

There are 4 million SMES in Mexico, 97.4% of which are microenterprises that account for 12.4% of Total Gross Production (TGP) and employ 47.2% of the workforce.

Outstanding loan volumes (stock) to SMEs have increased in recent years, at an average annual growth rate of 11.7% between 2009 and 2017.

In 2017, average interest rates varied depending on loan amounts and the size of the borrowing company. For large companies, the average interest rate was approximately 10.62%; for SMEs, the average was 16.99%

In recent years, the Mexican Government has developed a series of initiatives to support entrepreneurs and strengthen SMEs' access to finance .These initiatives have included programmes to promote youth and women entrepreneurship and programmes to strengthen alternative financial instruments, particularly the use of venture capital by SMEs.

Guarantee funds have also been used to develop more targeted programmes. For example, government initiatives were developed to support the provision of credit to previously ignored companies, such as construction firms, travel agencies, real estate development SMEs, rural tourism SMEs, small taxpayers and SME government suppliers.

Finally, the increased competition between financial intermediaries has generated a significant improvement in credit conditions, which has resulted in longer loan maturities and lower interest rates.

Table 29.1. Scoreboard for Mexico

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
						Debt						
Outstanding business loans, SMEs	MXN billion	..	..	199.0	220.9	256.8	310.9	423.6	481.7	548.1	738.1	821.3
Outstanding business loans, total	MXN billion	..	..	975.1	1 054.3	1 218.7	1 299.5	1 424.7	1 518.7	1 758.3	2 059.6	2 357.5
Share of SME outstanding loans	% of total outstanding business loans	..	..	20.41	20.95	21.07	23.93	29.73	31.72	31.17	35.84	34.84
New business lending, total	MXN billion	..	..	..	79.3	164.4	80.8	125.3	93.9	239.6	301.3	297.9
New business lending, SMEs	MXN billion	..	..	..	21.9	35.9	54.1	112.6	58.2	66.4	190.0	83.2
Share of new SME lending	% of total new lending	..	..	..	27.65	21.83	67.02	89.91	61.92	27.70	63.07	27.92
Outstanding short-term loans, SMEs	MXN billion	11.1	41.3	39.1	30.8	30.0	36.9	34.3	12.5	17.7	21.7	32.1
Outstanding long-term loans, SMEs	MXN billion	10.8	22.4	38.5	36.6	44.2	60.1	80.9	89.0	90.1	107.1	99.1
Share of short-term SME lending	% of total SME lending	50.63	64.80	50.37	45.69	40.44	38.03	29.77	12.32	16.40	16.84	24.46
Government loan guarantees, SMEs	MXN billion	0.8	1.1	1.9	2.3	3.0	3.0	3.7	4.3	3.2	2.7	1.9
Government guaranteed loans, SMEs	MXN billion	21.9	63.8	77.7	67.4	74.3	96.9	115.1	101.6	107.8	128.8	84.3
Direct government loans, SMEs	MXN billion	..	..	29.5	30.8	53.3	63.0	88.1	135.4	183.8	111.1	131.2
Non-performing loans, total	% of all business loans	..	..	1.92	1.93	2.17	2.09	3.61	3.19	3.13	2.32	2.15
Interest rate, SMEs	%	19.88	16.22	12.05	11.85	11.44	11.19	9.91	9.21	9.14	11.04	16.99
Interest rate, large firms	%	7.44	7.97	8.11	7.90	7.67	7.58	6.55	6.00	6.04	8.12	10.62
Interest rate spread	% points	12.44	8.25	3.94	3.95	3.77	3.61	3.36	3.21	3.10	2.92	6.37
						Non-bank finance						
Venture and growth capital	USD billion	4.1	1.7	1.7	3.3	2.9	3.6	1.9	5.5	10.6	3.8	5.7
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	-57.24	-2.13	92.10	-11.90	25.35	-48.00	194.50	91.67	-64.13	49.66

The full country profile is available at

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30. New Zealand

SMEs dominate the business landscape in New Zealand, constituting 99.0% of all firms in the country.

Bank lending to businesses in 2017 continued its upward swing since the 2008-09 global financial crisis (GFC), rising by another 6% to an all-time high level of NZD 107.7 billion. SME lending increased for the fifth year in a row, and reached NZD 64.6 billion in 2017 (a 7% or NZD 4.2 billion increase since 2016). The share of SME business lending was 59.4% in 2016, and increased to 60% in 2017. Lending conditions across other sectors (i.e. household, commercial property, agriculture) remained tight compared to those of the past three years (RBNZ Credit Conditions Survey).

The proportion of non-performing loans for SMEs has also decreased slightly from 1.1% in 2016 to 0.9% in 2017. However, it still remains above the proportion of non-performing loans for all businesses, which remained the same in 2017 as is in 2016 at 0.5%.

In 2017, the base interest rate for SME loans remained at 9.3%, one of the lowest since the GFC. Despite the low interest rates on SME loans, the interest rate spread in 2016 stood at 4.6 percentage points, indicating that SME borrowing has become relatively more expensive since the crisis (it was 3% in 2008), compared to borrowing for large firms.

Despite a relatively positive lending environment for SMEs, rejection rates for SME loans have more than doubled since 2016, from 4.8% to 11.7% in 2017. This could be partially due to tighter lending standards (compared to a year ago) which have made it more difficult for some SMEs to obtain credit. The volume of SME loans has increased, which could also mean that banks have become pickier with loan applications. The tight lending standards could have played a role in the decreasing proportion of credit availability on acceptable terms for SMEs.

Alternative sources of finance for SMEs have been on an upward trajectory since 2012. In 2017, venture capital (VC) and growth investment increased to NZD 124.2 million (a 29.1% increase since 2016). Software, technology hardware and equipment, and related services sectors remained the main beneficiaries of these investments.

Equity crowdfunding is another way SMEs can raise funds. In 2016, a new regulatory framework for equity crowdfunding activities was introduced. Equity crowdfunding in New Zealand had its most successful year in 2017, raising NZD 13.4 million, up 24% since 2016.

Exporting SMEs receive additional support from the New Zealand government. In 2016, the government made changes to the mandate and some operational criteria to enable the New Zealand Export Credit Office (NZECO) to support a wider range of SME firms and larger exporters, while helping NZECO develop a more diversified risk portfolio.

Other indicators of SME financial performance equally showed improvement. The total number of bankruptcies has decreased significantly since 2016, reaching 1863 bankruptcies (down 6.7% or 133) in 2017. On average, it takes SMEs 6 days, past the due date, to pay off their invoices in 2017. This figure remained the same compared to last year and fell significantly since 2011 (from 15 to 6 days). The New Zealand Business Number (NZBN) and Electronic Invoicing (e-Invoicing) are the current government initiatives that aim to improve compliance, reduce payment delays and support a digital and connected New Zealand economy.

Table 30.1. Scoreboard for New Zealand

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	NZD billion	..	..	31.6	32.4	32.1	30.9	32.4	34.2	36.5	60.4	64.6
Outstanding business loans, total	NZD billion	80.0	87.6	80.4	78.9	79.9	83.0	85.4	89.0	95.0	101.6	107.7
Share of SME outstanding loans	% of total outstanding business loans	..	..	39.3	41.1	40.2	37.2	37.9	38.4	38.4	59.4	60.0
Non-performing loans, total	% of all business loans	..	..	1.7	2.1	1.8	1.5	1.1	0.8	0.6	0.5	0.5
Non-performing loans, SMEs	% of all SME loans	..	..	2.7	2.9	2.8	2.7	2.4	1.6	0.7	1.1	0.9
Interest rate, SMEs	%	12.2	11.2	9.8	10.1	10.0	9.6	9.5	10.3	9.4	9.2	9.3
Interest rate, large firms	%	9.0	8.2	5.7	6.3	6.1	6.0	5.4	6.0	5.4	4.6	
Interest rate spread	% points	3.2	3.0	4.1	3.8	4.0	3.5	4.2	4.3	4.0	4.6	
Rejection rate	1-(SME loans authorised/ requested)	6.9	11.6	18.4	20.9	11.4	14.6	9.4	8.4	10.6	4.8	11.7
Non-bank finance												
Venture and growth capital	NZD million	..	..	..	..	..	41.2	67.9	62.2	83.7	96.2	124.2
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	..	..	..	..	..	64.8	-8.4	34.6	14.9	29.1
Other indicators												
Payment delays, B2B	number of days	..	..	..	..	15.7	13.5	12.7	10.4	7.1	5.9	5.8
Bankruptcies, total	number	3 585	2 504	2 564	3 054	2 714	2 417	2 188	1 921	1 979	1 996	1 863
Bankruptcies, total (growth rate)	%, year-on-year growth rate		-30.2	2.4	19.1	-11.1	-10.9	-9.5	-12.2	3.0	0.9	-6.7

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31. Norway

97% of all firms in Norway employ less than 50 people. The SME definition in Norway differs from the definition in use in most EU countries.

After two years of decline, the outstanding stock of SME loans rose in 2014 by almost 10% year-on-year and by almost 16% in 2015. Preliminary figures show a decline of more than 6% in 2016, however. The SME share of overall business lending in 2016 has decreased to 2014 levels at around 36%.

Short term lending to SMEs as a share of overall lending to SMEs increased in recent years, but the vast majority of SME lending is long-term, possibly due to the strength of legal rights and the depth of credit information in Norway.

Credit standards have tightened between the first quarter of 2015 and the second quarter of 2016, after several years of easing. Demand for credit has weakened considerably since the second half of 2015.

Venture and growth capital investments have been growing since 2012. However, the respective growth rates of 0.73% and the 6% in 2015 and in 2016 are nowhere near the strong, double-digit growth observed in 2013 and 2014.

After an uptick in the number of bankruptcies in 2013 and 2014 by 16.3% and 3.0% year-on–year respectively, bankruptcies went down by 1.9% in 2015 and continued to decrease in 2016 as well, by 0.72%.

In 2015, the Norwegian government introduced a new action plan for entrepreneurship. The plan outlines the Government's policies to improve conditions for starting and developing new businesses in Norway, with an emphasis on capital, competence and culture. The action plan has a wide-reaching set of actions, including increased entrepreneurship grants; it strengthened the financing of commercialisation of publicly financed research, established new seed capital funds, and introduced a pre-seed capital fund that will invest in young companies in collaboration with private investors.

Table 31.1. Scoreboard for Norway

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
						Debt					
Outstanding business loans, SMEs	NOK million	358 963	451 130	416 407	433 844	454 031	452 815	433 061	474 908	550 037	515 151
Outstanding business loans, total	NOK billion	837	1 033	1 031	1 058	1 125	1 131	1 195	1 289	1 409	1 407
Share of SME outstanding loans	% of total outstanding business loans	42.88	43.65	40.40	41.03	40.35	40.04	36.23	36.84	39.04	36.62
Outstanding short-term loans, SMEs	NOK million	69 147	83 925	69 906	72 953	75 895	85 430	81 126	90 487	100 233	93 039
Outstanding long-term loans, SMEs	NOK million	289 816	367 205	346 501	360 081	378 136	367 385	351 935	384 421	449 804	423 111
						Non-bank finance					
Venture and growth capital	NOK million	39 888	29 597	14 577	30 305	39 262	37 699	63 228	74 553	75 094	79 622
Venture and growth capital	%, Year-on-year growth rate	..	-25.80	-50.75	107.90	29.56	-3.98	67.72	17.91	0.73	6.03
						Other indicators					
Bankruptcies, SMEs	Number	952	1 427	2 059	1 804	1 725	1 525	1 774	1 829	1 794	1 781
Bankruptcies, SMEs	%, Year-on-year growth rate	..	49.89	44.29	-12.38	-4.38	-11.59	16.33	3.10	-1.91	-0.72

Note: 2016 figures for Outstanding business loans, Outstanding short-term loans, Outstanding long-term loans and for Venture and growth capital are preliminary.

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32. People's Republic of China

In China, SMEs account for the majority of enterprises. More than 98.64% of all firms are small business with 300 or fewer employees. In 2017, new business creation reached record highs with an average 16 600 new companies being created daily, up 9.9% compared to 2016.

The stock of SME loans increased to CNY 40 517.3 billion in 2016, up 14.8% from 2015. The SME loan share, however, slightly decreased to 64.7% over 2014-16 because loan growth for larger companies increased as well during this time. The ratio of short-term loans to total loans for SMEs dropped to 40.97% in 2017, down 13.74 percentage points. The ratio of SME loans backed by collateral dropped to 52.05%, down by 3.62 percentage points.

In 2017, though the benchmark lending interest rate remained unchanged, the actual interest rate of bank loans for SMEs and large companies increased to 5.78% and 5.4% respectively, up by 1.01 and 0.51 percentage points, respectively, from the previous year. The interest rate spread between SMEs and large companies expanded from -0.12 percentage points in 2016 to 0.38 percentage points in 2017. In addition, SMEs were on average charged extra loan fees amounting to about 1.31% of the total bank loan volume. In 2017, the 1-year interest rate in the shadow banking sector ranged from 13%-17%, with a spread of about 9% from formal bank loans.

In 2017, 73.9% of SMEs applied for bank loans. The rejection rate of loan applications for SMEs was 4.1%, down 2.06 percentage points compared to 2016. On average, only 53.1% of funding amounts requested were finally granted. The utilisation rate of SME bank loans was 89.9%, while the utilisation rate of large companies was 95.7%.

In 2017, the total financing amount of Chinese securities markets was about CNY 3 175.9 billion, down 28.8% from 2016. In 2017, SMEs obtained CNY 343.6 billion from the Shenzhen SME Board, and CNY 149.6 billion from the Shenzhen Venture Board, and CNY 133.06 billion from NEEQ. Venture capital, leasing and factoring, online lending and crowdfunding continue to remain important sources of SME financing.

In 2017, payment delays for the B2B (business to business) and B2C (business to customer) sectors significantly decreased to 44 days and 11.5 days, respectively. The ratio of SME non-performing loans to total SME loans was 2.6%, 0.53 percentage points higher than the ratio of non-performing loans for all businesses. The bankruptcy rate for SMEs was 3.7% in 2017 according to survey data, down 21.78% from the previous year.

The National SME Development Fund, which focuses on VC/PE investments and growth for SMEs and entrepreneurs in the seed and early stages of development established four regional subsidiary funds with total assets of CNY 19.5 billion and completed 130 investment projects totalling CNY 3.84 billion in 2017. Another National Guide Fund for Venture Investment in Emerging Industries with funds totalling CNY 40 billion was also established in 2017. This fund focuses on investments in innovative, high-tech, seed and early-stage companies. In 2017, Special Funds for SME Development also changed its funding policy and initiated a national programme focusing on innovative cities for SMEs. Finally, the Chinese government also initiated a national financing guarantee fund of CNY 60 billion in 2018.

During 2009-17, broader policy adjustments and reforms were carried out, targeted at easing SME access to diversified financing sources. The Chinese government made many efforts to improve business environments by loosening regulation, offering quality and efficient public services, strengthening official supervision for illegal market behaviours and relieving the tax burden on SMEs.

Table 32.1. Scoreboard for the People's Republic of China

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	RMB billion	..	..	13 616	17 139	21 168	25 356	28 585	33 302	35 300	40 517	..
Outstanding business loans, total	RMB billion	..	..	24 940	30 292	35 017	39 283	44 019	52 162	53 895	62 578	..
Share of SME outstanding loans	% of total outstanding business loans	..	..	54.60	56.58	60.45	64.55	64.94	63.84	65.50	64.75	..
Share of short-term SME lending	% of total SME lending	..	..	..	..	..	..	56.10	49.24	47.56	54.69	40.97
Direct government loans, SMEs	RMB billion	..	..	..	..	1 550	1 813	2 082	2 470	2 820	..	..
Non-performing loans, total	% of all business loans	..	..	..	..	1.26	1.21	1.25	1.49	2.04	2.07	..
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	1.75	1.65	1.66	1.97	2.59	2.60	..
Interest rate, SMEs	%	..	..	..	..	..	..	8.39	7.51	5.23	4.77	5.78
Interest rate, large firms	%	..	..	..	..	..	..	7.72	7.47	5.26	4.89	5.40
Interest rate spread	% points	..	...	..	..	..	..	0.67	0.04	-0.03	-0.12	0.38
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	51.59	52.98	54.52	54.76	55.67	52.05	..
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	..	..	..	69.88	63.06	53.09
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	..	..	6.19	11.97	11.72	6.13	4.07
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	93.51	94.75	94.48	94.03	89.91
Non-bank finance												
Venture and growth capital (stock)	RMB billion	111	146	161	241	320	331	264	293	336	377	..
Venture and growth capital (stock, growth rate)	%, Year-on-year growth rate	..	30.80	10.26	49.93	32.88	3.59	-20.34	11.15	14.59	12.02	..
Venture and growth capital (incremental)	RMB billion	..	..	..	..	..	25.11	27.90	37.44	46.56	50.55	..
Venture and growth capital (incremental, growth rate)	%, Year-on-year growth rate	..	..	..	..	..	..	-11.10	34.20	24.36	8.60	..
Leasing and hire purchases	RMB billion	24	155	370	700	930	1 550	2 100	3 200	4 440	5 330	6 060
Factoring and invoice discounting	EUR billion		55.0	67.3	154.6	274.9	343.8	378.1	406.1	352.9	301.6	405.5
Other indicators												
Payment delays, B2B	Number of days	..	..	..	..	..	..	95.91	72.31	64.44	65.21	44.00
Bankruptcies, SMEs	Percentage of all SMEs	..	..	..	..	..	..	8	7	5	5	4
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	..	..	..	..	..	..	-4.36	-24.59	-13.37	-21.78

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33. Peru

Peru's Central Reserve Bank (CRB) forecasts an annual growth of 4.0% in 2018 due to a better performance of exports and a positive performance of the terms of trade, which grew by 7.5% during the first semester of 2018. It is also expected that this ratio will experience a decline ranging from 1.0% to 4.9% by the end of 2018, due to trade tensions between U.S. and China. Besides, the Central Reserve Bank does not expect to lower its interest rate to stimulate the economy, since the inflation rate reached the lower bound of the upper limit of CRB's inflation target (2% +/- 1%).

Outstanding business loans grew by 3.2% in 2017[4]. Based on preliminary data, SME outstanding business loans amounted to 28.3% of all outstanding business in 2017, which is slightly higher than the share observed in 2016 (22.2%).

It is also important to point out that 2.75% of all outstanding business loans were non-performing loans, a slight increase from 2016. Non-performing loans for SME sector experienced an insignificant improvement of 20 basis point in 2017[5]. On the other hand, the interest rate spread between SME loans and large firm loans fell slightly from 15.2 to 14.6 percentage points (pp), according to the Central Reserve Bank.

By 2017, 99.6% of Peruvian enterprises were SMEs (including micro enterprises, which employ less than ten persons), and they employed 88.7% of the private sector's workforce. Compared to 2016, the SME sector grew by 10.0%, a significant recovery compared to recent years, according to the National Tax Administration Bureau. Among these formal enterprises, only 6.0% of them acceded to the formal financial system in 2017, decreasing from 6.6% in 2016. The reason behind this decrease is that the amount of formal enterprises created on 2017 was faster than years before. Importantly, direct government loans —public banks— increased by 32.8%.

In a geographical context, 53.8% of these formal SMEs that acceded to the financial system were from the capital city of Lima. In terms of economic sectors, services and retail sectors concentrate around 76.9% of all outstanding balances, while the fishing sector only amounts to 0.7% of all outstanding balances for instance. It is important to note that it is not necessary for an enterprise to be formal in order to obtain a formal credit, because they can get it as individuals.

[4] Preliminary data.

[5] Preliminary data.

Table 33.1. Scoreboard for Peru

Indicator	Unit	2010	2011	2012	2013	2014	2015	2016	2017
				Debt					
Outstanding business loans, SMEs*	PEN billion	16.20	18.65	21.88	24.77	28.21	30.37	32.57	42.65
Outstanding business loans, total	PEN billion	71.41	81.29	87.57	104.22	120.35	139.38	146.39	151.13
Share of SME outstanding loans*	% of total outstanding business loans	22.69	22.95	24.98	23.77	23.44	21.79	22.25	28.20
New business lending, total	PEN billion	3.99	2.64	2.12	2.78	3.70	1.13	3.03	..
New business lending, SMEs	PEN billion	3.41	2.29	1.88	2.26	3.30	0.82	2.77	..
Share of new SME lending	% of total new lending	85.42	86.77	88.61	81.27	89.39	72.85	91.68	..
Government loan guarantees, SMEs	PEN million	..	..	..	..	..	..	400	..
Direct government loans, SMEs	PEN million	26	20	26	143	224	234	268	356
Non-performing loans, total	% of all business loans	1.93	1.55	1.41	1.56	1.79	1.98	2.29	2.75
Non-performing loans, SMEs	% of all SME loans	7.82	6.31	5.21	6.27	6.99	8.42	9.07	9.05
Interest rate, SMEs	%	27.81	25.08	24.41	22.91	22.36	22.83	23.48	23.1
Interest rate, large firms	%	7.15	8.29	9.06	8.46	8.32	7.90	8.26	8.4
Interest rate spread	% points	20.66	16.79	15.35	14.45	14.05	14.93	15.22	14.6
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	37.82	47.13	58.98	..
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	5.07	5.25	..	..
Utilisation rate	SME loans used/ authorised	..	..	..	..	94.93	94.75	..	..
				Non-bank finance					
Leasing and hire purchases	PEN million	3 267	3 723	4 182	3 807	3 955	3 691	3 540	3 267
Factoring and invoice discounting	PEN million	675	679	657	697	717	740	786	675
				Other indicators					
Bankruptcies, all businesses	Number	..	..	..	..	69 427	89 982	85 190	83 079

Note: *Preliminary data.

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34. Poland

SMEs play a major role in the Polish economy. In 2017, Polish SMEs employed over 6.7 million employees – 68.3% of all enterprise employees – and accounted for 55.6% of value added by all enterprises and 46.3% of all investment outlays.

The stock of SME loans increased for the fourth year in a row, and currently accounts for 56.4% of total business lending. The majority of SME loans are long-term loans.

The share of SME non-performing loans decreased for the fifth year in a row in 2017, although it remains slightly higher than the share of non-performing loans for all businesses.

Venture capital and growth investments have increased by 41.2% in 2017 – although growth capital investments fell by 3% – a movement that was mainly driven by a substantial increase in venture capital, which almost doubled.

For the first time since 2012, SME interest rates slightly increased compared to 2016, from 2.86% to 2.95%. Since its peak in 2008, it has decreased by 251 basis points to 2.86% in 2016, before the 2017 increase. Interest rates for large enterprises followed a similar pattern and stood at 2.8% in 2017. Interest rate spread has remained under 0.5 percentage points for the entire reference period and has averaged 0.1 percentage points since 2011.

Multiple instruments supporting SMEs' access to finance are available in Poland, both at the national and at the regional level. Under the De Minimis Guarantee Scheme, SMEs can obtain loan guarantee covering up to 60% of the loan amount, up to a maximum of PLN 3.5 million. Since its launch in 2013, over 140 000 SME entrepreneurs have been granted with a guarantee under this scheme, with over 268 000 guarantees awarded thus far.

Guarantees and other forms of financial support for SMEs are also offered under European Union (EU) cohesion funds as well as other EU programmes (e.g. Programme for the Competitiveness of Enterprises and small and medium-sized enterprises - COSME, Programme for Employment and Social Innovation - EaSI).

Table 34.1. Scoreboard for Poland

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	PLN billion	..	125.3	127.2	127.0	159.0	164.8	163.9	175.6	185.8	193.6	206.6
Outstanding business loans, total	PLN billion	..	233.3	222.1	219.7	264.5	272.2	278.0	300.9	327.3	344.9	366.0
Share of SME outstanding loans	% of total outstanding business loans	..	53.72	57.29	57.81	60.12	60.54	58.97	58.36	56.77	56.14	56.44
Outstanding short-term loans, SMEs	PLN billion	..	31.9	31.2	31.5	38.4	39.9	37.4	40.5	41.6	42.8	43.9
Outstanding long-term loans, SMEs	PLN billion	..	90.2	93.2	93.7	116.2	122.2	123.4	130.3	138.3	145.1	156.4
Share of short-term SME lending	% of total SME lending	..	26.15	25.10	25.17	24.86	24.60	23.24	23.70	23.12	22.79	21.93
Government loan guarantees, SMEs	PLN billion	..	..	..	..	..	..	7.0	9.7	8.9	9.4	10.6
Government guaranteed loans, SMEs	PLN billion	..	..	..	..	..	..	12.2	17.4	15.9	16.4	18.7
Non-performing loans, total	% of all business loans	..	6.50	11.58	12.40	10.37	11.78	11.61	11.33	10.31	9.11	8.28
Non-performing loans, SMEs	% of all SME loans	..	7.46	13.35	14.59	12.33	13.06	12.99	12.75	12.29	10.97	10.04
Interest rate, SMEs	%	..	5.37	3.82	4.31	4.57	4.86	3.85	3.52	3.00	2.86	2.95
Interest rate, large firms	%	..	5.62	4.28	4.00	4.45	4.74	3.83	3.40	2.90	2.77	2.87
Interest rate spread	% points	..	-0.25	-0.46	0.31	0.12	0.12	0.02	0.12	0.10	0.09	0.08
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	..	..	..	..	..	38.92	30.33
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	..	..	..	..	78.55	80.12
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	..	..	..	..	..	37.20	31.78
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	..	..	..	66.44	61.83
Non-bank finance												
Venture and growth capital	PLN million	141.0	96.7	70.7	112.7	197.5	125.3	219.1	94.3	108.3	134.5	189.9
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	-31.42	-26.93	59.44	75.28	-36.55	74.80	-56.95	14.80	24.25	41.18
Leasing and hire purchases	PLN billion	27.1	24.1	28.9	21.4	27.8	26.9	30.4	34.3	37.8	51.0	58.2
Factoring and invoice discounting	PLN billion	30.2	45.5	51.4	88.6	94.9	113.1	132.4	152.7	165.3	192.7	222.5

The full country profile is available at
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35. Portugal

In 2017, SMEs comprised 99.7% of enterprises in Portugal, employed 73.4% of the labour force and were responsible for 59% of the turnover of the non-financial business economy.

In 2017, the global stock of business loans further decreased by 4.6% year-on-year, slightly above the decrease in SME lending which stood at 4.3%, after the decline of 2016 (-2.1% for total loans and -2.0% for SME outstanding loans). The share of SME loans in total business loans remained slightly above 86% since 2015. It should be noted that the share of SME loans is above 80% since more than a decade.

The decline in SME lending was more pronounced in short-term SME loans, having dropped by 62% over the 2010-17 period, but registered a decrease of 1.4% in 2017 compared to the previous year, whereas long-term SME loans decreased 3.3% year-on-year.

The share of government guaranteed loans in total SME loans grew significantly, from 5.4% in 2009 to 9.5% in 2017, demonstrating the sustained public efforts to support SMEs' access to finance.

The average interest rate for SME loans decreased to 3.4% in 2017, marking the fifth year in a row of decline, after the 2012 peak of 7.6%. The interest rate spread between SMEs and large firms increased from 1.9 to 2.2 percentage points between 2009 and 2012, and decreased since then, to 1.28 percentage point in 2017, indicating an improvement in SME financing conditions.

After a continuous decline in venture capital investments since 2007, there were signs of recovery since 2012. Total venture capital investments in 2015 increased again to EUR 70 million, +438% compared to their 2011 value. Nevertheless, in 2016 the amount of venture capital invested dropped again to 15 million, a 78% decrease compared with the previous year, but registers a recovery in 2017, with an increase of 33.8% year-on-year.

Payment delays rose from 35 days in 2009 to 41 days in 2011, and then almost halved again from 40 days in 2012 to 20 days in 2015, and remained stable since then.

Following four years of continuous increase (2009-12) in the number of bankruptcies, 2017 ended with a new 17% reduction from 2016, with 3008 bankruptcies, below pre-crisis levels.

SMEs' access to finance has been a major priority for the government. In this context, several "SME Invest / Growth and Capitalizar" credit lines to facilitate SMEs' access to credit were issued. These credit lines have a total stock of EUR 18.2 billion, and have long-term maturities (up to 7 years). They also offer preferential conditions, such as subsidised risk-sharing public guarantees, which cover between 50% and 75% of the loan. These credit lines aim to support fixed investment as well as SME working capital.

On the equity side, several venture capital funds and business angels co-investment vehicles have been implemented, totalling EUR 270 million for venture capital investments in the start-up and expansion phases (2017-2020).

The Portuguese Government approved a strategic program, “Capitalizar”, to support the capitalization of Portuguese companies, relaunch investment and facilitate SMEs’ access to funding, mainly through:

- Financial instruments of direct or indirect participation in companies;
- Special financing instruments to quasi-equity capital;
- Tax measures to encourage firm capitalization.

Table 35.1. Scoreboard for Portugal

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	EUR billion	83.8	91.7	92.3	90.8	87.0	79.8	73.6	70.9	68.1	66.8	63.9
Outstanding business loans, total	EUR billion	102.0	112.4	114.0	111.5	107.3	98.8	91.8	86.3	79.0	77.3	73.8
Share of SME outstanding loans	% of total outstanding business loans	82.17	81.57	80.96	81.45	81.13	80.75	80.13	82.19	86.2	86.4	86.6
New business lending, total	EUR billion	64.3	61.8	46.3	45.6	45.0	45.6	49.1	41.2	33.8	29.8	28.8
New business lending, SMEs	EUR billion	28.9	26.4	23.1	9.0	14.2	12.5	11.9	11.9	11.9	11.3	10.9
Share of new SME lending	% of total new lending	44.90	42.78	49.97	19.72	31.63	27.52	24.16	28.79	35.20	37.88	37.74
Short-term loans, SMEs	EUR billion	..	..	28.9	26.7	23.8	16.7	14.2	11.4	9.8	10.2	10.1
Long-term loans, SMEs	EUR billion	..	..	58.8	59.2	56.1	53.2	47.8	47.3	46.1	44.6	43.1
Share of short-term SME lending	% of total SME lending	..	..	32.94	31.09	29.77	23.91	22.94	19.41	17.48	18.69	18.99
Government guaranteed loans, SMEs	EUR billion	..	..	5.0	6.8	6.1	5.7	5.8	5.5	5.6	5.7	6.1
Non-performing loans, total	% of all business loans	1.83	2.44	4.22	4.59	6.94	10.54	13.46	15.05	15.91	15.85	14.91
Non-performing loans, SMEs	% of all SME loans	4.14	4.38	4.95	5.41	8.18	12.33	15.77	17.32	17.92	17.88	16.69
Interest rate, SMEs	%	7.05	7.64	5.71	6.16	7.41	7.59	6.82	5.97	4.6	3.83	3.42
Interest rate, large firms	%	5.29	5.92	3.84	3.91	5.4	5.43	4.97	4.37	3.25	2.69	2.14
Interest rate spread	% points	1.76	1.72	1.87	2.25	2.01	2.16	1.85	1.6	1.35	1.14	1.28
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	85.95	86.30	85.16	84.76	83.42	84.88	88.88	88.78	89.74
Non-bank finance												
Venture and growth capital	EUR million	137.1	92.1	42.2	65.4	12.8	16.6	28.6	47.1	69.8	15.1	65.1
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	-32.8	-54.2	55.0	-80.4	35.9	64.4	64.7	48.2	-78.4	331.3
Leasing and hire purchases	EUR billion	..	..	5.3	5.2	3.4	3.0	2.7	2.4	2.3	2.3	2.2
Factoring and invoice discounting	EUR million	..	..	621	733	402	338	376	476	547	441	421
Other indicators												
Payment delays, B2B	Number of days	39.9	33	35	37	41	40	35	33	21	20	20
Bankruptcies, SMEs	Number	2 612	3 528	3 815	4 091	4 746	6 688	6 030	4 019	4 714	3 620	3 008
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	35.1	8.1	7.2	16.0	40.9	-9.8	-33.3	17.3	-23.2	-16.9

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36. Russian Federation

SMEs in the Russian Federation are defined differently than in EU countries, hindering accurate international comparisons.

There are more than 5.9 million micro, small, and medium-sized enterprises in Russia (as of September 2018), accounting for about 22.3% of GDP and employing around 26.3% of the workforce.

New SME loans doubled between 2008 and 2013, but decreased in 2014 (-6%), 2015 (-28%) and 2016 (-3%). This trend reversed in 2017, as new SME loans increased by 15 %.

Lending conditions tightened considerably in 2014-2015, with an increase of the central interest rate from 5.5% to 17%, but this trend reversed in 2016-2017, when interest rates sharply decreased as a result of a decline in the level of inflation, and the launch of state programs of preferential lending for SMEs.

The interest rate spread between loans charged to SMEs and to all non-financial enterprises increased in 2015, sharply reduced in 2016, and slightly increased again in 2017 to 1.43 percentage points.

The share of non-performing SME loans doubled between 2013 and 2017 from 7.08% to 14.93% of all SME loans.

In contrast with many countries, venture capital activities have been on the increase between 2008 and 2013, with investments doubling over this period. Venture capital investments slightly declined in 2014 and further diminished in 2015-2016, which is associated with the Russian ruble depreciation and the withdrawal of some foreign investors from the Russian market. However, venture capital investments slightly grew in 2017.

Since 2005, the Ministry for Economic Development of Russia has been implementing the State SME Support Program, with a budget of RUB 154.7 billion between 2009 and 2017. Since 2016, at least 10% of the support program is targeting SMEs in single-industry cities.

In 2015 was established the Federal Corporation on SME Development. The corporation together with its subsidiary SME Banks and regional guarantee organisations provided guarantees for RUB 140.9 billion in 2017.

In the second half of 2017, a new State support programme was launched, under which interest rates on commercial bank loans to SMEs are subsidized. To improve SMEs' supplier role of the largest companies, the Government of the Russian Federation set a 18% quota for SMEs in procurement of large companies with state ownership.

Table 36.1. Scoreboard for the Russian Federation

Indicator	Unit	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt											
Outstanding business loans, SMEs	RUB billion	2 523	2 648	3 228	3 843	4 494	5 161	5 117	4 885	4 469	4 170
Outstanding business loans, total	RUB billion	12 997	12 412	13 597	17 061	19 580	22 242	27 785	29 885	28 204	29 219
Share of SME outstanding loans	% of total outstanding business loans	19.41	21.33	23.74	22.53	22.95	23.20	18.42	16.35	15.84	14.27
New business lending, total	RUB billion	..	18 978	20 662	28 412	30 255	36 225	38 530	34 236	35 580	38 453
New business lending, SMEs	RUB billion	4 090	3 003	4 705	6 056	6 943	8 065	7 611	5 460	5 303	6 117
Share of new SME lending	% of total new lending		15.82	22.77	21.31	22.95	22.26	19.75	15.95	14.90	15.91
Government loan guarantees, SMEs	RUB billion	..	..	..	24	28	30	22	..	100	138
Government guaranteed loans, SMEs	RUB billion	..	..	..	51	62	65	48	..	172	234
Non-performing loans, total	% of all business loans		5.83	5.43	4.30	4.57	4.31	4.59	5.61	6.91	6.66
Non-performing loans, SMEs	% of all SME loans	2.93	7.56	8.80	8.19	8.39	7.08	7.71	13.64	14.23	14.93
Interest rate, SMEs	%	..	..	..	..	..	..	16.09	16.44	13.03	10.84
Interest rate, large firms	%	..	..	..	..	..	..	12.94	12.95	11.70	9.41
Interest rate spread	% points	..	..	..	..	..	..	3.15	3.49	1.33	1.43
Non-bank finance											
Venture and growth capital	RUB million	14 327	15 192	16 787	20 092	24 126	26 251	25 990	22 372	19 862	21 205
Venture and growth capital (growth rate)	%, Year-on-year growth rate	39.71	6.04	10.50	19.69	20.08	8.81	-0.99	-13.92	-11.22	6.76
Leasing and hire purchases	RUB billion	..	..	..	..	1 860	2 530	2 900	3 200	3 100	3 200
Factoring and invoice discounting	RUB billion	..	..	361	496	880	1 450	1 890	2 060	1 845	2 080

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37. Serbia

SMEs dominate the Serbian business economy, accounting for 99% of all enterprises. In 2016, SMEs employed more than 65% of the labour force and accounted for 56% of total gross value added and for 41% of total exports. Sector-specific data indicates that most SMEs belonged to the trade industry (28.2%), followed by the manufacturing sector (15.7%), professional, scientific and innovative activities (12.3%), and transportation and storage (10.2%).

Results from the 2017 SME lending conditions survey conducted by the National Bank of Serbia indicate that SME financing conditions continued to improve, prolonging a trend that started in 2014. These improvements are linked to the country's achievement and maintenance of a more macro-economically stable environment, as well as to the Central Bank's relaxation of monetary policy and to improved resolutions for dealing with NPLs, which have lowered the country's risk premium.

In 2017, new bank lending to SMEs increased 16.1% compared to 2016. The share of new SMEs loans among total corporate loans likewise increased by nearly 3 percentage points to 42.8%in 2017. The stock of SMEs loans in 2017 increased by 4.6% year-on-year to EUR 5.8 billion. As a result, the share of outstanding SME loans in total corporate loans remained at 30%. The share of long-term loans in total SMEs loans accounted for 75%.

Lending conditions as expressed through interest rate levels continue to improve. Interest rates for SME loans in or indexed to foreign currencies decreased to 4.7% in 2017 (from 5.7% in 2016 and 6.3% in 2015), lowering the interest rate spread between loans to large companies and loans to SMEs to 2 percentage points (from 2.6 percentage points in 2016). On the Serbian dinar-denominated loans side, interest rates on SME loans decreased faster than interest rates on loans to large companies. Thus, the interest rate spread on Serbian dinar-denominated loans is even lower and amounts to only 1.3 percentage points. More specifically, interest rates on Serbian dinar-denominated loans to SMEs declined from 8.9% in 2016 to 6.4% in 2017.

The rejection rate (that is, the percentage of SME loan applications rejected) was 28.6% in 2017, almost the same as in 2016 (28.1%), while the utilisation rate (the percentage of used SME loans among all SME loans that were approved) increased to 90.6% in 2017 (from 88.1% in 2016). At the same time, the number of loans requiring collaterals (excluding bills of exchange) increased in 2017 to 55.3% (from 42% in 2016).

The share of NPLs in total SMEs loans more than halved in 2017 compared to 2016 and stood at 9.9% (from 20.2% in 2016). This is a strong signal supporting the successful implementation of the NPL Resolution Strategy, which not only affected the SME segment but the whole corporate sector, whose NPL share decreased to 10.4% in 2017 from 17.2% in 2016.

Finally, the government's focus on regulating alternative financing means for SMEs and maintaining macroeconomic stability is expected to continue improving lending conditions for SMEs and increase their financing options. The results of the Qualitative Bank Lending Survey conducted by the National Bank of Serbia and the European Investment Bank in 2018 have already indicated that credit standards and conditions for SMEs are improving.

Table 37.1. Scoreboard for Serbia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
							Debt					
Outstanding business loans, SMEs	EUR million	2 858	3 994	3 966	4 202	4 320	4 352	4 061	4 779	5 340	5 555	5 810
Outstanding business loans, total	EUR million	13 598	19 044	19 268	19 777	20 028	20 460	19 154	18 724	18 677	18 362	19 150
Share of SME outstanding loans	% of total outstanding business loans	21.02	20.97	20.58	21.25	21.57	21.27	21.20	25.52	28.59	30.25	30.34
New business lending, total	EUR million	..	..	..	..	8 862	9 043	7 093	6 765	8 461	10 130	10 966
New business lending, SMEs	EUR million	2 027	3 409	3 015	3 190	3 323	2 771	2 302	2 717	3 332	4 041	4 690
Share of new SME lending	% of total new lending					37	31	32	40	39	40	43
Outstanding short-term loans, SMEs	EUR million	1 000	1 265	1 356	1 436	1 308	1 257	1 386	1 405	1 348	1 382	1 453
Outstanding long-term loans, SMEs	EUR million	1 858	2 729	2 610	2 766	3 012	3 096	2 675	3 374	3 993	4 173	4 357
Share of short-term SME lending	% of total SME lending	35	32	34	34	30	29	34	29	25	25	25
Government guaranteed loans, SMEs	EUR million	..	..	298	523	390	569	342	750	126	13	14
Non-performing loans, total	% of all business loans	..	14.6	19.8	20.7	22.3	19.2	24.5	24.6	21.7	17.2	10.4
Non-performing loans, SMEs	% of all SME loans	6.7	10.6	18.9	21.0	22.6	26.1	28.0	27.1	26.7	20.2	9.9
Interest rate, SMEs	%	10.7	10.9	10.6	10.1	9.7	8.2	8.0	7.3	6.3	5.7	4.7
Interest rate, large firms	%	6.3	8.0	7.2	7.4	7.9	6.6	6.3	5.2	3.9	3.1	2.8
Interest rate spread	% points	4.4	2.9	3.3	2.7	1.8	1.6	1.7	2.1	2.4	2.6	2.0
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	32	39	43	45	46	53	55	53	54	42	55
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	..	..	..	15	16	..
Rejection rate	1-(SME loans authorised/ requested)	19	17	28	27	16	32	32	25	25	28	29
Utilisation rate	SME loans used/ authorised	72	82	88	68	84	86	88	86	88	88	91

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38. Slovak Republic

SMEs dominate the Slovak economy, comprising 99.5% of all enterprises in 2017, while its number increased by 19.2% in 2017. The largest year-on-year growth in the number of new businesses was achieved by micro-enterprises, which grew by 20.3% over the year.

After having risen between 2013-16, the amount of outstanding business loans slightly declined by 3.5% in 2017, reaching EUR 13 051 million. More than half of SMEs´ outstanding business loans were long-term (EUR 7 609 million), while short-term loans accounted for 41.7% (EUR 5 442 million) of SMEs´ outstanding business loans.

Interest rates on SME loans fell from 3.8% in 2012 to 3% in 2017. This improvement in SMEs' access to credit financing indicates that credit conditions have been gradually improving over the reference period.

Venture and growth capital declined 83% in 2017 and totalled EUR 2.9 million. This steep decline is primarily due to the closure of funding support under the JEREMIE initiative over the 2007-13 programming period. SMEs being funded under JEREMIE for the 2014-20 programming period have not yet received support.

Average business-to-business (B2B) payment delays remained stable in 2017. Compared to 2015, average B2B payment delays decreased by 5 days in 2017. The share of non-performing SME loans among all SME loans was higher (6.7%) than the share of non-performing loans among all business loans (3.1%) in 2017. Both shares, however, decreased on a year-on-year basis in 2017.

A total of 285 SMEs went bankrupt in 2017 (99.3% of all bankruptcies). Despite having declined over 2014-16, SME bankruptcies slightly increased in 2017 (by 4.4%).

The government has introduced several policies that seek to improve SMEs' access to finance. Primarily, these consist of loan and guarantee provisions to SMEs by specialised state banks (The Slovak Guarantee and Development Bank and Eximbank), and the Slovak Business Agency (SBA).

Table 38.1. Scoreboard for the Slovak Republic

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs (1)	EUR billion	9.1	12.1	12.0	12.0	10.6	11.0	10.7	11.9	13.2	13.5	13.1
Outstanding business loans, SMEs (2)	EUR billion	..	..	..	..	..	5.9	6.7	6.9	7.4	8.7	8.9
Outstanding business loans, total	EUR billion	13.9	15.7	15.2	15.2	16.1	15.5	15.1	14.8	16.1	16.9	18.1
Share of SME outstanding loans (1)	% of total outstanding business loans	65.70	77.12	79.39	79.39	65.77	71.11	71.07	80.22	81.70	79.81	72.29
New business lending, total	EUR billion	8.49	9.44	7.56	9.12	10.69	11.69	11.88	12.50	11.78	8.67	9.38
New business lending, SMEs (2)	EUR billion	..	..	..	..	..	2.36	2.63	2.60	3.09	3.13	3.17
Share of new SME lending	% of total new lending	..	..	..	..	..	20.20	22.16	20.83	26.20	36.14	33.81
Outstanding short-term loans, SMEs	EUR million	4 609	4 797	4 981	4 987	4 188	4 481	4 532	5 385	5 766	5 394	5 442
Outstanding long-term loans, SMEs	EUR million	4 527	7 295	7 051	7 059	6 412	6 557	6 202	6 517	7 404	8 129	7 609
Share of short-term SME lending	% of total SME lending	50.45	39.67	41.40	41.40	39.51	40.60	42.22	45.24	43.78	39.89	41.70
Government loan guarantees, SMEs	EUR million	82	99	81	70	84	87	38	26	60	46	32
Government guaranteed loans, SMEs	EUR million	115	157	143	139	167	136	157	186	244	184	88
Direct government loans, SMEs	EUR million	117	160	139	146	168	209	152	159	172	177	120
Non-performing loans, total	% of all business loans	..	..	6.80	8.40	8.30	7.90	8.30	8.60	7.40	6.50	3.14
Non-performing loans, SMEs(2)	% of all SME loans	..	..	..	..	..	10.40	9.90	10.30	9.00	8.10	6.67
Interest rate, SMEs	%	5.50	4.60	3.00	3.20	3.20	3.80	3.60	3.80	3.40	3.10	3.00
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	100	100	100	100	100	100	100	100	100	100	100
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	17	..	16	..	23	18	22
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	20	..	15	..	13	5	13
Non-bank finance												
Venture and growth capital	EUR million	7.0	8.0	14.4	11.4	11.5	7.0	9.0	9.0	12.7	17.1	2.9
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	14.3	80.0	-20.8	0.9	-39.1	28.6	-0.3	41.7	34.4	-83.0
Other indicators												
Payment delays, B2B	Number of days	20	8	13	17	20	21	19	17	24	19	19
Bankruptcies, SMEs	Number	169	251	276	344	363	339	377	409	350	273	285
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	48.5	10.0	24.6	5.5	-6.6	11.2	8.5	-14.4	-22.0	4.4

Note: (1) SME loans classified according to the national/ EU definition of SMEs; (2) No EU definition used - SME loans classified based on banking standards.

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39. Slovenia

Slovenian SMEs employ 72% of the workforce in the business economy (436 000 persons employed), and produce 64% of the value added (EUR 13 billion). Micro firms account for more than one third of all employment in the business economy, while the share of large firms in both employment and value added are below the OECD average, in line with the small size of the economy.

Firms manufacturing coke and petroleum are comprised only of SMEs. Otherwise, SMEs dominate mostly the service sector in terms of employment. Relative to the OECD average, the share of SMEs is significantly higher in the ICT sector and in manufacture of machinery. On the other hand, employment in textiles and apparel and in electrical equipment manufacturing activities is relatively more concentrated in large companies. (OECD, forthcoming publication).

Table 39.1. Scoreboard for Slovenia

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Outstanding business loans, SMEs	EUR billion	7.30	8.12	7.86	9.67	9.79	9.53	5.70	4.31	4.12	4.35	4.61
Outstanding business loans, total	EUR billion	16.80	19.94	19.86	20.83	20.09	18.64	14.14	11.21	10.04	9.31	9.31
Share of SME outstanding loans	% of total outstanding business loans	43.45	40.71	39.59	46.43	48.75	51.14	40.29	38.47	41.01	46.79	49.52
New business lending, total	EUR billion	..	..	..	10.25	12.38	9.21	6.71	5.99	4.95	3.92	3.48
New business lending, SMEs	EUR billion	..	..	..	6.09	7.17	5.81	3.78	3.30	2.88	2.23	2.21
Share of new SME lending	% of total new lending	..	..	..	59.36	57.93	63.06	56.34	54.99	58.07	56.90	63.55
Outstanding long-term loans, SMEs	EUR billion	2.09	2.53	2.15	2.76	3.09	3.19	1.74	0.79	0.61	0.78	0.80
Share of short-term SME lending	% of total SME lending	5.21	5.59	5.71	6.91	6.70	6.34	3.96	3.53	3.51	3.58	3.82
Government loan guarantees, SMEs	EUR million	28.62	31.19	27.33	28.54	31.55	33.47	30.51	18.22	14.70	17.87	17.26
Non-performing loans, total	% of all business loans	3.00	4.00	8.00	13.00	20.00	27.00	25.00	23.00	21.00	10.00	8.00
Non-performing loans, SMEs	% of SME loans	4.00	7.00	11.00	15.00	23.00	29.00	36.00	39.00	35.00	17.00	11.00
Interest rate, SMEs	%	7.11	7.51	7.09	5.80	6.00	5.89	5.84	5.14	3.66	2.93	2.73
Interest rate, large firms	%	5.69	6.25	5.06	5.07	5.17	4.84	4.48	4.16	2.84	2.15	2.24
Interest rate spread	% points	1.42	1.26	2.03	0.72	0.83	1.05	1.36	0.97	0.82	0.78	0.49

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40. South Africa

Although estimates vary, the number of micro, small and medium enterprises (SMEs) in South Africa rose by 3%, from 2.18 million in the first quarter of 2008 to 2.25 million in the second quarter of 2015 (Bureau for Economic Research (BER), 2016). Of the 2.25 million SMEs, 1.5 million were informal, concentrated in the trade (wholesale and retail) and accommodation sector.

The evidence regarding firm dynamics in South Africa suggests that scaling up is a significant challenge for most SMEs. For instance, average annual growth rates are positively related with firm size, such that larger firms exhibit higher average growth. Lack of access to markets, technology, business infrastructure, information etc., are some of the constraints for SMEs scaling up.

According to the South African Reserve Bank data on bank statistics, total SME credit exposure to banks was ZAR 617 billion at the end of 2017, which accounts for 28% of total business loans. As indicated below, the low level of SME financing appears to be emanating from the demand side as the vast majority of SMEs indicates that they do not borrow from financial institutions, particularly banks.

Owner-funded capital represents, by far, the most widely used source of finance, followed by investments by family and business partners.

SME non-performing loans in the banking sector have declined since 2010, falling from 5.2% to 2.5% in 2017. The economic recovery following the 2009 recession and prudent lending criteria have likely contributed to the improvement. At 2.53% in 2017, the ratio of non-performing loans of SMEs was higher than that of total corporates (1.3%) by more than one percentage point.

Government funding for SMEs is provided through grants and financing by development finance institutions (DFIs). The outstanding direct government loans to SMEs at the end of 2017 amount to ZAR 11.48 billion, which accounted for 1.8% of all SME loans.

Credit guarantees are also in use in South Africa. ZAR 297 million were provided in 2017 by the IDC and SEFA up from ZAR 243 million in 2016, after having declined significantly in 2013 and in 2014.

The South African Government is also working on the establishment of a registry for movable assets and of a database with credit information. Both initiatives aim to make lending less risky and should therefore make bank financing more widely available.

Table 40.1. Scoreboard for South Africa

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	ZAR million	..	423 691	411 212	388 090	411 280	454 012	512 504	545 271	579 823	638 525	617 846
Outstanding business loans, total	ZAR billion	..	1 441	1 276	1 373	1 481	1 648	1 791	1 965	2 323	2 377	2 239
Share of SME outstanding loans	% of total outstanding business loans	..	29.39	32.23	28.26	27.76	27.55	28.61	27.75	24.96	26.87	27.59
Government loan guarantees, SMEs	ZAR million	8	99	226	201	439	227	105	105	223	243	298
Direct government loans, SMEs	ZAR million	..	4 829	4 909	5 915	6 900	7 383	7 269	8 748	10 565	10 898	11 481
Non-performing loans, total	% of all business loans	..	1.40	2.96	2.91	2.11	1.97	1.84	1.54	1.64	1.48	1.29
Non-performing loans, SMEs	% of all SME loans	..	2.89	5.23	5.20	4.07	3.36	2.92	2.94	2.51	2.55	2.53
Non-bank finance												
Venture and growth capital	ZAR million	468	551	242	194	211	288	183	273	372	872	..
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	17.74	-56.08	-19.83	8.76	36.49	-36.46	49.18	36.26	134.41	..
Other indicators												
Bankruptcies, SMEs	Number	3 151	3 300	4 133	3 992	3 559	2 716	2 374	2 064	1 962	1 934	1 868
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	4.73	25.24	-3.41	-10.85	-23.69	-12.59	-13.06	-4.94	-1.43	-3.41

The full country profile is available at

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41. Spain

As of December 2015, 99.7% of all non-financial corporations (NFCs) in Spain were SMEs, employing 63.8% of the business labour force. Of these, micro-enterprises dominated with a share of 90.3% of all enterprises.

The Spanish economy continued to grow at a high rate in 2017. GDP grew by 3.1%, just slightly below 2016. A growth in employment brought the unemployment rate down to 16.12% in Q1-2018, from 18.6% at the end of 2016. Spain continued to maintain a high level of net lending to the rest of the world, which amounted to 2.0% of GDP.

SME lending contracted dramatically after the financial crisis. The recovery of activity and business performance of non-financial corporations in general, and of SMEs in particular, which began to take hold in 2014, continued in 2017, as did the improvement in their financing conditions.

Short-term loans continue to grow as a percentage of total loans. In the case of SMEs, at end-2017, 88.6% of lending was short term, which is a higher share than for large corporations and implies that SMEs are more dependent on credit institutions in the refinancing process than large enterprises.

As regards SME credit conditions, the trend of declining interest rates and interest rate spreads, along with a stabilisation of credit conditions, initiated in 2012, continued. The interest rate spread between loans to SMEs and large corporates also continued to narrow over the same period, progressively falling from the peak 230 basis points (bp) in 2012 to 59 bp in 2016.

By contrast, a slight downtrend was apparent in government assistance over the last three years. General government financing to non-financial corporations, preferentially SMEs, showed a very moderate decrease. This was, however, compatible with a greater availability of liquid funds and easier credit conditions from private-sector banks, so that SMEs found it easier to access private credit rather than public financing.

The economic recovery and the higher demand, along with improved credit conditions, were also evidenced in lower company mortality. This was also favoured by various insolvency legislation reforms that have stimulated agreements between creditors and the business continuity.

The latest available information on venture capital investments which relates to 2017, indicates equity financing and the related investments with respect to the seed, start-up and expansion stages in that year increased by 23.2% from 2016, reaching EUR 1 740 million.

Table 41.1. Scoreboard for Spain

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	EUR billion	..	..	..	..	..	..	..	293	258	247	263
Outstanding business loans, total	EUR billion	892.9	952.1	915.1	895.9	840.4	707.9	608.9	544.7	517.5	493.0	477
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	..	..	..	..	53.79	49.85	50.10	55.14
New business lending, total	EUR billion	991	929	868	665	527	485	393	357	393	323	339
New business lending, SMEs	EUR billion	394	357	263	210	174	146	134	147	165	170	184
Share of new SME lending	% of total new lending	39.76	38.43	30.30	31.58	33.02	30.10	34.10	41.18	41.98	52.63	54.28
Short-term loans, SMEs	EUR billion	379	346	246	196	166	139	126	135	154	153	163
Long-term loans, SMEs	EUR billion	15	11	17	14	8	7	9	11	12	17	21
Share of short-term SME lending	% of total SME lending	96.19	96.92	93.54	93.33	95.40	95.21	93.33	92.47	92.77	90.00	88.59
Government loan guarantees, SMEs	EUR billion	5.55	7.70	11.00	10.10	12.00	11.00	13.00	9.10	7.60	6.50	3.11
Government guaranteed loans, SMEs	EUR billion	5.21	7.05	5.91	7.24	7.50	4.97	2.06	0.94	0.27	0.11	0.04
Direct government loans, SMEs	EUR billion	10.10	12.38	19.92	23.74	26.22	23.60	23.65	22.59	21.48	20.73	20.53
Non-performing loans, total	% of all business loans	..	..	..	5.81	7.84	10.43	13.62	12.51	10.12	9.11	7.79
Non-performing loans, SMEs	% of all SME loans	..	..	..	..	..	..	..	..	..	..	..
Interest rate, SMEs	%	5.96	5.51	3.63	3.78	4.95	4.91	4.79	3.86	3.01	2.44	2.15
Interest rate, large firms	%	5.33	4.30	2.16	2.57	3.36	2.61	2.69	1.99	1.97	1.56	1.56
Interest rate spread	% points	0.63	1.21	1.47	1.21	1.59	2.30	2.10	1.87	1.04	0.88	0.59
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	35.19	34.36	31.45	30.00	31.22	28.24	25.89	26.04
Percentage of SME loan applications	SME loan applications/total number of SMEs	..	..	38.07	36.25	34.67	31.89	31.49	34.36	33.81	32.80	28.14
Rejection rate	1-(SME loans authorised/ requested)	..	..	22.74	15.87	12.83	18.47	12.85	9.77	7.87	6.95	4.75
Non-bank finance												
Venture and growth capital	EUR million	..	3.34	3.60	3.60	2.68	2.15	1.47	1.44	1.11	1.41	1.74
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	..	7.8	0.1	-25.7	-19.8	-31.3	-2.4	-22.6	26.98	23.23
Other indicators												
Payment delays, B2B	Number of days	5	5	14	12	6	9	16	11	9	9	..
Bankruptcies, SMEs	Number (in thousand '000)	894	2 550	4 463	4 187	4 912	6 627	7 517	5 096	3305	3 114	3 132
Bankruptcies, SMEs (growth rate)	%, year-on-year growth rate	..	185.2	75.0	-6.2	17.3	34.9	13.4	-32.2	-22.9	-15.8	-5.2

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42. Sweden

In 2016, of all the limited liability companies with employees in Sweden, 99% were SMEs. They accounted for 60% of employment and 49% of value added.

The stock of SME debt to banks and other financial institutions was SEK 1 173 billion in 2016, up by 9% in comparison to 2015. SME debt as a share of total outstanding debt was 40% in 2016, up by 3 percentage points compared to the previous year.

Surveys of bank managers' views on business loan volumes indicate that loans to SMEs have increased since Q1 2012 and continue to increase; this development corresponds with decreasing interest rates on bank loans over the period.

The Swedish Central Bank (*Sw. Riksbanken*) continuously increased the repo rate[6] until the eve of the financial crisis. The rate was increased to 4.8% just a week before the fall of Lehman Brothers in September 2008. As the crisis hit, the rate was lowered gradually until it reached a low of 0.25%. The repo rate remained at 0.25% until the end of 2010 when the Central Bank began increasing it again. The repo rate reached 2% in mid-2011. Since then, it has not increased. In February 2015, the Central Bank, for the first time, introduced a negative policy rate (of -0.1%). The rate has since decreased further, remaining at -0.5% since February 2016.

Private equity fund investments in Swedish companies in the venture and growth stages were EUR 338 million in 2017, up 28% since the previous year. Alternative finance volumes[7] in Sweden totalled EUR 86.48 million in 2016, a 548% increase from 2015.

Almi's lending decreased by 23% to SEK 2 559 million in 2017. The Swedish National Export Credits Guarantee Board issued guarantees totalling SEK 1.8 billion to SMEs in 2017, a decrease of 28% from 2016. Regarding new policy developments in SME financing, the Swedish parliament (*Riksdag*), in June 2016, adopted a proposal to address the structure of public financing for innovation and sustainable growth (the government's bill 2015/16:110). A primary aim of the revised public financing structure is to clarify and simplify the system of state venture capital (VC) financing. The new structure also aims to utilise more efficiently public resources within the area and thereby contribute to the development and renewal of Swedish industry. A key feature of the new structure is the establishment of a new joint stock company, Saminvest AB, a fund of funds that invests in privately managed VCs focusing on development-stage companies. Saminvest AB began operations in 2017 and as such little performance data exists to draw conclusions regarding its success.

[6] The repo rate is the rate of interest at which banks can borrow or deposit funds at the Riksbank for a period of seven days. The repo rate has been the Riksbank's policy rate since 1994.

[7] Alternative finance includes crowdfunding, P2P lending and other alternative finance intermediaries. (Cambridge Centre for Alternative Finance 2018)

Table 42.1. Scoreboard for Sweden

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
						Debt						
Outstanding business loans, SMEs	SEK billion	..	..	..	..	..	930	964	1 003	1 073	1 173	..
Outstanding business loans, total	SEK billion	..	..	..	..	..	2 683	2 722	2 812	2 901	2 962	..
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	..	..	34.66	35.39	35.67	36.99	39.60	..
Outstanding short-term loans, SMEs	SEK billion	..	..	..	..	..	211	217	249	262	316	..
Outstanding long-term loans, SMEs	SEK billion	..	..	..	..	..	719	747	754	811	857	..
Share of short-term SME lending	% of total SME lending	..	..	..	..	..	22.71	22.50	24.83	24.44	26.92	..
Direct government loans, SMEs	SEK million	1 422	1 716	3 231	2 112	2 023	2 161	2 200	2 354	3 241	3 324	2 559
Non-performing loans, total	% of all business loans	0.08	0.46	0.83	0.78	0.65	0.70	0.61	1.24	1.17	1.04	..
Interest rate, SMEs	%	4.86	5.66	2.43	2.59	4.17	4.07	3.29	2.71	1.75	1.56	1.50
Interest rate, large firms	%	3.99	4.84	1.71	1.64	3.01	3.03	2.64	2.15	1.35	1.21	1.14
Interest rate spread	% points	0.87	0.82	0.72	0.95	1.16	1.04	0.65	0.56	0.40	0.34	0.37
						Non-bank finance						
Venture and growth capital	EUR thousand	580 050	651 263	464 639	736 568	278 719	312 565	328 059	292 312	271 772	263 237	338 021
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	12.28	-28.66	58.52	-62.16	12.14	4.96	-10.90	-7.03	-3.14	28.41
						Other indicators						
Payment delays, B2B	Number of days	..	..	..	..	..	20.00	24.00	15.00	9.00	9.00	10.00
Bankruptcies, SMEs	Number	2 469	3 139	3 913	3 342	3 449	3 808	3 777	3 355	2 998	2822.00	3 019
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	27.14	24.66	-14.59	3.20	10.41	-0.81	-11.17	-10.64	-5.87	6.98

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43. Switzerland

Only 0.8% of all Swiss enterprises are large and SMEs continue to dominate the enterprise landscape, constituting 99.2% of all firms.

Switzerland experienced a real GDP growth of 1.1% in 2017, a decline of 0.3 percentage points from 2016.

Total outstanding SME loans rose 2.4% in 2017 to reach CHF 422 billion, a higher growth rate compared to the 2016 figure of 2.1%.

Over the 2007-17 period, SME loans expanded by 30.6%, while overall corporate lending rose 37%.

Lending standards loosened in 2017, while demand for credit slightly decreased.

The average interest rate charged to SMEs increased in 2017 to 2.09% after the 2016 decrease, while the interest rate spread between large and small companies remained stable at 79 basis points.

Venture and growth capital investments experienced a large increase of 221.3% in 2017, following a 6.21% contraction in 2016.

Crowdfunding activities are increasing rapidly (+192% in 2017), despite the lack of specific crowdfunding legislation. Recently, the government has taken steps to make the regulatory framework friendlier to the industry, and particularly to financial technology companies.

Payment delays in the business-to-business sector have significantly decreased over the last few years, from 12 days in 2008 to 7 days in 2017, illustrating that liquidity problems have diminished.

In Switzerland, there are four guarantee cooperatives that help promising SMEs obtain bank loans of up to CHF 500 000. Loan guarantee volumes increased steadily over 2007-10, declined slightly in 2011, and continued to grow in the ensuing five years. The guarantee scheme was restructured in 2007, allowing it to cover more risks, which resulted in an increase in guarantee volumes. Currently the Federal Council is undergoing an amendment to the Federal Law on Financial Aid for guarantee organisations, which would allow for guarantees up to CHF 1 million.

Table 43.1. Scoreboard for Switzerland

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	CHF million	323 093	344 840	343 866	363 566	377 630	384 438	404 793	402 346	403 681	412 005	422 052
Outstanding business loans, total	CHF million	401 647	426 489	433 485	458 689	480 922	489 116	513 631	526 532	525 042	538 709	550 352
Share of SME outstanding loans	% of total outstanding business loans	80.44	80.86	79.33	79.26	78.52	78.60	78.81	76.41	76.89	76.48	76.69
Government loan guarantees, SMEs	CHF million	104	148	187	215	210	219	227	238	244	254	255
Interest rate, SMEs	%	..	..	2.21	2.11	2.08	2.01	1.99	2.05	2.07	2.04	2.09
Interest rate, large firms	%	..	..	1.35	1.23	1.16	1.11	1.16	1.16	1.30	1.25	1.30
Interest rate spread	% points	..	..	0.86	0.88	0.92	0.90	0.83	0.89	0.78	0.79	0.79
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	0.76	0.75	0.77	0.77	0.75	0.79	0.80	0.80	0.82
Utilisation rate	SME loans used/ authorised	0.71	0.70	0.71	0.70	0.69	0.71	0.72	0.72	0.72	0.72	0.71
Non-bank finance												
Venture and growth capital	CHF million	320	301	309	330	228	246	226	235	366	343	1 101
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	-5.91	2.53	7.00	-31.05	8.00	-8.01	3.89	55.60	-6.21	221.30
Other indicators												
Payment delays, B2B	Number of days	12.00	13.00	13.00	11.00	10.00	9.00	9.00	7.00	7.00	7.00	7.00
Bankruptcies, SMEs	Number	4 314	4 221	5 215	6 255	6 661	6 841	6 495	5 867	6 098	6 684	6 710
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	-2.16	23.55	19.94	6.49	2.70	-5.06	-9.67	3.94	9.61	0.39

The full country profile is available at

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44. Thailand

In 2016, there were approximately 3.01 million SMEs in Thailand, which constituted 99.7% of all enterprises. They altogether contributed to 42.2% of the country's GDP and accounted for 78.5% of total private sector employment.

According to the criteria defined by the Ministry of Industry, SMEs are categorized by the number of employees and the value of total fixed assets (excluding land).

SMEs are able to access financing through commercial bank loans. In 2017, outstanding SME loans totaled THB 4 220 624 billion, representing 50.47% of all outstanding business loans. Furthermore, SMEs are able to source funds from other financial institutions, the capital market, crowdfunding and venture capital.

Some SMEs still face problems including collateral constraints and a lack of credit history, which limit their access to bank loans. Government policies have been put into place to address these constraints.

For example, the Thai Credit Guarantee Corporation (TCG) provides credit guarantees for viable SMEs to ensure that SMEs with insufficient collateral have access to bank loans.

Moreover, The Business Collateral Act B.E. 2558 (2015) simplified the process of security interest creation and expanded the types of collateral which SMEs can register and use to secure loans.

In addition, to boost SMEs' financial access in a sustainable manner, the government has also launched capacity-building programmes to enhance SMEs' competitiveness.

Table 44.1. Scoreboard for Thailand

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Outstanding business loans, SMEs	THB billion	2 365	2 410	2 222	2 376	2 743	3 084	3 513	3 710	3 918	3 989	4 220
Outstanding business loans, total	THB billion	4 629	5 117	4 863	5 298	6 080	6 723	7 473	7 774	8 017	8 066	8 362
Share of SME outstanding loans	% of total outstanding business loans	51.06	47.09	45.70	44.85	45.11	45.87	47.00	47.73	48.87	49.45	50.47
Government loan guarantee, SMEs	THB billion	..	..	..	73	113	180	244	270	309	331	353
Non-performing loans, total	% of all business loans	8.23	5.77	5.32	3.96	2.97	2.36	2.13	2.07	2.55	2.88	3.01
Non-performing loans, SMEs	% of all SME loans	..	..	7.11	5.38	3.97	3.46	3.29	3.11	3.5	4.35	4.37

The full country profile is available at

Https://doi.org/10.1787/fin_sme_ent-2019-en

45. The Netherlands

The recovery of the Dutch economy continued in 2017, with GDP showing a year-on-year growth rate of 2.9%[8], and unemployment decreasing a further 1.1 percentage point to 4.9%, the lowest percentage since 2009[9].

After dropping modestly since 2011, new lending to SMEs went up again in 2017 to almost EUR 21 bn. Total outstanding business loans decreased by 5.9% year-on-year in 2017. However, at EUR 328 billion, the total amount of outstanding business loans is still 4.6% higher in 2017 than in 2010.

Since a peak in 2009, the share of SMEs applying for loans is rather stable, at around 20%. The percentage of requested loans authorised in full rose from 74% in 2015 to 76% in 2016 and 83% in 2017. The interest rate for small firms (2-49 employees) is higher than for large firms by 0.4 percentage point (2.9% and 2.5%). Large firms' interest rate decreased by 70 basis points in 2017.

The total sum of venture and growth capital investments in companies in the Netherlands has gone up and down over the last decade with peaks in 2008 (EUR 575 million), 2011 (EUR 660 million) and 2017 (reaching the highest point of the period at EUR 731 million). Since 2014, the total sum of private equity investments has not been below the EUR 700 million mark.[10]

The average number of days to receive a B2B payment was 32 days in 2017, with the average contractual term being 27 days, as was the case in 2016. The average number of days of delay to receive a B2B payment therefore remains 5 days, a decrease from 2015 by one day, and a considerable decrease compared to preceding years. The number of bankruptcies continued to decrease in 2017, with a year-on-year decrease of 25.2%. The number of bankruptcies is at approximately the same level as in 2007.

Several programmes exist to support the access to finance of SMEs. These include different guarantee schemes, like the Guarantee Scheme for SMEs (BMKB) the Growth Facility (GFAC) or the Guarantee for Entrepreneurial Finance (GO). Qredits, a microcredit institution, introduced SME loans of various sizes in 2013.In 2015, Dutch institutional investors founded the Dutch Investment Institution (NLII), which will be ending in 2018. In addition, the Netherlands is creating a National Promotional Institution, Invest-NL, whose aim is, among others, to help SMEs by financing or developing viable business cases.

[8] *Macro Economische Verkenningen 2019*, Centraal Economisch Plan

[9] https://opendata.cbs.nl/statline/#/CBS/nl/dataset/80590ned/table?ts=1533886271304 (Unemployment as percentage of the Dutch labour force, 'national definition')

[10] The method of calculating the sum of venture and growth capital investments has changed compared to last year. Therefore, earlier figures have been updated.

Table 45.1. Scoreboard for the Netherlands

Indicators	Units	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt											
Outstanding business loans, total	EUR billion	304.8	313.5	325.7	342.1	349.1	346.5	330.5	370.2	349.1	328.3
Outstanding business loans, SMEs	EUR billion							143.3	136.0	130.4	124.1
Share of SME outstanding loans	% of total outstanding business loans							41.4	41.1	35.2	35.6
New business lending, total	EUR billion				123.0	124.9	110.0	97.3	83.7	146.7	122.7
New business lending, SMEs	EUR billion	..	..	10.2	19.5	18.7	18.8	18.0	18.2	16.0	20.9
Share of new SME lending	% of total new lending				8.3	15.6	17.0	19.3	21.5	12.4	13.0
Short-term loans, SMEs	EUR billion	..	..	..	..	..	30.1	26.8	23.1	19.8	17.9
Long-term loans, SMEs	EUR billion	..	..	..	..	..	113.3	108.2	107.3	104.3	107.9
Share of short-term SME lending	% of total SME business loans	..	..	..	..	..	21.0	19.8	17.7	15.9	14.3
Government loans guarantees, SMEs	EUR million	400	370	945	1040	590	415	473	523	710	646
Non-performing loans, SMEs	% of all SME loans							10.0	10.8	9.5	8.1
Interest rate, SMEs	%	5.7	4.5	6.0	6.4	5.1	4.3	4.1	4.4	3.7	2.9
Interest rate, large firms	%				3.5	3.6	3.4	2.8	2.4	3.2	2.5
Interest rate spread	% points				2.9	1.5	0.9	1.3	2.0	0.5	0.4
Collateral, SMEs	% of SMEs required to provide collateral for last bank loan	..	47.0	45.0	44.00	47.00	50.00	43.00	29.00	34.00	40.0
Loans requested, SMEs	% of SMEs requesting a bank loan	..	29.0	22.0	18.0	22.0	21.0	21.0	16.0	14.0	18.0
Loans authorised, SMEs	% of SMEs which requested a bank loan and received it in full	..	72.0	75.0	70.0	50.0	54.0	44.0	89.0	73.0	83.0
Equity											
Venture and growth capital	EUR million	575.0	506.1	323.3	660.0	419.4	389.3	589.9	714.2	704.3	731.2
Venture capital	Year-on-year growth rate, %	15.5	-12.0	-36.1	104.1	-36.5	-7.2	51.5	21.1	-1.4	3.8
Other indicators											
Payment delays	Average number of days	13.9	16.0	17.0	18.0	18.0	17.0	16.0	6.0	5.0	5.0
Bankruptcies	Number	3842	6942	6162	6117	7349	8376	6645	5271	4399	3291
Bankruptcies	Year-on-year growth rate, %	..	82.1	-11.2	-0.7	20.1	14	-20.7	-20.7	-16.54	-25.19
Bankruptcies, total	Per 10 000 firms	104.44	188.77	168.7	167.97	202.99	236.91	188.32	149.56	124.84	94.37

The full country profile is available at

Https://doi.org/10.1787/fin_sme_ent-2019-en

46. Turkey

SME lending grew steadily over the whole 2007-2017 period, with the exception of a minor decline of 1.6% in 2009. SME loans grew by 22% in 2017. The share of SME loans in the total business loans remained broadly stable, at 32%; slightly below the scoreboard median (38%).

Venture and private equity investments show an erratic pattern. After reaching a peak in 2011, investments remained subdued in the years after. In 2017, investments surpassed 2011 levels for the first time, experiencing a 27% increase from 2016.

Non-performing loans (NPLs) ratio for both business loans and SME loans declined in 2017, at 2.81% and 4.71% respectively. Nevertheless, this decrease only partially offsets the 2016 increase, and these levels remains higher than in 2010 (previous peak).

The number of bankruptcies decreased from 222 firms in 2016 to 131 in 2017. Company closures, including sole proprietorships, totalled 42 898enterprises in2017, increased from 41897 enterprises in 2016, highlighting that bankruptcies (upon court verdict) constitute a relatively uncommon phenomenon in Turkey.

In 2012, the Turkish Government enacted a law to stimulate the development of the business angel industry. A secondary legislation came into force in 2013. The purpose of the law and the secondary legislation was the establishment of a legal framework and the provision of generous tax incentives for licensed angel investors.

The government also introduced regulation regarding fund of funds, which enables Treasury to transfer capital to a fund of funds under certain conditions.

KOSGEB constitutes the main body for executing SME policies in Turkey. It provides 13 different support programmes and supports collateral costs for SMEs with considerable outreach throughout Turkey.

New initiatives to stimulate alternative sources of finance have been introduced in Turkey in 2017. The SME Technological Product Investment Support Programme aims to support SMEs' technological product investments through the commercialization of new products resulting from innovation activities and located in priority technology areas, to create value-added to the national economy, and to support technological product investments that enterprises will make to increase technological product exports by taking part in international markets. KOSGEB provides grants and soft loans in this programme during the investment period, as well as the following year.

Secondly, the Strategic Product Support Programme aims to provide support for investments by developing technological and production capabilities of SMEs for the re-localisation and nationalization of strategic products, thus contributing to the reduction of current account deficit. This programme also aims to improve the ability of SMEs and large enterprises to act together.

In 2016, Turkey passed a bill on movable collateral in commercial transactions. The goal of the reform is to increase access to finance against valuable tangible and intangibles assets such as receivables, machinery, inventory and stock, which comprise 78% of SMEs' total assets. This reform led to the creation of 13 089 security rights in 2017 and the first six months of 2018, amounting to 169.4 Billion Turkish Liras, 30.06 billion US Dollars and 9.3 billion Euros. The most used assets are receivables, machines and inventories respectively.

Table 46.1. Scoreboard for Turkey

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs	TRY billion	76.5	84.6	83.3	125.5	162.8	199.7	271.4	333.3	388.7	420.5	513.2
Outstanding business loans, total	TRY billion	190.6	250.3	262.7	353.2	459.0	528.8	715.5	884.6	1100.1	1314.4	1608.9
Share of SME outstanding loans	% of total outstanding business loans	40.14	33.80	31.70	35.52	35.47	37.77	37.94	37.67	35.34	32.00	31.90
Government loan guarantees, SMEs	TRY billion	0.1	0.3	0.6	0.9	1.1	1.1	1.1	1.4	1.6	5.3	236.7
Government guaranteed loans, SMEs	TRY billion	0.1	0.4	0.8	1.3	1.6	1.6	1.5	1.9	2.3	7.2	262.6
Direct government loans, SMEs	USD million	552	842	997	855	1 174	928	2 632	1 709	1 764	1 749	..
Non-performing loans, total	% of all business loans	3.8	3.7	4.91	3.43	2.61	2.82	2.69	2.64	2.68	2.9	2.81
Non-performing loans, SMEs	% of all SME loans	3.62	4.79	7.64	4.49	3.1	3.17	3.12	3.27	3.92	4.9	4.71
Non-bank finance												
Venture and growth capital	TRY million	13.7	0.9	6.3	47.6	373.2	110.1	335.5	124.4	135.3	343.2	435.1
Venture and growth capital (growth rate)	%, year-on-year growth rate	..	-93.76	639.58	652.9	684.82	-70.5	204.78	-62.93	8.77	153.64	26.79
Leasing and hire purchases	TRY billion	11.7	14.4	11.1	10.7	15.1	17.2	25.0	29.5	36.7	44.0	52.0
Factoring and invoice discounting	TRY billion	6.2	5.6	8.4	12.4	14.2	16.3	20.1	24.7	25.0	31.0	41.6
Other indicators												
Bankruptcies, total	Number	52	47	50	68	72	141	69	99	108	222	131
Bankruptcies, Total (growth rate)	%, year-on-year growth rate	..	-9.6	6.4	36.0	5.9	95.8	-51.1	43.5	9.1	105.6	-41.0

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47. United Kingdom

UK SME finance markets have seen some positive developments in the last four years, with stable levels of bank lending and strong growth in many of the commonly used alternative sources of finance in the United Kingdom.

Following a gradual decline in total outstanding bank lending stock to SMEs over five years, dipping below GBP 162 billion in H1 2016, numbers have been relatively stable and reached GBP 167 billion by Q2 2018. Gross lending to SMEs has exceeded GBP 14 billion every quarter since 2014, with cumulative new business lending totalling GBP 57 billion in 2017 (GBP 29 billion H1 2018). The trend in net lending to SMEs though has remained weak, totalling just GBP 0.7 billion in 2017 (GBP 0.33 billion H1 2018). Underlying these numbers, Bank of England Credit Conditions reports outline no change in supply, some fluctuation in demand, little change in default rates in SME markets in 2017 and early 18, with some loosening of conditions in Q2 and Q3 2018.

The combined rejection rate for SME loans and overdrafts overall has increased slightly by one percentage point over each of the last three years to 20% in 2017, albeit remaining much lower than levels reported pre-2014. Encouragingly, the annual average effective interest rate for SMEs has been falling since 2012 and remained quite low, at 3.16% in 2017, a rate spread between SME and large firms of 95 basis points, edging up to 3.39% in H1 2018 after consistent monthly hikes in the rate throughout H2 2017. SMEs renewing facilities (loans and overdrafts) are much more likely to be successful (97%), compared to those applying for new money (63%), whilst an increasing proportion of SMEs report debt finance is now secured (56%).

However, there are some key dynamics weakening SME demand for, and deployment of, external finance. Fewer SMEs are applying each year for new or renewed bank finance (just 4% in 2017, 7% in 2011), only 2% of SMEs are would-be seekers of external finance, down from 5% in 2014, and 1-2% are discouraged borrowers. Encouragingly though, 38% of SMEs are using some form of external finance and more SMEs are using non-bank finance (18% in 2017), or using retained profits and reserves to fund ambition. However, many SMEs may be foregoing potential growth due to an aversion to borrow: 82% restrict ambition to self-funded limits; 76% accept slower growth rather than borrow; whilst 47% are permanent non-borrowers.

Asset finance (leasing and hire purchase) remains the most widely-used form of alternative finance amongst SMEs, reaching GBP 18.6 billion in 2017, (+12% since 2016). Invoice finance and asset-based lending also showed strong growth to GBP 11.8 billion in 2017 (+8% on 2016). According to Invest Europe / EDC, total UK venture and growth capital investments reached GBP 3.7 billion in 2017: the increase on 2016 numbers of +45% in value, and +12% companies supported, driven by strong activity across seed, start-up and later stage ventures. British Business Bank analysis of Beauhurst data shows the number of external private equity deals has recovered from a weak 2016 (up + 6% in 2017), with investment values growing by 89% to GBP 5.9 billion in 2017, driven by larger deal sizes overall and a small number of extremely large deals.

Marketplace lending to businesses via peer-to-peer (P2P) platforms showed continued growth in 2017. Gross flows of P2P SME and P2P Invoice lending reached almost GBP 1.8 billion and GBP 0.6 billion, respective increases of 51% and 68% on 2016 numbers. An indication of the scale of business angel investments is provided by the value of raises via the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) which respectively helped smaller firms raise GBP 1.8 billion and GBP 175 million. Alternative finance, albeit comprising a relatively small proportion of SME finance overall, along with other non-bank funding, is expanding and enhancing the scale and diversity of smaller business finance markets.

The British Business Bank will receive GBP 2.5 billion of additional resources over 10 years to launch British Patient Capital, a new programme designed to enable and support a total of GBP 7.5 billion long-term investment in high growth potential businesses. Finally, the Bank will continue raising awareness of all finance options and working with partners to promote and increase innovation and diversity in funding provision to ensure fully-functioning SME finance markets.[1]

Table 47.1. Scoreboard for the United Kingdom

Indicator	Unit	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
					Debt						
Outstanding business loans, SMEs	GBP million	..	..	..	189	176	166	167	164	166	165
Outstanding business loans, total	GBP million	..	..	..	504	472	448	435	430	449	466
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	37.50	37.34	37.08	38.39	38.25	36.92	35.51
New business lending, total	GBP million	..	..	..	..	146	163	190	205	234	259
New business lending, SMEs	GBP million	..	..	..		38	43	53	58	59	57
Share of new SME lending	% of total new lending	..	..	..		26.13	26.40	28.18	28.20	25.30	22.16
Government loan guarantees, SMEs	GBP million	..	61	52	32	43	51	45	34	31	32
Government guaranteed loans, SMEs	GBP million	..	626	529	326	288	337	298	226	207	216
Direct government loans, SMEs	GBP million	..	..	..	..	1	61	71	62	83	107
Interest rate, SMEs	%	4.54	3.47	3.49	3.52	3.71	3.60	3.43	3.33	3.22	3.16
Interest rate, large firms	%	3.49	2.35	2.10	2.25	2.41	2.20	2.45	2.11	2.40	2.21
Interest rate spread	% points	1.05	1.12	1.39	1.27	1.30	1.40	0.98	1.22	0.82	0.95
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	25.00	31.00	31.00	34.00	40.00	45.00	56.00
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	7.00	6.00	4.00	5.00	4.00	3.00	2.00
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	31.00	32.00	23.00	18.00	19.00	20.00
					Non-bank finance						
Venture and growth capital	GBP million	..	..	..	2	2	2	2	2	3	4
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	..	..		-15.20	-0.50	41.66	6.54	6.81	44.89
Leasing and hire purchases	GBP million	..	..	..	11	12	13	14	16	17	19
Factoring and invoice discounting	GBP million	..	..	..	9	9	10	11	10	11	12
					Other indicators						
Bankruptcies, SMEs	Number	..	..	..	22 304	21 444	18 961	17 647	15 922	17 850	18 483
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	..	..	..	-3.86	-11.58	-6.93	-9.78	12.11	3.55

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48. United States

During the 2010-2017 recovery period US real GDP posted an average annual growth rate of 2.2%. While this growth rate was slightly lower than the 2.9% average recorded during the longer Post WW II period, it was sufficient to absorb excess labor supply created during the 2008-2009 recession: The employment to population ratio rose continuously from 42 percent during march of 2010 to 45 percent during July of 2018, not far from the recent peak ratio 47 percent recorded during March of 2000. During this period, the index of real output per hour posted an average annual growth rate of 0.7 percent, while the index of real compensation per hour posted an average annual growth rate of 0.6 percent.

Net formation of employer firms and employer SMEs rebounded modestly since 2012, but as of 2015 they both stood 2.5 percent lower than their peak 2007 levels. However, Bureau of Labor Statistics point to a continued growth during 2016 and 2017 with levels surpassing 2007 highs.

SME loan origination (flow data) indicates the new supply of loans to SMEs posted solid gains from October 2009 through September 2015, but then declined during the next sixteen months, bottoming during February 2017. Stock data show the value of small loans going to businesses declined continuously from 2008Q2 to 2013Q3, but then posted a modest recovery thereafter. As of the end of 2017, the value of small business loans outstanding was still 12 percent lower than peak 2008 level. The number of small business loans recorded a similar patter, and as of yearend 2017 were still 6 percent lower than peak 2008 levels. The divergent patterns between flow and stock data may imply that while financial institutions have increased new SME loan originations, SME loan draw-downs outpaced new originations.

Since early 2010 bankers have been loosening lending standards for loans to large firms and SMEs, and SME surveys report that loan availability is near historical highs. However, the same data sources point to soft demand for SME loans. Interest rates for SME loans posted dramatic declines during 2006Q3 to 2009Q3, and then posted a flat to modest downward trend up to 2015Q4, when they started to rise. As of 2018Q3 interest rates on SME loans stood at 5.0 percent.

At $31.6 Trillion, SBA's loan guarantees surpassed previous peak levels. The number of guarantees have underperformed their dollar value, but none the less, as of the end of 2017 stood about 24 percent higher than 2009 lows. Like other SBA capital access programs, SBIC financing rebounded strongly during the 2010-2015 period, reaching $6.3 Billion during 2015, more than tripling the $1.9 Billion low recorded during 2009. More recently, and partly mirroring the decline in the overall VC market, the SBIC program experienced a 4.7 and 4.4 percent decline during 2016 and 2017 respectively. The pattern of venture capital deals mirrors the pattern seen in the SME loan markets, where the number of contracts underperform their dollar value. As of 2017, the number of

VC deals has not surpassed the 2014 high of 10,509, all the while their dollar value as of 2017 stood at 81.9, close to the 2015 high of $82.2 billion.

Total bankruptcy filings have been on a continuous decline since 2011. Business bankruptcies started their continuous decline a year earlier. As a result, business bankruptcies during 2017 were 62 percent lower than 2009 peak levels. Delinquency rates of SME loans are at or near historical lows, with 31-90 days delinquency rates ranging 1.0-1.5 percent, and 91-180 delinquency rates remaining below 0.5 percent.

Table 48.1. Scoreboard for the United States

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt												
Outstanding business loans, SMEs. As of June 30	USD billion	687	711	695	652	608	588	585	590	599	613	619
Outstanding business loans, total. As of June 30	USD trillion	2.28	2.57	2.52	2.30	2.35	2.55	2.67	2.87	3.07	3.32	3.46
Share of SME outstanding loans	% of total outstanding business loans	30.1	27.7	27.6	28.4	25.9	23.1	21.9	20.6	19.5	18.5	17.9
New business lending, SMEs	USD: Index	119	94	74	77	97	100	105	120	147	140	140
Government loan guarantees, SMEs	USD billion	21	16	15	22	19	23	23	24	28	29	32
Government guaranteed loans, SMEs	Number of loans (in thousand)	108	66	57	66	52	54	53	61	70	69	71
Non-performing loans, total	% of all business loans	1.22	1.88	3.91	3.46	2.01	1.34	1.00	0.80	0.87	1.57	1.33
Non-performing loans, SMEs	% of all SME loans	2.14	2.62	3.24	2.62	1.90	1.44	1.21	1.22	1.22	1.28	1.34
Interest rate, SMEs	%	7.96	5.16	3.82	4.09	3.95	3.76	3.55	3.39	3.33	3.46	4.94
Interest rate, large firms	%	8.05	5.09	3.25	3.25	3.25	3.25	3.25	3.25	3.26	3.51	4.10
Interest rate spread	% points	-0.09	0.08	0.57	0.84	0.70	0.51	0.30	0.14	0.07	-0.05	0.84
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	..	..	..	..	..	..	..	92.90
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	..	..	..	..	..	..	..	55.20
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	..	..	..	..	..	..	44.80
Utilisation rate	SME loans used/ authorised	..	..	..	..	..	..	..	..	..	..	47.50
Non-bank finance												
Venture and growth capital	USD billion	36	37	27	31	44	42	47	72	82	76	82
Venture and growth capital (growth rate)	%, Year-on-year growth rate	..	3.1	-27.0	15.6	42.1	-6.1	13.6	51.6	14.3	-8.0	8.4
Leasing and hire purchases	USD billion	595	613	508	449	361	376	395	401	416	382	388
Factoring and invoice discounting	USD billion	..	..	..	..	146	100	111	130	105	99	98
Other indicators												
Payment delays, B2B	Percent of Domestic Invoices Overdue	..	..	..	..	..	..	25.9	..	46.6	..	40.3
Bankruptcies, all businesses	Number (in thousand '000)	28.3	43.5	60.8	56.3	47.8	40.1	33.2	27.0	24.7	24.1	23.2
Bankruptcies, all businesses (growth rate)	%, Year-on-year growth rate	43.8	53.8	39.7	-7.5	-15.1	-16.2	-17.1	-18.8	-8.3	-2.5	-4.0

The full country profile is available at

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Annex A. The EIB Group's support to SMEs and midcaps

The EIB Group’s support to SMEs and midcaps

The European Investment Bank Group (EIB Group) – consisting of the **European Investment Bank (EIB)** and the SME-focused **European Investment Fund (EIF)** – plays a role in improving access to finance for SMEs and midcaps in Europe and global partner countries. The EIB is the European Union’s bank, owned by and representing the interests of the European Union Member States. The EIF specialises in SME financing, and is majority owned by the EIB (58.5%), with the remaining equity held by the European Union (represented by the European Commission, 29.7%) and other European private and public bodies (11.8%).

Supporting access to finance for small business EIF’s sole mission and represents the EIB’s largest -of the four- primary policy priority in terms of volume. The two institutions act in strategic collaboration to provide a complementary offer of financial products to SMEs and midcaps. EIB support to SMEs is provided mainly through intermediated financing, both funded and unfunded risk sharing, including loan substitutes, as well as direct growth finance to midcaps. While still providing significant funding to micro enterprises, EIB’s products are focused on delivering support to more established enterprises. The EIF, meanwhile, offers risk finance for SMEs in all stages of their development via financial intermediaries, including equity, mezzanine, guarantees, microfinance, and securitisation. Support is provided to a wide constituency ranging from more fragile early-stage enterprises to maturing SMEs and from primary sectors (agriculture, forestry and fishing) to more capital-intensive activities such as manufacturing and services, including those with high innovative content. Financial instruments.

Additional information on the EIB Group’s SME activities can be found on the respective websites of the EIB (www.eib.org) and EIF (www.eif.org).

By relying on an extensive network of **around 750 financial partners** in 2017, the EIB Group profits from expertise of local actors to calibrate the varying financial challenges and needed support of SMEs throughout the EU.

Over the course of 2017, the **EIB Group has financed EUR 29.6 billion in support of SMEs and midcaps, which leveraged at least EUR 125.2 billion of total investment**. This was possible because financial intermediaries commit to complementing EIB Group financing with additional financial resources.

The benefit of working with a wide range of different financial intermediaries is therefore threefold:

- EIB Group’s financial value added due to its AAA rating is transferred to SMEs and midcaps through advantageous conditions (longer tenures and reduced pricing);

- Complementary funding is provided by intermediaries to multiply the resources available from the EIB Group; and
- Acting jointly with market players the EIB Group can act in line with market needs and can reach out to a higher number of European SMEs.

The EIB Group's offer

EIB Group's approach to reach SMEs and midcaps features the following product offer:

- **Microfinance and larger loans** to get projects off the ground. EIB Group also provides **loan substitutes** (Covered Bonds, funded/unfunded Asset Backed Securities) relieving capital constraints of banks pressured by regulatory requirements. This reduces the burden financial intermediaries carry and provides them with additional capacity to roll out further financing support to SMEs and midcaps;
- **Guarantees and risk-sharing loans**, covering the investment risks of large and small projects. By credit-enhancing the funding provided by local banks, the EIB Group makes it easier for them to support small businesses; and
- **Participation in debt and equity funds**, enabling the EIB Group to support the SME's business development through long-term riskier investments. This crowds in investors and fosters the involvement of the private sector, essential to the stability of a resilient economy.

The EIB Group also strives to **diversify its support to SMEs and midcaps** through alternative and less conventional financing techniques such as supply chain finance trade finance or peer-2-peer investor platforms.

In order to reach a level of financing adapted to the specificities of each region, the EIB Group leverages also on the expertise of Public Promotional Institutions, including National Promotional Banks, through dedicated financing platforms operating across the various geographies covered. It also engages in co-financing with Sovereign Wealth Funds and blending of EU funds under specific mandates, such as the European Structural and Investment Funds (ESIF) (http://www.eib.org/products/blending/esif/) available to national and regional authorities, to help create suitable financial instruments that benefit from additional sources of investment.

In order to increase EIB Group's investment impact in the EU, the European Commission launched in 2014 the **European Fund for Strategic Investments (EFSI)** (http://www.eif.org/what_we_do/efsi/index.htm).

This instrument aims to address market failures, to increase EIB Group’s financing flexibility, notably regarding the risk profile of borrowers, the investment sizes, the security available for projects and the underlying risk associated with the projects themselves, and to leverage the EIB Group's own funding by crowding-in private resources.

EFSI has two components:

- The Infrastructure and Innovation Window, implemented by the EIB (EUR 15.5 billion, to mobilise EUR 232.5 billion of investments); and
- The SME Window, implemented by the EIF, (SMEW, EUR 5.5 billion, to mobilise EUR 82.5 billion of investments).

The EIF uses financial instruments in order to maximize the amount of mobilised financing and to ‘crowd in’ private investors for the purposes of the EFSI SME Window. These are mainly guarantees and equity investments. Based on the success of the implementation, an extension in the form of EFSI 2.0 is underway. With an increased budget and extended lifespan until end of 2020, EFSI 2.0 now aims to mobilise at least EUR 500 billion of additional investment. The latest EFSI figures can be found online (https://ec.europa.eu/commission/publications/investment-plan-resuJts-so-far_en).

Increasing Policy Priorities

The EIB Group also **supports transversal objectives and additional EU policies**. Owing to established relationships from its extensive network of financial intermediaries and based on institutional agreements with regional public authorities and the European Commission for specific financial instruments, the EIB Group can request its partners to tailor its products to reach wider policy objectives, such as in the area of youth employment, agriculture, innovation, economic cohesion, internationalisation and climate action.

These overarching goals give guidance to EIB Group's impact in order to provide a more refined way of assisting SMEs and midcaps.

Annex B. Effective approaches for implementing the G20/OECD High-level Principles on SME financing

Principle 1. Identify SME financing needs and gaps and improve the evidence base	
Assessing the extent to which SMEs' financing needs are met and where gaps exist.	- Collecting quantitative data on SME finance through reporting to, and surveys conducted by, public bodies (central bank, statistics office, etc.). - Collecting data on funds received by SMEs from private equity and venture capital firms, or business angels, through the relevant business associations. - Partnership between public bodies (central bank, ministry of finance and/or statistics office) and private equity, venture capital or angel capital business associations, to conduct surveys on the state of SME financing in these segments. - Gathering comparative evidence from other countries and regions through the OECD Scoreboard on Financing SMEs and Entrepreneurs.
Cooperating with relevant stakeholders, including central banks and financial supervisory authorities, financial and research institutions and SME representatives.	- Involving relevant stakeholders in the assessment of SME financing gaps through an institutionalised SME committee or panel, or through *ad hoc* consultations.
Cooperating at the national and international levels to increase transparency regarding definitions and improve the comparability of data and indicators, facilitate international benchmarking, and regulatory coordination, and shed light on outstanding financing gaps and issues.	- Gathering comparative evidence from other countries and regions through the OECD Scoreboard on Financing SMEs and Entrepreneurs. - Publishing the government assessment of SME financing needs and trends online.
Principle 2. Strengthen SME access to traditional bank financing.	
Improving banks' capacity to lend to SMEs, including through credit guarantees, securitisation, credit insurance and adequate provisioning for loan losses.	- Providing government guarantees to SME loans, with specific programmes targeting priority segments (women entrepreneurs, young entrepreneurs, start-ups, etc.). - Supporting the securitisation of SME loans, including by creating an enabling and conducive legal and regulatory framework or by putting in place a register increasing the availability and transparency of information. - Making the credit approval process more transparent to SMEs, for instance by providing them with a standardised credit report and with their credit rating, based on a standardised methodology. - Digitising the registration of security interests; digital registers can also be an effective way of publicising the existence of security rights on assets to creditors, purchasers and the general public.
Putting in place effective and predictable insolvency regimes ensuring creditor rights while supporting healthy companies and offering a second chance for honest entrepreneurs.	- Making insolvency procedures simpler and quicker for SMEs, including by digitising the process (through an online register allowing online submission of forms and real-time consultations by the parties along the process) or by establishing clear timelines for the various steps of insolvency proceedings. - Enhancing insolvency competencies in courts through specialised courts, judges or the provision of specific training to judges.

Principle 3. Enable SMEs to access diverse non-traditional financing instruments and channels	
Increasing entrepreneurs' awareness of the available financing options through targeted outreach initiatives.	- Increasing awareness of SME owners and managers of all available financing options through a combination of online platforms, information programmes and seminars, delivered in various locations across the country. - Matching SMEs with funds or investors through an online platform or through dedicated events. - Improving the investor-readiness of start-ups and SMEs through accelerators or incubators providing them with training as well as mentoring, coaching and networking opportunities. - Putting in place a referral regime whereby SMEs rejected for credit by the largest banks must be offered a referral to a designated, online finance platform.
Principle 4 - Promote financial inclusion for SMEs and ease access to formal financial services, including for informal firms	
Maximising the number of SMEs which have access to and use mainstream financial services and products at a reasonable cost.	- Including relevant breakdowns (by gender, by location, etc.) in the collection of data on SMEs which do not have access to mainstream financial services and products, so as to design evidence-based policies targeting priority segments. - Developing specific programmes for priority segments, based on a thorough assessment of the specific challenges and obstacles they face.
Principle 5. Design regulation that supports a range of financing instruments for SMEs, while ensuring financial stability and investor protection	
Ensuring that regulation is designed and implemented that facilitates SMEs' access to a broad range of financing instruments.	- Considering the potential impact of relevant new laws and regulations on SME access to finance. - Reviewing relevant existing laws and regulation to assess their impact on SME access to finance. - Consulting the private sector and all relevant stakeholders when assessing the impact of existing or contemplated regulation on SME access to finance, through a public consultation, an *ad hoc* and dedicated working group, or through the consultation of an institutionalised consultative body like an SME council or an SME committee.
Putting in place legal, tax and regulatory frameworks contributing to foster diverse sources of finance	- Examining tax policies to ensure that they contribute to fostering diverse sources of finance by businesses.
Principle 6. Improve transparency in SME finance markets	
Putting in place information infrastructures for credit risk assessment supporting and, to the extent possible and appropriate, standardising credit risk information and making it accessible to relevant market participants.	- Digitising the business registry to make it more accessible, and also to improve the quality and comprehensiveness of the information provided, including by enabling the uploading of documents like financial statements for free. - Putting in place a public credit registry or supporting the development of private credit bureaus. - Improving SME accounting practices through workshops raising awareness, trainings or the publication of guidelines, including online options. - Raising awareness about IFRS for SMEs, and the benefits they can bring in terms of access to finance.
Principle 7. Enhance SME financial skills and strategic vision	
Championing SMEs' enhanced financial literacy; their awareness and understanding of the broad range of available financial instruments.	- Engaging with the private and not-for-profit sector to cooperate and coordinate awareness and educational activities. - Developing educational activities facilitating SME access to diverse and alternative financing instruments. - Providing guidance and mentoring on financial issues from established entrepreneurs to less experienced ones.
Tailoring programmes to the needs and financial literacy levels of different constituencies and target groups.	- Tailoring each training programme to the needs and knowledge level of the SME owners and managers involved, based on a diagnosis made at the beginning of the programme.

Principle 8. Adopt principles of risk sharing for publicly supported SME finance instruments	
Promoting SME financing, directly and indirectly.	- Accompanying the direct or indirect provision of funding by the public financial institution with measures addressing demand-side challenges and obstacles, for example by providing SMEs with the knowledge and skills needed to apply for the most suitable financing instrument in a successful and sustainable manner. - Conducting regular evaluations of the contribution of PFI programmes to improving and diversifying SME access to finance. - Publishing evaluations of the activity of the public financial institution, online for instance.
Principle 9. Encourage timely payments in commercial transactions and public procurement	
Encouraging timely payments in Business to Business (B2B) and Government to Business (G2B) transactions and ensuring that SMEs are offered clear and appropriate payment terms.	- Tracking delays in payments by public bodies, consolidating related data, and potentially also publishing (online) or sharing them with the Parliament. - Putting in place mechanisms enabling SMEs to report late payments by public bodies. - Establishing an Observatory of payment delays to examine the conditions of payments between enterprises. - Creating a Mediator or Commissioner competent on all questions related to payment delays, whether the client is public or private. - Setting up project bank accounts to ensure public bodies prompt payments to suppliers working on a project.
Principle 10 - Design public programmes for SME finance which ensure additionality, cost effectiveness and user-friendliness	
Ensuring financial and economic additionality.	- Defining a clear methodology to assess the additionality of contemplated measures to increase SME access to finance, and putting in place procedures to make sure that this assessment is done in a systematic manner. - Requiring evidence of additionality, in the form of refusals from financial institutions for instance. - Raising SME awareness of public programmes for SME finance for which they may be eligible through dedicated websites coupled with awareness campaigns in various locations, and partnering with business associations or local authorities to increase outreach.
Principle 11. Monitor and evaluate public programmes to enhance SME finance	
Performing *ex ante* and *ex post* evaluations regularly based on clearly defined, rigorous and measurable policy objectives and impacts and in co-operation with financial institutions, SME representatives and other stakeholders.	- Setting clear objectives for public programmes in SME finance, and defining performance indicators capturing these objectives, preferably including quantitative indicators, to be assessed against baselines set at the beginning of the programme, both along the programme (continuous/regular monitoring), and at its completion (*ex post* evaluation). - Conducting systematic evaluations of public programmes, based on explicit and clear methodologies. - Engaging all relevant stakeholders (including beneficiaries and partner financial institutions, etc.) in the evaluation process, for instance through surveys, interviews, focus groups, or a combination of these.
Making sure that evaluation findings feed back into the process of policy making.	- Sharing evaluations with the Parliament, and discussing them during dedicated sessions of the relevant parliamentary group. - Making the continuation of the programme, or the provision of new funding, conditional to the submission of an evaluation report showing that it has been successful, including by linking the budget process and the evaluation process. - Putting in place clear procedures ensuring that the findings of evaluations are taken into account when designing new programmes. - Publishing evaluations and raising public awareness on their availability.

Annex C. Methodology for producing the national Scoreboards

Financing SMEs and Entrepreneurs: An OECD Scoreboard provides a framework to monitor trends in SMEs' and entrepreneurs' access to finance – at the country level and internationally – and supports the formulation and evaluation of policies in this domain.

The individual country profiles present data for a number of core indicators, which measure trends in SME debt and equity financing, credit conditions, solvency and policy measures. The set of indicators and policy information provide governments and other stakeholders with a consistent framework to evaluate whether SME financing needs are being met, to support the design and evaluation of policy measures, and to monitor the implications of financial reforms on SME access to finance. Consistent time series for country data permit an analysis of national trends in participating countries. It is mainly by comparing trends that insights are drawn from the varying conditions in SME financing across countries. The focus on analysis of changes in variables, rather than on absolute levels, helps overcome existing limitations to cross-country comparability of the core indicators, due to differences in definitions and reporting practices.

This Annex describes the methodology for producing the national country profiles, discusses the use of proxies in case of data limitations or deviation from preferred definitions, and addresses the limits in cross-country comparability. It also provides recommendations for improving the collection of data on SME finance.

Scoreboard indicators and their definitions

Core indicators

Trends in financing SMEs and entrepreneurs are monitored through 17 core indicators, which assess specific questions related to access to finance. These core indicators meet the following criteria:

- Usefulness: the indicators must be an appropriate instrument to measure how easy or difficult it is for SMEs and entrepreneurs to access finance and to help policy makers formulate or adjust their policies and programmes.
- Availability: the data for constructing the indicators should be readily available in order not to impose new burdens on governments or firms.
- Feasibility: if the information for constructing the indicator is not publicly available, it should be feasible to make it available at a modest cost, or to collect it during routine data exercises or surveys.
- Timeliness: the information should be collected in a timely manner so that the evolving conditions of SME access to finance can be monitored. Annual data may be more easily available, but should be complemented by quarterly data, when possible, to better capture variability in financing indicators and describe turning points.

- Comparability: the indicators should be relatively uniform across countries in terms of the population surveyed, content, method of data collection and periodicity or timeliness.

Data sources and preferred definitions

The data in the national Scoreboards are supplied by country experts with access to the information needed from a variety of supply-side and demand-side sources.

Most of the Scoreboard indicators are built on supply-side data, that is, data provided by financial institutions and other government agencies. There are several indicators which are based on demand-side surveys of SMEs. However, not all countries undertake such surveys. Use is made of quantitative demand-side data, as collected by SME surveys, to complement the picture and improve the interpretative power of the OECD Scoreboard. Whereas a plethora of qualitative SME surveys (i.e. opinion surveys) exist, quantitative demand-side surveys are less common. Experience shows that qualitative information based on opinion survey responses must be used cautiously. The broader perception of entrepreneurs about access to finance and credit conditions, emanating from such opinion surveys, has its own value though and complements the hard data provided in the quantitative analysis. Furthermore, the cross-country comparability of national surveys remains limited, as survey methodologies and the target population differs from country to country. Comparable demand-side surveys are undertaken on a regular basis by the European Central Bank and the European Commission, which provide an example of the benefits that can come from standardised definitions and methodology across countries when conducting demand-side surveys.

In order to calculate monitor the core indicators, data are collected for 22 variables. Each variable has a preferred definition (see Table A C.1.), intended to facilitate time consistency and comparability. In a number of cases, however, it is not possible for countries to adhere to the "preferred definition" of an indicator, due to data limitations or differences in reporting practices, and a proxy is used instead. For this reason, in each country profile the data are accompanied by a detailed table of definitions and sources for each indicator.

Table A C.1. Preferred definitions for core indicators

Indicator	Definition/ Description	Sources
Outstanding business loans, SMEs	Bank and financial institution loans to SMEs, amount outstanding (stocks) at the end of period; by firm size using the national definition of SME or, if necessary, loan amounts less than EUR 1 million or an equivalent threshold that is deemed appropriate on a case-by-case basis	Supply-side data from financial institutions
Outstanding business loans, total	Bank and financial institution business loans to all non-financialenterprises, outstanding amounts (stocks)	Supply-side data
New business lending, total	Bank and financial institution business loans to all non-financialenterprises over an accounting period (i.e. one year), flows	Supply-side data
New business lending, SMEs	Bank and financial institution loans to SMEs over an accounting period (i.e. one year), flows; by firm size using the national definition of SME or, if necessary, loan amounts less than EUR 1 million or an equivalent threshold that is deemed appropriate on a case-by-case basis	Supply-side data
Short-term loans, SMEs	Loans equal to or less than one year; outstanding amounts or new loans	Supply-side data
Long-term loans, SMEs	Loans for more than one year; outstanding amounts or new loans	Supply-side data
Government loan guarantees, SMEs	Government guarantees available to banks and other financial institutions, stocks or flows	Supply-side data
Government guaranteed loans, SMEs	Loans guaranteed by government, stocks or flows	Supply-side data
Direct government loans, SMEs	Direct loans from government, stocks or flows	Supply-side data
Interest rate, SMEs	Average annual rates for new loans, base rate plus risk premium; for maturity less than one year; and amounts less than EUR 1 million	Supply-side data
Interest rate, large firms	Average annual rates for new loans, base rate for loans equal to or greater than EUR 1 million; for maturity less than one year	Supply-side data
Collateral, SMEs	Percentage of SMEs that were required to provide collateral on latest bank loan	Demand-side survey
Percentage of SME loan applications	SME loan applications divided by the total number of SMEs in the country, in %	Supply-side data or survey
Rejection rate	1-(SME loans authorised/ requested), in %	Supply-side survey
Utilisation rate	SME loans used/ authorised, in %	Supply-side survey
Venture and growth capital investments	Seed, start-up, early stage and expansion capital (excludes buyouts, turnarounds, replacements)	VC association (supply side)
Leasing and hire purchases	New production of hire purchases and leasing, which covers finance leases and operating leases of all asset types (automotive, equipment and real estate) and also includes the rental of cars, vans and trucks.	Business associations (supply side)
Factoring and invoice discounting	Factoring turnover volumes which includes invoice discounting, recourse factoring, non-recourse factoring, collections (domestic factoring), export factoring, import factoring and export invoice discounting (international factoring)	Business associations (supply side)
Non-performing loans, total	% of total business loans	Supply-side data
Non-performing loans, SMEs	% of total SME loans	Supply-side data
Payment delays, B2B	Average number of days delay beyond the contract period for the Business to Business segment (B2B)	Demand-side survey
Bankruptcies, SMEs	Number of enterprises ruled bankrupt; or number bankrupt per 10 000 or 1 000 SMEs	Administrative data

Share of SME loans in total business loans: This ratio captures the allocation of credit by firm size, that is, the relative importance of SME lending in the national credit market. The business loan data, which are used in the construction of several indicators in the Scoreboard, include overdrafts, lines of credit, short-term and long-term loans, regardless of whether they are performing or non-performing loans. In principle, this data does not include personal credit card debt and residential mortgages.

Share of SME new lending in total new business lending: This ratio equally captures the allocation of credit by firm size, but for new loans (flows). Flows, which are measured over an accounting period (i.e. one year), are expected to reflect short-term events and are therefore more volatile than stocks, which measure the value of an asset at a given point in time, and thus reflect latest flows, as well as values that may have cumulated over time, net of depreciation.

Share of short-term loans in SME loans: This ratio shows the debt structure of SMEs or whether loans are being used to fund current operations or investment and growth needs. However, caution has to be used in interpreting this indicator, because it is affected by the composition of short-term loans versus long-term loans in the SME loan portfolio of banks. Indeed, the share of long-term loans could actually increase during a financial crisis, because it is easier for the banks to shut off short-term credit.

SME government loan guarantees, SME government guaranteed loans, SME direct government loans: These indicators show the extent of public support for the financing of SMEs in the form of direct funding or credit guarantees. By comparing government loan guarantees with guaranteed loans, information can be drawn on the take up of government programmes and on their leverage effect.

SME interest rates and interest rate spreads: These indicators describe the tightness of the market and the (positive or negative) correlation of interest rates with firm size.

Collateral required: This indicator also shows tightness of credit conditions. It is based on demand-side surveys where SMEs report if they have been explicitly required to provide collateral for their last loan. It is not available from supply-side sources, as banks do not generally divulge this information.

SME rejection rate: This indicator shows the degree to which SME credit demand is met. An increase in the ratio indicates a tightening in the credit market as more credit applications have been turned down. A limitation in this indicator is that it omits the impact of "discouraged" borrowers. However, discouragement and rejection seem to be closely correlated, as the number of discouraged borrowers tends to increase when credit conditions become tighter and a higher proportion of credit applications are refused.

SME utilisation rate: This ratio also captures credit conditions, more precisely the willingness of banks to provide credit, and is therefore sometimes used in addition to or instead of the rejection rate. An increase of this ratio indicates that a higher proportion of authorised credit is being used by entrepreneurs and SMEs, which usually occurs when credit conditions are tightening.

Venture capital and growth capital investments: This indicator shows the ability to access external equity in the form of seed, start-up, early stage venture capital as well as expansion capital and is ideally broken down by the investment stage. It excludes buyouts, turnarounds and replacement capital, as these are directed at restructuring and generally concern larger enterprises.

Leasing and hire purchases: This indicator contains information on the use of leasing and hire purchases. New production of leasing includes finance leases and operating leases of all asset types (automotive, equipment and real estate) as well as the rental of cars, vans and trucks.

Factoring and invoice discounting provides information on factoring turnover volumes, including invoice discounting, recourse factoring, non-recourse factoring, collections (domestic factoring), export factoring, import factoring and export invoice discounting (international factoring).

SME non-performing loans/SME loans: This indicator provides information about the relative performance of SME loans in banks' portfolio, that is, the riskiness implied by exposure to SME loans. It can be compared with the overall ratio of non-performing loans to all business loans to determine whether SMEs are more risky.

Payment delays: This indicator contributes to assess SME cash flow problems. Business-to-business (B2B) payment delays show supplier credit delays and how SMEs are coping with cash flow problems by delaying their payments and are more relevant to assess cash flow problems compared with business-to-consumer or business-to-government data.

SME bankruptcies or bankruptcies per 10 000 or per 1 000 SMEs: This indicator is a proxy for SME survival prospects. Abrupt changes in bankruptcy rates demonstrate how severely SMEs are affected by economic crises. However, the indicator likely underestimates the number of SME exits, as some SMEs close their business even when not being in financial difficulties. Bankruptcies per 10 000 or per 1 000 SMEs are the preferred measures, because this indicator is not affected by the increase or decrease in the total number of enterprises in the economy.

Inflation-adjusted data

Differences in inflation levels across countries hamper comparability of trends over time. For the second time in the 2017 edition of this report, indicators in the trends chapter therefore have been adjusted for inflation when appropriate. For this purpose, the GDP deflator from the OECD Economic Outlook publication, deflating nominal values into real values, is used. This deflator is derived by dividing an index of GDP (measured in current prices) by a chain volume index of GDP. It is therefore a weighted average of the price indices of goods and services consumed by households; expenditure by government on goods, services and salaries; fixed capital assets; changes in inventories; and exports of goods and services minus imports of goods and services.[1] It is a very broad indicator of inflation and, given its comprehensiveness, it is thus suitable to deflate current price nominal data into a real terms prices basis for measures of national income, public expenditure and other economic variables with a focus beyond consumer items.

Inclusion of median values

In order to facilitate interpretation of the data, median values of core indicators are included when appropriate in Chapter 1 of this publication. This enables a better assessment of how participating countries are positioned in terms of the assessed core indicators on SME financing. Given the limited comparability of some indicators, this relative position needs to be interpreted carefully and within the country-specific context, however. Median values rather than average values are displayed because they are less sensitive to outliers in the data.

SME target population

The SME target population of the Scoreboard consists of non-financial "employer" firms, that is, firms with at least one employee besides the owner/ manager, which operate a non-financial business. This is consistent with the methodology adopted by the OECD-Eurostat Entrepreneurship Indicators Programme to collect data about business demography. The target group excludes firms with no employees or self-employed individuals, which considerably reduces the number of firms that can be considered SMEs. For most of the countries in the report, data are available for this target population. However, not all countries collect data at the source and compile them in accordance with these criteria. Therefore, in a few cases data include financial firms and/or self-employed individuals. This is mostly the case in countries reporting financial indicators based on loan size, rather than the target population, or when sole proprietorships/ self-entrepreneurs cannot be distinguished from the SME population at the supply-side level of reporting.

Timeframe for data collection

The data in the present report cover the period 2007 to 2017, which includes three distinct economic stages: pre-crisis (2007), crisis (2008-09) and recovery (2010-17). Specific attention is given to the period 2016-17, in order to identify the most recent trends in SME finance and policies.

Data sources

Deviations from preferred definitions of indicators

Data limitations and country-level specific reporting practices imply that the national Scoreboards may deviate from the preferred definitions of some core indicator. Some of the main deviations in definition of variables and data coverage are discussed below.

SME loans

The OECD Scoreboard aims to collect business loan data that include overdrafts, lines of credit, short-term loans, and long-term loans, regardless of whether they are performing or non-performing loans. Additionally, it aims to exclude personal credit card debt and residential mortgages. However, for some countries, significant deviations exist from this preferred SME loan definition. For instance, in some cases, credit card debt is included in SME loans, and it cannot be determined which part corresponds to consumer credit card debt and which part is business credit card debt. In other cases, lines of credit and overdrafts are excluded, while a number of other products are indeed included in SME loans, such as securitised loans, leasing and factoring.

In some countries, central banks do not require any reporting on SME lending. In these cases the SME loans are estimated from SME financial statements available from tax authorities.

SME loans requested, authorised and used

The indicators on SME loans authorised and SME loans requested, which are used to calculate the rejection rate, are obtained from demand-side surveys. However, not all countries undertake such surveys, or, if they do, the results are not necessarily comparable. This also constitutes an area, where substantial data improvements could be made, such as enriching the analysis by the inclusion of an indicator on the level of discouragement to apply for a bank loan. To capture discouragement, this indicator should ideally be analysed in tandem with the number of loan applications. If both, loan applications and rejection rates decrease over the same period, this would suggest a higher level of discouragement. As presumably the least credit-worthy firms are deterred from applying for a loan, this could also be indicative of the average riskiness of SME lending.

Another potential improvement concerns the granularity and level of detail of the data; it might be possible to distinguish the rejection rate according to the type of loan (e.g. specific rejection rates on overdrafts, term loans, credit card loans and so on), to separate partial rejections from full rejections, including more analysis on the (likely) reason(s).

A similar problem holds true for the utilisation rate; which consists of SME loans used divided by SME loans authorised. A decline in this ratio suggests that the credit market is easing, or that banks have been providing more credit than has been used. Again, not every country has reliable survey data on the SME loans used and caution is warranted when making comparisons across countries.

Government loan guarantees and guaranteed loans

The report includes data on government loan guarantees and on the value of loans backed by government guarantees. Supply-side data are the best source of information on loan guarantees. There are many sources for such guarantees: local, regional or central governments. In some countries, an important volume of guarantees is also provided by mutual guarantee schemes. These are private schemes that typically benefit from public support, in the form of direct funding or counter-guarantees. However, the various loan guarantees schemes, public, private and mixed, are not always consolidated to obtain national figures. Therefore, the OECD Scoreboard reports mostly on government loan guarantees which are readily available at central government level. This is also a way to avoid the double-counting of guarantees that have multiple layers, given the existence of counter-guarantees at other levels (regional or supra-national). Still, cross-country differences exist in the degree to which the reported data include all government guarantee programmes, or only large ones.

In some cases, lack of awareness and reporting make it difficult to collect data on guaranteed SME loans. In fact, SMEs are not always aware that their loan is backed by a government guarantee and banks do not usually report this information. When these guaranteed SME loans are reported, they usually represent the full value of the loan and not the portion of the loan that is actually backed by a public institution guarantee. Nevertheless, this figure has a value of its own when compared to the total amount of SME loans outstanding. Also, it allows the calculation of the leverage effect of government guarantees to SMEs (ratio of guaranteed SME loans to corresponding government guarantees).

SME credit conditions

Significant differences exist across countries in the calculation for SME interest rates. While there is agreement that “fees” should be included in the “cost” of the SME loans, it appears to be particularly difficult to determine which “fees”, among the various charges applied to firms, to include in the interest rates. In most cases, the interest rate charged on SME loans, net of any fee, is reported. The additional fees, however, represent a rather significant cost for SMEs that is not being captured by the current indicators built on supply-side data, particularly in the case of small SME loans. In this regard, demand-side surveys could be used to collect information on the total cost of funding.

Central banks usually do not collect key pieces of information on SME access to finance, such as the collateral required for SME loans. Banks consider this to be confidential information. A rough approximation can be obtained from demand-side information, that is, the percentage of SMEs required to provide collateral on new loans. This measure is currently used in the OECD Scoreboard, and more transparent reporting by banks on the terms of their SME lending is recommended to improve information on SME credit conditions.

Equity financing

The present report monitors external equity, that is, venture and growth capital. Venture capital is usually reported by stage of development: seed, start-up and early expansion capital. Later stage expansion capital, referred to as growth capital, is also reported. Buyouts, turnarounds and replacement capital are excluded from venture and growth capital. Country classification systems do not always break down private equity data into these categories and most do not break it down by firm size. Indeed, at present, the lack of a standard international definition of venture capital limits cross-country comparability. Also, venture capital data are sometimes collected by private venture capital associations, which rely on voluntary reporting and whose membership may be incomplete. There is a need for greater standardisation of venture capital data reporting, in terms of both the definition used for the different stages of investment, and the methodology employed to collect data.[2]

Asset-based finance

Most of the indicators of the Scoreboard relate to bank finance, although in practice SMEs and entrepreneurs also rely on other financing options. Including statistics on the use of asset-based finance allows for a more complete overview of trends of access to finance for SMEs and entrepreneurs. Asset-based financing covers a variety of instruments whereby a firm obtains cash based on the value of a particular asset, rather than on credit standing. These instruments include asset-based lending, factoring, hire purchases and factoring.

Asset-based lending is any sort of lending secured by an asset (such as accounts receivable, inventory, real estate, equipment). As these loans are usually issued by banks, information on asset-based loans is already covered in the indicator on SME loans, and a separate indicator is not required. More detailed information on the composition of bank loans would, however, shed light on the importance of asset-based lending and what assets are most often used as a security.

The indicator on leasing covers either the new production (i.e. a flow indicator) of finance leases and operating leases of all asset types (automotive, equipment and real estate) and also includes the rental of cars, vans and trucks. Leasing is an agreement whereby the owner of an asset provides the right to use the asset for a specified period of time in exchange for a series of payments. Information on hire purchases, which are agreements where the purchaser agrees to pay for the goods in parts or percentages over a number of months and which is very similar to leasing is also covered.. Factoring is a type of supplier financing where firms sell their credit-worthy accounts receivable at a discount and receive immediate cash. Data on factoring turnover volumes includes all turnover that is covered by invoice discounting, recourse factoring, non-recourse factoring, collections (domestic factoring), export factoring, import factoring and export invoice discounting (international factoring).

It is important to note that these data usually do not distinguish between SMEs and large corporations, and a breakdown of data according to the size of the lessees does not exist in most countries, although research indicates that leasing and other forms of asset-based finance are very often used by SMEs. Increasing the number of countries providing data and deriving information on the take-up of asset-based finance by firm size, either directly or through a proxy, constitutes an important avenue for future research.

Non-performing loans

There is also a great deal of latitude in how banks define non-performing loans. The generally accepted threshold of 90-day arrears, i.e. payments of interest and principal past due by 90 days or more, is indeed used by many of the Scoreboard countries, but not all. Even when this same threshold is adopted, there is a great deal of variation across countries in the measurement of SME non-performing loans. In some cases, these are measured as a percentage of the entire SME loan portfolio and in other cases they are not. In addition, it is common practice to classify loans that are unlikely to be repaid in full as non-performing, even when the threshold of 90-day arrears is not met. The circumstances, under which loans are considered unlikely to be repaid, and hence deemed non-performing, vary substantially across countries and financial institutions. Caution is therefore warranted when interpreting this data.

When compared to the non-performing loans ratio of large firms, this indicator provides a good description of the performance of SME loans on a national level, irrespective of the particularity of the national definition. In addition, if the changes in the non-performing ratio are analysed over time, the indicator has value for cross-country comparisons.

Payment delays and bankruptcies

Payment delays and bankruptcy data are usually collected for all enterprises and not broken down by firm size. Since SMEs account for more than 97% of the enterprises in the participating countries, the national figures for payment delays and bankruptcy rates were used in this report. However, bankruptcies are hard to compare across countries because of different bankruptcy costs, legislation and behaviour in the face of bankruptcy. In some cases, bankruptcy procedures take a long time and so bankruptcies only show up in later periods rather than during the crisis period.

Payment delays are reported as delays beyond the contractual date on a B2B or on a broader B2B and B2C basis. Reporting of payment delays is important, given that it captures an additional source of cash flow constraints for SMEs. The reporting of both indicators and the comparison of B2B with B2C delays can also be used to uncover whether and how SMEs make use of such payment delays to resolve short-term cash flow issues in lieu of working capital credit facilities.

Differences in definitions of an SME

One of the biggest challenges to comparability is represented by existing differences in the statistical definition of an SME by banks and national organisations across countries. Greater harmonisation continues to prove difficult due to the different economic, social and political concerns of individual countries. In addition, within-country differences exist: some banks and financial institutions do not use their national statistical definitions for an SME but a different definition to collect data on SME financing.

In many cases, the national authorities collect loan data using the national or EU definition for an SME, based on firm size, usually the number of employees or the annual turnover (see Box A C.1).

Box A C.1. What is an SME?

While there is no universal definition of an SME and several criteria can be used in the definition, SMEs are generally considered to be non-subsidiary firms which employ less than a given number of employees. This number of employees varies across countries. The most frequent upper limit designation of an SME is 250 employees, as in the European Union. However, some countries set the limit at 200, while the United States considers SMEs to include firms with fewer than 500 employees. Small firms are mostly considered to be firms with fewer than 50 employees while micro-enterprises have less than 10. Medium-sized firms have between 50 and 249 employees. Turnover and financial assets are also used to define SMEs: in the EU, the turnover of an SME cannot exceed EUR 50 million and the annual balance sheet should not exceed EUR 43 million.

Source: OECD (2006), The SME Financing Gap (Vol. I): Theory and Evidence, OECD Publishing, Paris

In other cases, the SME loan data are based not on firm size but rather on a proxy, that is, loan size.[3] However, the size of the SME loan can differ among countries and sometimes even among banks within the same country.

Several reasons are advanced for not compiling financial statistics based on firm size including:

- Banks do not collect data by firm size;
- It is too expensive to collect such data;
- Breaking down loan data by firm size would jeopardise confidentiality and are not gathered or communicated as a consequence.

Experience gained from the OECD Scoreboard suggests that loan data broken down by firm size are already in the financial system but are not extracted unless banks are under a regulatory obligation to provide them. Experience also suggests that the challenges mentioned above could be addressed quite easily. For instance, confidentiality requirements in theory could be met through the use of judicious sub-grouping. In this case, resolution of this issue could be found if national regulatory authorities were to make the provision of this information mandatory for banks.

Table A C.2. Difference between national statistical and financial definitions of SMEs

Country	National statistical definition of SMEs	Indicator	Definition of SMEs used
Australia	Size of firm: less than 200 employees	Business loans, SMEs	Loan size: amounts outstanding under AUD 2 million
		Interest rate, SMEs	Loan size: amounts outstanding under AUD 2 million
Austria	Size of firm: 1 – 249 employees	Business loans, SMEs	Loan size: amounts up to EUR 1 million
		Short- and long-term loans, SMEs	Loan size: amounts up to EUR 1 million
		Government loan guarantees and government guaranteed loans, SMEs	Firm size: enterprises with less than 250 employees
		Direct government loans, SMEs	Firm size: enterprises with less than 250 employees
		Rejection rate	Firm size: enterprises with less than 250 employees
		Interest rate, SMEs	Loan size: amounts up to EUR 1 million
Belgium	Size of firm: less than 250 employees	Business loans, SMEs	Firm size: enterprises with less than 250 employees
		SME loans authorised and used	Firm size: enterprises with less than 250 employees
		Interest rate, SMEs	Loan size: amounts up to EUR 1 million
Brazil	annual turnover of up to BRL 4.8 million	Outstanding business loans, SMEs	Loan size: amounts up to BRL 100 million Measured on a client-facility-month basis
Canada	Size of firm: 1-499 employees	Business loans, SMEs	Loan size: amounts up to CAD 1 million
		Short- and long-term loans, small businesses	Firm size: enterprises with 1-99 employees
		Government guaranteed loans, SMEs	Firm size: annual sales (turnover) lower than CAD 5 million
		Direct government loans, SMEs	Firm size: annual sales (turnover) less than CAD 25 million
		Risk premium for small businesses	Firm size: enterprises with 1-99 employees
		Loans authorised and requested, small businesses	Firm size: enterprises with 1-99 employees
		Collateral, small businesses	Firm size: enterprises with 1-99 employees
Chile	Annual sales of firm: up to UF 100 000	Business loans, SMEs	Loan size: amounts up to UF 18 000
		Short- and long-term loans, SMEs	Loan size: amounts up to UF 18 000
		Government guaranteed loans, SMEs	Firm size: annual sales up to UF 100 000 or annual exports up to UF 400 000
		Direct government loans, SMEs	Less than 12 hectares and capital up to UF 3 500
		Loans authorised and requested, SMEs	Firm size: annual sales up to UF 100 000
		Non-performing loans, SMEs	Loan size: amounts up to UF 18 000
		Short-term and long-term interest rate, SMEs	Loan size: amounts up to UF 18 000
		Payment delays, SMEs	Loan size: amounts up to UF 18 000
China	The definition of SMEs differs according to sector.		The definition of SMEs differs according to sector.
		Short- and long-term loans, SMEs	The definition of SMEs differs according to sector.
		Government loan guarantees, SMEs	The definition of SMEs differs according to sector.
		SME government direct loans	The definition of SMEs differs according to sector.
		Non-performing loans, SMEs	The definition of SMEs differs according to sector.

		SME loans requested, authorized and used	The definition of SMEs differs according to sector.
		interest rates, SMEs	The definition of SMEs differs according to sector.
		Collateral, SMEs	The definition of SMEs differs according to sector.
		Loan fees, SMEs	The definition of SMEs differs according to sector.
Colombia	Size of firm: less than 200 employees	Business loans, SMEs	Firm size: enterprises with less than 200 employees
		Non-performing loans, SMEs	Firm size: enterprises with less than 200 employees
		Government guaranteed loans, SMEs	Firm size: enterprises with less than 200 employees
		Interest rate, SMEs	Firm size: enterprises with less than 200 employees
		Collateral, SMEs	Firm size: enterprises with less than 200 employees
Czech Republic	Size of firm: less than 250 employees	Business loans, SMEs	Loan size: amount up to CZK 30 million
		(New business loans, SMEs – flows)	Loan size: amount up to CZK 30 million
		Business loans, SMEs	Firm size: up to 250 employees
		(Outstanding business loans, SMEs – stock)	
		Interest rate, SMEs	Loan size: amount up to CZK 30 million
Denmark	Size of firm: less than 250 employees	Business loans, SMEs	Loan size: amounts up to EUR 1 million
		Short- and long-term loans, SMEs	Loan size: amounts up to EUR 1 million
		Government loan guarantees, SMEs	Firm size: up to 250 employees
		Interest rate, SMEs	Loan size: amounts up to EUR 1 million
Estonia	Size of firm: less than 250 employees	Business loans, SMEs	Loan size: amounts up to EUR 1 million
		Government loan guarantees, SMEs	Loan size: amounts up to EUR 1 million
		Non-performing loans, SMEs	Loan size: amounts up to EUR 1 million
		Interest rate, SMEs	Loan size: amounts up to EUR 1 million
Finland	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Loan size: up to EUR 1 million
		Short- and long-term loans, SMEs	Firm size: less than 250 employees
		Value of government guaranteed loans, SMEs	Firm size: less than 250 employees
		Loans authorised and requested, SMEs	Loan size: up to EUR 1 million
		Interest rate, SMEs	Loan size: up to EUR 1 million
		Collateral, SMEs	Firm size: less than 250 employees
France	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: number of employees (less than 250), turnover (less than EUR 50 million), total assets of legal units (less than EUR 43 million) and independent; bank must inform the Central Credit Register when it grants a loan of more than EUR 25 000
		Short- medium- and long-term loans	Firm size: number of employees (less than 250), turnover (less than EUR 50 million), total assets of legal units (less than EUR 43 million) and independent; bank must inform the Central Credit Register when it grants a loan of more than EUR 25 000
		Share of the outstanding loans of failing companies, SMEs except micro-enterprises	Firm size: number of employees (less than 250), turnover (less than EUR 50 million), total assets of legal units (less than EUR 43 million) and independent; bank must inform the Central Credit Register when it grants a loan of more than EUR 25 000
		Interest rate, SMEs	Loan size: less than EUR 1 million

		Bankruptcies, SMEs	Firm size: number of employees (less than 250), turnover (less than EUR 50 million), total assets of legal units (less than EUR 43 million) and independent
Georgia	Less than 100 employees and turnover below GEL 1.5 million	Business loans, SMEs Non-performing loans, SMEs Interest rate, SMEs Collateral SMEs	Less than 100 employees and turnover below GEL 1.5 million
Greece	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Interest rate, SMEs	Loan size: less than EUR 1 million
		Collateral, SMEs	Loan size: less than EUR 1 million
Hungary	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Overdraft loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Investment loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Direct government loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Government guaranteed loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Non-performing loans, SMEs	Firm size: number of employees (less than 250 employees), turnover (less than EUR 50 million) and total assets (less than EUR 10 million)
		Average interest rate, SMEs	Loan size: amounts up to EUR 1 million
Ireland	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size
		Short- and long-term loans, SMEs	Loan size: less than EUR 1 million
		Interest rates, SMEs	Loan size: less than EUR 1 million
Israel[i]	Size of firm: less than 100 employees and annual turnover of up to NIS 100 million	Business loans, SMEs	Loan size: amounts of NIS differ depending on the bank
		Interest rate small firms and medium firms	Loan size: amounts of NIS differ depending on the bank
Indonesia	SMEs are defined as enterprises with a maximum turnover maximum of 50 billion rupiah or maximum assets (exclude building land asset) maximum of 10 billion rupiah		
Italy	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: less than 20 workers
		Short- and long-term loans, SMEs	Firm size: less than 20 workers
		Government guaranteed loans, SMEs	Firm size: less than 250 employees
		Direct government loans, SMEs	Firm size: less than 250 employees
		Loans authorised and used, SMEs	Firm size: less than 20 workers
		Non-performing loans, SMEs	Firm size: less than 20 workers
		Interest rate, average SME rate	Firm size: less than 20 workers
		Collateral, SMEs	Firm size: less than 20 workers
		Venture and expansion capital, SMEs	Firm size: less than 250 employees

		Payment delays, SMEs	Firm size: turnover of up to EUR 50 million and less than 250 employees
Japan	Varies by sector	Business loans, SMEs	The definition of SMEs differs according to sector.
		Bankruptcies, SMEs	The definition of SMEs differs according to sector. Only enterprises with debts of at least JPY10 million are included.
Kazakhstan	Less than 250 employees in addition to an annual income criterium		
Korea	Varies by sector	Business loans, SMEs	The definition of SMEs differs according to sector.
		Short- and long-term loans, SMEs	The definition of SMEs differs according to sector.
		Government loan guarantees, SMEs	The definition of SMEs differs according to sector.
		Direct government loans, SMEs	The definition of SMEs differs according to sector.
		Loans authorised and requested, SMEs	The definition of SMEs differs according to sector.
		Non-performing loans, SMEs	The definition of SMEs differs according to sector.
		Interest rate spread, SME and large firm rates	The definition of SMEs differs according to sector.
		Payment delays, SMEs	The definition of SMEs differs according to sector.
Latvia	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Interest rate, SMEs	Loan size: Loans of less than EUR 250000
Lithuania	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)		
Luxembourg	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	SME loans	Loan size: Loans of less than EUR 1 million
		SME interest rate	Loan size: Loans of less than EUR 1 million
Malaysia	Manufacturing sector: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200. Services and other sectors: Sales turnover not exceeding RM 20 million or full-time employees not exceeding 75.	SME loans	Firm size: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200 for firms operating in the manufacturing sector and sales turnover not exceeding RM 20 million or full-time employees not exceeding 75 for firms operating in services and other sectors,
		SME short-term loans	Firm size: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200 for firms operating in the manufacturing sector and sales turnover not exceeding RM 20 million or full-time employees not exceeding 75 for firms operating in services and other sectors,
		SME long-term loans	Firm size: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200 for firms operating in the manufacturing sector and sales turnover not exceeding RM 20 million or full-time employees not exceeding 75 for firms

			operating in services and other sectors,
		SME non-performing loans	Firm size: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200 for firms operating in the manufacturing sector and sales turnover not exceeding RM 20 million or full-time employees not exceeding 75 for firms operating in services and other sectors,
		SME loans authorised	Firm size: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200 for firms operating in the manufacturing sector and sales turnover not exceeding RM 20 million or full-time employees not exceeding 75 for firms operating in services and other sectors,
		SME loans requested	Firm size: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200 for firms operating in the manufacturing sector and sales turnover not exceeding RM 20 million or full-time employees not exceeding 75 for firms operating in services and other sectors,
		SME interest rate	Firm size: Sales turnover not exceeding RM 50 million or full-time employees not exceeding 200 for firms operating in the manufacturing sector and sales turnover not exceeding RM 20 million or full-time employees not exceeding 75 for firms operating in services and other sectors,
Mexico	Firm size: up to 100 or 250 employees, depending on the sector	SME loans	The definition depends on the number of employees and the annual revenues of the borrower
		SME guaranteed loans/direct loans	Firm size: up to 100 or 250 employees, depending on the sector
		SME loans requested and authorized	Firm size: up to 100 or 250 employees, depending on the sector
		SME interest rate	Firm size: up to 100 or 250 employees, depending on the sector
The Netherlands	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Loan size: up to EUR 1 million
		Short- and long-term loans, SMEs	Loan size: up to EUR 1 million
		Government loan guarantees, SMEs	Firm size: up to 250 employees
		Loans authorised and requested, SMEs	Firm size: up to 250 employees
		Collateral, SMEs	Size of firm up to 50 employees
New Zealand	No unique national definition.	Interest rates, SMEs	Loan size: up to NZD 1 million
		Loan authorised, SMEs	Firm size: enterprises with 6-19 employees
		Loan requested, SMEs	Firm size: enterprises with 6-19 employees
Norway	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: less than 250 employees
Portugal	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
		Short- and long-term loans, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)

		Government guaranteed loans, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
		Loans authorised and requested, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
		Non-performing loans, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
		Interest rates, SMEs	Loan size: up to EUR 1 million (prior to 2010) and loans up to EUR 0.25 million (in 2010)
		Collateral, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
Russian Federation	Less than 250 employees, not more than RUB 1000 million	Business loans, SMEs	Firm size: Less than 250 employees, not more than RUB 1000 million
		Government loan guarantees, SMEs	Firm size: Less than 250 employees, not more than RUB 1000 million
		Government guaranteed loans, SMEs	Firm size: Less than 250 employees, not more than RUB 1000 million
		Non-performing loans, SMEs	Firm size: Less than 250 employees, not more than RUB 1000 million
Peru	SMEs are defined by annual turnover	Outstanding business loans, SMEs	Defined by annual sales of the borrower
Serbia	Up to 250 employees, turnover up to EUR 10 million, total assets up to EUR 5 million	Business loans, SMEs	Firm size, in accordance with national statistical definition.
		Interest rate, SMEs	Loan size: up to EUR 1 million.
Slovak Republic	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: less than 250 employees (including natural persons)
		Short- and long-term loans, SMEs	Firm size: less than 250 employees (including natural persons)
		Government loan guarantees, SMEs	Firm size: less than 250 employees (including natural persons)
		Government guaranteed loans, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
		Direct government loans, SMEs	Firm size: less than 250 employees (including natural persons)
		Direct government loans, SMEs	Firm size: less than 250 employees (including natural persons)
		Collateral, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
		Venture capital, SMEs	Firm size: EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC)
Slovenia	EU definition (less than 250	Short- and long-term loans, SMEs	Firm size: less than or equal to 250

	employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)		employees and asset value less than or equal to EUR 17.5 million.
		Direct government loans, SMEs	Firm size: less than or equal to 250 employees and asset value less than or equal to EUR 17.5 million.
		Interest rate, SMEs	Firm and loan size: enterprises with less than 250 employees and amounts less than EUR 1 million.
Spain	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Loan size: less than EUR 1 million
		Short- and long-term loans, SMEs	Loan size: less than EUR 1 million
		Government guaranteed loans, SMEs	Firm size: less than 250 employees
		Interest rate, SMEs	Loan size: less than EUR 1 million
		Venture capital, SMEs	Firm size: less than 250 employees
		Payment delays, SMEs	Firm size: EU definition
		Bankruptcies, SMEs	Firm size: EU definition
Sweden	EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million)	Business loans, SMEs	Firm size: 1-249 employees
		Short- and long-term loans, SMEs	Firm size: 1-249 employees
		Government guaranteed loans, SMEs	Firm size: 0-249 employees
		Government loan guarantees, SMEs	Firm size: 0-249 employees
		Direct government loans, SMEs	Firm size: 0-249 employees
		Loans authorised, SMEs	Firm size: 0-249 employees
		Interest rates, SMEs	Loan size: up to EUR 1 million
Switzerland	Size of firm: less than 250 employees	Business loans, SMEs	Firm size: less than 250 employees
		Government guaranteed loans, SMEs	Firm size: less than 250 employees
		Loans used, SMEs	Firm size: less than 250 employees
		Collateral, SMEs	Firm size: up to 249 employees
		Interest rates, SMEs	Loan size: less than CHF 1 million
Thailand	Number of employees and fixed capital: less than 200 employees and fixed capital less than THB 200 million	Business loans, SMEs	Firm size: sales less than THB 400 million and/or a credit line less than THB 200 million.
		Short- and long-term loans, SMEs	Firm size: sales less than THB 400 million and/or a credit line less than THB 200 million.
		Government guaranteed loans, SMEs	Firm size: sales less than THB 400 million and/or a credit line less than THB 200 million.
		Loans authorised and requested, SMEs	Firm size: sales less than THB 400 million and/or a credit line less than THB 200 million.
		Non-performing loans, SMEs	Firm size: sales less than THB 400 million and/or a credit line less than THB 200 million.
		Interest rate, SME average rate	Firm size: sales less than THB 400 million and/or a credit line less than THB 200 million.
		Payment delays, SMEs	The National definition of SMEs differs according to sector.
		Bankruptcies, SMEs	The National definition of SMEs differs according to sector.
Turkey	Less than 250 employees and TRY 40 million in assets	Business loans, SMEs	Firm size
		SME non-performing loans	Firm size
United Kingdom	Size of firm: less than 250 employees	Business lending, SMEs	Firm size: turnover of up to GBP 25 million
		Interest rates, SMEs	Firm size: turnover up to GBP 25 million
		Collateral, SMEs	Firm size: less than 250 employees, including non-employer enterprises
United States	Size of firm: less than 500 employees	Business loans, SMEs	Loan size: up to USD 1 million.
		Short-term loans, SMEs	Loan size: up to USD 1 million.
		Government guaranteed loans, SMEs	Varies by industry
		Collateral, SMEs	Loan size: up to USD 1 million

Impact of diversity in definitions

The many limitations in data collection above outlined limit the possibility to make cross-country comparisons using the raw data. However, it is possible to observe general trends for the indicators, both within and across countries, using growth rates. When analysing trends, the differences in the exact composition of the indicators are muted by the fact that the changes in the indicators over time are being examined instead of levels. Additionally, if the indicators are analysed as a set, it is possible to form an overview of the country trends in SME financing. It is precisely comparing trends that the Scoreboard sheds light on changing market conditions and policies for financing SMEs and entrepreneurs.

However, again, caution is required in cross-country comparisons, especially as concerns the use of flow variables and stock measures. Flows, which are measured over an accounting period (i.e. one year), capture changes of a given variables and are therefore more volatile than stocks, which measure levels, i.e. the value of an asset at a given point in time, and thus reflect latest flows, as well as values that may have cumulated over time, net of depreciation. The comparison of flows and stock measures can be particularly problematic when growth rates are considered. In fact, a negative growth rate of a flow variable can be compatible with a positive growth rate of the same variable measured in stocks. This would be the case if the stock variables increases over time but the absolute increase by which the stock variables grows becomes smaller. Similarly, a negative growth rate of a loan stock does not necessarily mean a decline in SME lending, but could be attributed to maturing loans exceeding the value of new loans granted. Such difficulties underline the importance of complementing stock data with flows of new loans.

Recommendations for data improvements

Standardised template

To enable more timely collection of data and better cross-country comparison in the future, it is necessary for countries to advance in the harmonisation of data content and in the standardisation of methods of data collection. The adoption of a standardised table for data collection and submission on SME finance has contributed to improve the process of data collection for the Scoreboard, while allowing for some customisation at the country level, and should thus be further pursued, as country coverage increases. The systematic use of the template is furthermore intended to facilitate the timely publication of the data on core indicators on the OECD.Stat website, from which it can then be customised, manipulated and downloaded.

The long-term objectives of timeliness, comparability, transparency and harmonisation of data should continue to be pursued actively by national authorities. To that end, national authorities should work with financial institutions to improve the collection of data on SME and entrepreneurship finance, by:

- Requiring financial institutions to use the national definition for an SME based on firm size.
- Requiring financial institutions to report on a timely basis to their regulatory authorities SME loans, interest rates, collateral requirements, by firm size and broken down into the appropriate size subcategories, as well as those SME loans which have government support.

- Working towards international harmonisation of data on non-performing loans.
- Encouraging international, regional and national authorities as well as business associations to work together to harmonise quantitative demand-side surveys in terms of survey population, questions asked and timeframes; encourage the competent organisations to undertake yearly surveys.
- Promoting the harmonisation of the definition of venture capital in terms of stages of development.

Core indicators

Since the Scoreboard pilot exercise was launched in 2009-10, with the participation of 11 countries, important progress has been made in terms of standardisation and comparability of information. As country coverage increases, it is important that good practices in data collection and reporting be shared among countries, but also that further advancement be made in the harmonisation of core indicators. A number of areas can be identified to improve the monitoring over time of trends at the country level and across countries.

First, it is of paramount importance to improve reporting of SME loan variables. Key areas for refinement include:

- Separate reporting of financial information for non-employer and employer-firms, so as to harmonise the financial data with the SME definition employed in national statistics. The separation would also allow for a more in-depth evaluation of financing trends at the country level, distinguishing between funding that is directed to businesses that generate employment from that directed to self-employers, which may however represent an important share of the country's business activity.
- Collection of stock and flow data for SME loans. These two indicators are complementary and should be jointly analysed in order to draw a comprehensive picture of the evolution of the SME lending portfolio.
- Information on the composition of lending portfolios, broken down by different products (overdrafts/ lines of credit/ leases/ business mortgages or credit cards/ securitised loans). Greater granularity in the reporting of business loans would allow for the identification of the underlying elements of the SME business loan portfolio. This represents a necessary first step towards pursuing greater harmonisation in the definition of SME loans across countries, or, at least identifying a common "base composition" for more meaningful cross-country comparisons.

Second, it is also necessary to fill the gaps in available data and work towards more comprehensive information for other core indicators in the Scoreboard:

- Government guarantees: Provide consolidated figures, which take into account the entire range of public guarantee programmes, while excluding double counting related, for instance, to the counter-guarantee of the same lending portfolio. Include additional information on the scope and coverage of public guarantee schemes, in particular information on the volume of outstanding guarantees, the public contribution to the fund's capitalisation, and the value of the loans supported by public guarantees. The Scoreboard data should be complemented, in the policy section of country profiles, by the monitoring of the take-ups and phasing out of these guarantee schemes.

- Government guaranteed loans: Provide the corresponding loans backed by the reported government guarantees so as to allow for the calculation of a leverage ratio. Optimally, the guaranteed portions of these loans should be also reported.
- Non-performing loans (NPLs): Provide the NPL ratio for SME loans, together with the overall NPL ratio of the business loan portfolio or the NPL ratio for large firms. The latter would be used as a benchmark against which the performance and quality of the SME loan portfolio is measured.
- Asset-based finance: Obtain data broken down by firm size or a functioning proxy of firm size. Currently, business associations usually do not make the distinction according to the use of these instruments by firm size, which limits the understanding of the importance of these non-bank financial instruments for SMEs.
- SME loan fees: Provide information on the standard practice of the commercial banking sector with respect to loan fees charged to SME loans in addition to the interest rate, at a national level. If possible, use demand-side surveys to collect information on this indirect cost on SME lending.
- Collateral: Improve the description of what constitutes collateral and use demand-side survey information to compensate for lack of supply-side data on collateral.

Medium and long-term objectives

In the medium to long term, it is necessary for countries to continue to make progress in the harmonisation of definitions and to improve transparency and accounting practices by financial institutions. In this regard, the following steps should be considered by governments to improve the collection of data on SME and entrepreneurship finance:

- Require financial institutions to use the national definition for an SME based on firm size.
- Require financial institutions to report on a timely basis to their regulatory authorities SME loans, interest rates, collateral requirements, by firm size and broken down into the appropriate size subcategories, as well as those SME loans which have government support.
- Work towards international harmonisation of data on non-performing loans.
- Encourage international, regional and national authorities, as well as business associations to work together to harmonise quantitative demand-side surveys in terms of survey population, questions asked and timeframes; encourage the competent organisations to undertake yearly surveys.
- Promote the harmonisation of the definition of venture capital in terms of stages of development.

Notes

[1] OECD (2009), *OECD Factbook 2009: Economic, Environmental and Social Statistics*, OECD Publishing, Paris. DOI: http://dx.doi.org/10.1787/factbook-2009-en

2 See Annex C in OECD (2013), Entrepreneurship at a Glance 2013, OECD Publishing, Paris, for a detailed discussion on the international comparability of venture capital data.

3 Recent studies by the World Bank provide evidence that loan size is an adequate proxy for size of the firm accessing the loan. See for instance Ardic O.P., Mylenko N., Saltane V. (2012), “Small and medium enterprises: a cross-country analysis with a new data set”, Pacific Economic Review, Vol. 17, Issues 4, pp. 491-513.

Annex D. Standardised table for SME finance data collection

Table A D.1. Standardised Scoreboard table

Indicator	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Comments
						Debt							
Outstanding business loans, SMEs	Currency												
Outstanding business loans, total	Currency												
Share of SME outstanding loans	% of total outstanding business loans												
New business lending, total	Currency												
New business lending, SMEs	Currency												
Share of new SME lending	% of total new lending												
Outstanding short-term loans, SMEs	Currency												
Outstanding long-term loans, SMEs	Currency												
Share of short-term SME lending	% of total SME lending												
Government loan guarantees, SMEs	Currency												
Government guaranteed loans, SMEs	Currency												
Direct government loans, SMEs	Currency												
Non-performing loans, total	% of all business loans												
Non-performing loans, SMEs	% of all SME loans												
Interest rate, SMEs	%												

Interest rate, large firms	%	
Interest rate spread	% points	
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	
Percentage of SME loan applications	SME loan applications/ total number of SMEs	
Rejection rate	1-(SME loans authorised/ requested)	
Utilisation rate	SME loans used/ authorised	
	Non-bank finance	
Venture and growth capital	Currency	
Venture and growth capital (growth rate)	%, Year-on-year growth rate	
Leasing and hire purchases	Currency	
Factoring and invoice discounting	Currency	
	Other indicators	
Payment delays, B2B	Number of days	
Bankruptcies, SMEs	Number	
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	

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Financing SMEs and Entrepreneurs 2019

AN OECD SCOREBOARD

Sufficient and affordable access to different sources of finance is crucial to allow SMEs and entrepreneurs to reach their full potential. The 8th edition of the Scoreboard on SME and Entrepreneurship Finance report provides data from 46 countries around the world on debt finance, alternative finance instruments and financing conditions, as well as information on policy initiatives to improve their access to finance.

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