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Access to finance

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Flash Eurobarometer 271 – *The Gallup Organisation*

This survey was requested by the Directorate General for Enterprise and Industry of the European Commission, in cooperation with the European Central Bank, and was coordinated by Directorate General Communication of the European Commission.

This document does not represent the point of view of the European Commission or the European Central Bank. The interpretations and opinions contained in it are solely those of the authors.

Flash EB Series #271

Access to finance

Conducted by
The Gallup Organisation, Hungary
upon the request of Directorate General
for Enterprise and Industry of the European
Commission, in cooperation with the European
Central Bank

EUROBAROMETER

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THE GALLUP ORGANISATION

Contents

Introduction

Sufficient access to finance is crucial for the growth of companies in the EU – it helps to foster entrepreneurship, competition and innovation. Nevertheless, a Flash Eurobarometer – conducted in 2006[1] – showed that a considerable proportion of small and medium-sized enterprises (SMEs) did not have enough financing to enable them to complete their projects.

The European Commission is working with EU Member States to improve access to finance for companies across Europe. For example, to facilitate the growth and development of small businesses, the European Commission has set out a comprehensive system of financial policies and instruments to support SMEs with the most appropriate sources and types of financing at each stage of their life[2].

The current Flash Eurobarometer *Access to finance* (Nº 271) was commissioned by the European Commission's DG Enterprise and Industry, in cooperation with the European Central Bank (ECB). It was set up to measure EU companies' use of various sources of finance, to assess the extent to which companies face difficulties when it comes to accessing finance and to study companies' expectations in terms of financing their future projects and developments.

In detail, the survey examined companies':

- past, current and future states: their financial situation, growth, innovative activities and need for external financing,
- use of financial instruments, distinguishing between the use of internal funds and external sources of finance (e.g. debt financing)
- experiences when applying for various types of external financing and reasons why they have not applied for such types of financing
- use of loans as a source of financing: the popularity of loans and the most popular providers, size and purpose of taking out recent loans
- perceptions about the availability of various types of external financing, and their views about changes in terms and conditions of bank financing
- confidence to talk about future financing with banks and equity investors, and their preferences and expectations for future financing.

The survey sample was selected randomly but disproportionally, according to two criteria:

- *Country:* EU member states, Croatia, Iceland and Norway
- *Company size:* micro (1-9 employees), small (10-49), medium (50-249), large (≥250)[3]

The survey excluded companies in the following sectors: agriculture, fishing, public administration, financial services, activities of households, extra-territorial organisations and holding companies.

The targeted number of interviews varied by the size of the respective country. Overall, 9,063 companies were interviewed across the EU, Croatia, Iceland and Norway, between 17 June and 23 July 2009, using a fixed-line telephone methodology. Eligible respondents were chief executive officers or chief financial officers.

Post-stratification weights were used to restore the artificially-distorted proportions according to company size and industry sector. When EU-wide summary estimates are discussed, the results interviews have been weighted to correct for the disproportional selection of countries in the starting sample. A technical note indicating the manner in which the Gallup partner institutes conducted the survey can be found in the annex. It provides further detail on interviewing methods, sampling and the statistical margins of error.

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[1] Flash Eurobarometer 174/184 – *SME Access to finance*

[2] http://ec.europa.eu/enterprise/policies/finance/financing-environment/index_en.htm

[3] No large companies were included in the samples of Croatia, Iceland and Norway.

Main findings

The current state of companies

- Roughly half of businesses in the EU reported having introduced at least one form of **innovation** in the past 12 months (new product or service, process, marketing or organisational innovation). The introduction of innovative changes was most prevalent at companies in Romania (83% introduced at least one form of innovation), Slovenia and Spain (72% and 63%, respectively).

- Companies with at least 250 employees and/or with an annual turnover of more than €50 million were considerably more likely to have initiated one or more of the surveyed innovative activities in the past 12 months.

- One in two companies had **grown in terms of annual turnover** in the past three years in the EU: one in five companies had an average annualised growth of more than 20% (*high-growth* companies), while 3 in 10 companies had grown, but to a lesser extent.

- Individual country results showed the highest growth – in terms of turnover – in Greece and Norway, where more than two-thirds of companies reported an average annualised growth over a three-year period (68% and 70%, respectively); slightly more than a third of companies in these countries could be classified as *high-growth*.

- Innovative companies were more likely to declare an average annualised growth of more than 20% in the past three years (25% vs. 14% for non-innovative companies). In other words, innovative companies were more likely to be *high-growth* companies.

The financial situation of companies

- A majority (60%) of companies stated that the **general economic outlook** had deteriorated in the past six months, while 9% had seen an improvement.

- More than a third (36%) of EU companies felt that labour costs had increased in the past six months, and an even larger proportion (49%) reported an increase in the cost of materials or energy.

- Companies' **turnover and profit** reflected these increases in production costs, with roughly one in two companies reporting a decrease in their annual turnover (48%) and/or profits (51%) in the past six months.

- In Lithuania and Ireland, an overwhelming majority of companies reported a decrease in turnover (80% and 78%, respectively) in the past six months. In Bulgaria, Latvia, Spain and Estonia, at least two-thirds of companies had faced a decrease in turnover (between 66% and 71%).

- Medium-sized companies (between 50 and 249 employees) were the most likely to have experienced a decrease in turnover or profit in the past six months, while large companies (at least 250 employees) were the most likely to report an improvement in their financial situation.

- Innovative companies were more likely than non-innovative ones to report an increase in turnover or profit (17% vs. 12%), while the latter type of companies tended to report a "stagnant" turnover (33% vs. 25% of innovative companies).

- One-fifth of companies stated that their **debt-to-assets ratio** – i.e. the ratio of total debt financing a company uses compared to its total assets – had increased in the past six months, while a similar proportion (19%) reported that there had been a decrease in this ratio. Roughly half of companies had experienced no change.

- The proportion of non-leveraged companies ranged from less than 5% in Ireland, Cyprus and Iceland to more than a third in Malta, Bulgaria, Lithuania and Hungary (between 34% and 40%).

- Although about one-sixth of companies selected **access to finance as their most pressing problem**, almost twice as many companies expressed more concern about finding customers (29%).

Use of financing

- In the EU, roughly 3 in 10 companies had used both **internal funds** and **external financing** in the past six months. A slightly lower proportion (28%) had only used external financing, while 16% had only used internal funds.

- Roughly 60% of companies had used at least one source of **debt financing** in the past six months. The most popular source of debt financing was the bank: 30% of companies had used bank overdraft facilities or a credit line and 26% had received a bank loan.

- Roughly a quarter (23%) of companies mentioned leasing, factoring or hire-purchasing as one of their sources of financing and 16% reported using trade credit as a source of short-term financing. Very few companies had issued equity to investors in the past six months or had received money from a venture capital firm during that period.

Experiences with applications for external finance

- Slightly more than a fifth (22%) of businesses in the EU had applied for a new bank loan or a renewal of a bank loan in the past six months. One-tenth had applied for trade credit in that period and 6% had sought other external financing.

- The proportion of companies that had applied for a new **bank loan** or a renewal of such a loan in the past six months ranged from 7% in Bulgaria and Latvia to 38% in Greece. In Cyprus, Slovenia, Italy and Spain, between 31% and 34% of companies surveyed had applied for a bank loan.

- In Germany, Iceland, Lithuania, Austria, the UK, Norway, Luxembourg and Sweden, more than half of companies had not applied for a bank loan because they had had sufficient internal funds (between 51% and 62%).

- While 29% of the most recently-established companies (active for less than two years) had applied for a bank loan, this proportion was only between 21% and 23% for longer-established companies (active for at least two years).

- In only six countries had more than a tenth of companies applied for **trade credit** from other companies: Romania (11%), Ireland (14%), the UK (15%), Spain (19%), Poland (23%) and Iceland (25%).

- The proportion of companies that had applied for a bank loan, trade credit or some other source of financing in the past six months was higher among companies with a large number of employees. For example, while 21% of companies with at least 250 employees had applied for trade credit, this proportion fell to 9% for companies with less than 10 employees.

- Between two- and three-fifths of companies that had applied for external financing received all the financing they requested: 60% had experienced no problems at all when they had requested trade credit, 55% had received the bank loan that they had applied for and 47% had received all the financing they had requested from other external sources of finance.

Loans as external source of financing

- Almost half of the companies surveyed (45%) had obtained at least one loan, of any kind, in the past two years. The proportion of companies that had obtained a loan was lower among small companies (in terms of turnover or workforce), non-innovative companies and the longest-established companies.

- For roughly a third of EU companies that obtained a loan in the past two years, the size of their most recent loan was under €25,000. About 4 in 10 companies had borrowed between €25,000 and €100,000. Only 4% of companies had borrowed over €1,000,000.

- Banks were the most popular provider of loans in the EU; they were mentioned by 89% of companies that had obtained a loan in the past two years.

- Almost equal proportions of companies had used the money that they had borrowed most recently as working capital (43%) or had bought land, buildings, equipment or vehicles with the loan (45%).

Access to external financing

- Three in 10 companies argued that there had been a decrease in the **willingness of banks to provide loans** in the past six months; 8%, however, reported that banks were now more willing to provide loans. A similar picture emerged when looking at access to public financial support instruments.

- Among the companies that considered questions about trade credit to be relevant, the dominant opinion was that the **willingness of business partners to provide trade credit** had remained the same in the past six months. A similar picture emerged when looking at willingness of investors to buy equity or debt securities.

- Companies in Estonia, Hungary, Bulgaria and Lithuania were systematically among the most likely to state that access to a specific type of external financing was now more difficult than six months ago. Businesses in the Nordic countries were among the least likely to share this view.

- The proportion of companies that voiced concerns about deteriorating access to various sources of external financing appeared to be higher among small companies (in terms of turnover and workforce) and companies established between five and nine years ago.

Changes in the need for external financing

- About one in seven (15%) companies reported that their need for **bank loans** had increased in the past six months, while 6% said the opposite. The dominant opinion was, nevertheless, that the need for bank loans had not changed in the past six months (48%).

- Furthermore, across all countries in this study and across all types of companies, those that reported that nothing had changed in their need for **trade credit, equity investments, debt securities or "other" sources of financing** outnumbered those that answered that this need had increased or, alternatively, had decreased in the past six months.

- A similar picture emerged when companies were asked to explain how their assets had influenced their need for financing: the dominant opinion was that company assets – internal funds, fixed investment and working capital – had not influenced the need for external financing in the past six months.

Terms and conditions of bank financing

- Roughly one-third of companies that had applied for a bank loan in the past six months reported that **interest rates** had been increased by their bank and a similar proportion (36%) stated that non-interest related costs of financing had been increased.

- When asked about various **non-price terms** and conditions, a majority of companies reported that these terms and conditions had remained the same in the past six months: e.g. 66% for the available maturity of a loan, 53% for collateral requirements and 52% for the available size of a loan or credit line.

Outlook for the future

- About half of EU businesses expected to grow in terms of annual **turnover in the next two to three years**: slightly more than a tenth expected a growth rate of over 20% and roughly a third expected their company to grow moderately – i.e. less than 20% per year.

- The proportion of companies that expected their annual turnover to increase in the next two to three years ranged from 17% in Malta and 20% in Latvia to approximately 60% in Poland, Austria and Norway (59%-61%).

- Slightly more than 1 in 20 companies expected that the decrease in turnover of the past three years would continue in the coming years, while one-tenth anticipated that turnover would decrease in the next two to three years after a period of stagnant or increasing turnover.

- The proportion of companies that expected their annual turnover to decrease in the next two to three years was highest in Hungary (32%), Latvia and Ireland (both 34%).

Confidence in being able to get future financing

- Roughly 6 in 10 companies were confident that they would be able to obtain the desired result after **talking to banks about financing**, while slightly more than a quarter admitted not feeling confident about the outcome.

- Confidence to talk about future financing with banks was the highest in Slovenia (86%). In Belgium, Sweden, France, the UK and Finland, between 70% and 74% of companies were confident that they would obtain the desired result.

- Confidence to talk to **equity investors or venture capital firms** about future developments was highest among companies with at least 250 employees or with an annual turnover of more than €50 million. Smaller companies generally considered this question not relevant to their situation.

External financing in the future

- **Bank loans** were by far the most preferred type of financing for future use: 64% of companies that expected to grow in the coming years stated that they would prefer to apply for a bank loan to realise these growth ambitions.

- A relative majority of businesses would aim to obtain financing for an amount of between €25,000 and €100,000. Almost a quarter (23%) of companies could not – or would not – disclose what amount of financing they would try to obtain in order to realise their growth ambitions.

- Micro-financing – i.e. financing of less than €25,000 – in order to realise growth was more popular among businesses with less than 10 employees and those established less than five years ago.
- Companies that would prefer a loan to realise their growth ambitions, were asked if there would be any **limiting factors** that might stop them getting such financing. Slightly more than a quarter said there would be no obstacles.

- A quarter of companies that would prefer equity investment or "mezzanine" financing to realise their growth ambitions voiced concerns that financing would not be available.

- A slim majority of companies in Germany foresaw no obstacles in getting the loan needed to realise their growth ambitions. This proportion, however, decreased to 8% in Romania – there, 41% of businesses identified interest rates and a price that would be seen as "too high" as likely to be the most important limiting factor in securing a future loan.

Expected availability of internal funds and external financing

- When asked about their prospects for **acquisition of internal funds** (for example, by selling assets), about 6 in 10 companies in the EU expected that nothing would change in the next six months.

- More than 4 in 10 companies in Latvia (49%), Lithuania (43%) and Iceland (41%) expected that their situation in terms of internal funds would deteriorate in the next six months. In the countries at the lower end of the distribution (e.g. Belgium and Finland), however, less than 10% shared this pessimistic view about the future.

- Similar to the results for companies' perceptions about recent changes in the availability of **bank loans, trade credit, equity investments, debt securities or "other" sources of financing**, companies that expected no change in the availability of these instruments in the next six months outnumbered those that thought that access would improve or, alternatively, would deteriorate during that period.

Planning a future listing on the stock market

- Very few non-listed companies in the EU were aiming to get listed on the main list or an alternative, growth-oriented list of the stock exchange in the next two years.

- An overwhelming majority (82%) of companies claimed that their firm was too small to consider being listed on the stock market. Large companies saw a partial loss of control and unfavourable market conditions as the main obstacles to get a listing.

1. Characteristics and current state of companies

This chapter sets out the basis for the remainder of the report by presenting information about the characteristics of the businesses surveyed – in the first section of this chapter – and about these companies' situation in terms of changes in costs, turnover, profit and leverage – in the second section of this chapter.

1.1 Characteristics influencing access to finance

In this study, managers of micro, small, medium and large companies were interviewed about the extent to which they faced difficulties in accessing finance. Earlier studies in this area (e.g. Flash Eurobarometer 174/184 – SME Access to finance) showed that some categories of businesses, notably small and new ones, face additional difficulties in obtaining external finance. In this report, differences in the ability to access finance will be studied in terms of the following characteristics:

- *Company size:* micro (1-9 employees), small (10-49), medium (50-249), large (≥250)
- *Annual turnover:* up to €2 million, €2-10 million, €10-50 million, more than €50 million
- *Sector of activity:* industry, construction, trade, services
- *Enterprise characteristic:* autonomous, part of an enterprise (e.g. subsidiary or branch)
- *Active in the marketplace:* less than two years, between two and four years, between five and nine years, at least 10 years
- *Ownership structure:* listed company (shareholders), family or entrepreneurs, other firms or business associates, venture capital companies or business angels, only one owner (male/female).

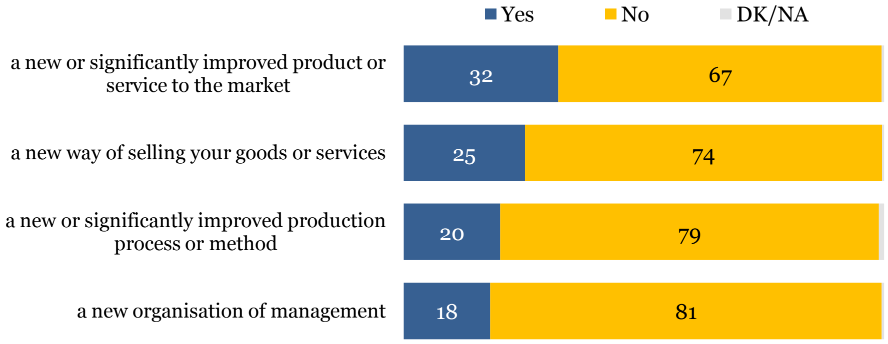
In addition to the above-mentioned characteristics, we also look at *innovation* (in section 1.1.1) and *growth* (in section 1.1.2). Innovative companies – with growth ambitions – typically require significant funding, because investments in research and development are usually not compensated by early revenue streams.

In the following sections, we first look at the results of the questions about innovative activities and then survey the number of companies in a growth situation across the EU and individual countries. More details about the other company characteristics can be found in annex tables 1 through 6.

1.1.1 Innovative companies

Roughly one-third (32%) of businesses reported that they had introduced a new or significantly improved product or service to the market in the past 12 months – this was the most likely innovative activity across the EU. A quarter of managers said that they had introduced a new way of selling products or services in the past 12 months and a fifth mentioned the introduction of a significantly improved method of production. Finally, just less than one in five (18%) companies had initiated a new organisation of their management in the past 12 months.

Innovative activities introduced in the past 12 months



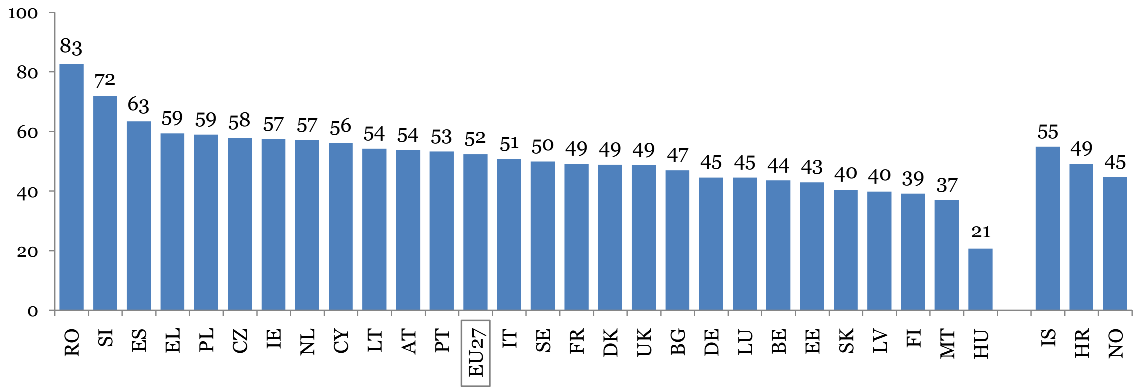
Q1. During the past 12 months have you introduced…?
Base: all companies, % EU27

When looking at the proportion of companies that had introduced innovation in at least one of the above-mentioned areas – products or services, marketing, production and management – the ratio is of course higher than when we look at individual innovative activities: at the EU level, 52% of surveyed companies reported at least one form of innovation during the past 12 months.

Country variations[4]

Involvement in innovation, as measured by these four activity categories, was the highest among companies in Romania (83% introduced at least one form of innovation). Slovenia and Spain joined Romania at the higher end of the distribution with, respectively, 72% and 63% of innovative companies. Hungarian companies ranked lowest with 21% of companies having introduced innovation in any of the four areas in the past 12 months. Other countries at the lower end of the scale were Malta (37%), Finland (39%), Latvia and Slovakia (both 40%).

Companies that introduced at least one innovative activity in the past 12 months

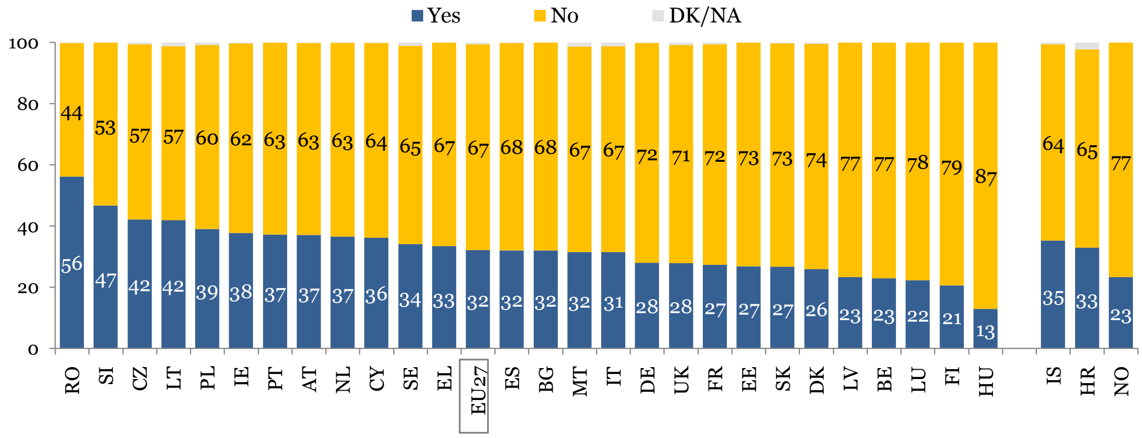


Q1. During the past 12 months have you introduced…?
Base: all companies, % by country

Focusing solely on **innovations in bringing new or improved products or services to the market**, more than half (56%) of Romanian companies had done this in the past 12 months. In all other countries surveyed, however, such innovation was achieved by less than half of surveyed companies (ranging from 13% in Hungary to 47% in Slovenia).

[4] Country charts in this report show the results for each of the 27 EU Member States and for Croatia, Iceland and Norway. The "EU27" results present the average result for the 27 EU Member States (without Croatia, Iceland and Norway) – taking into account differences in population size across individual Member States.

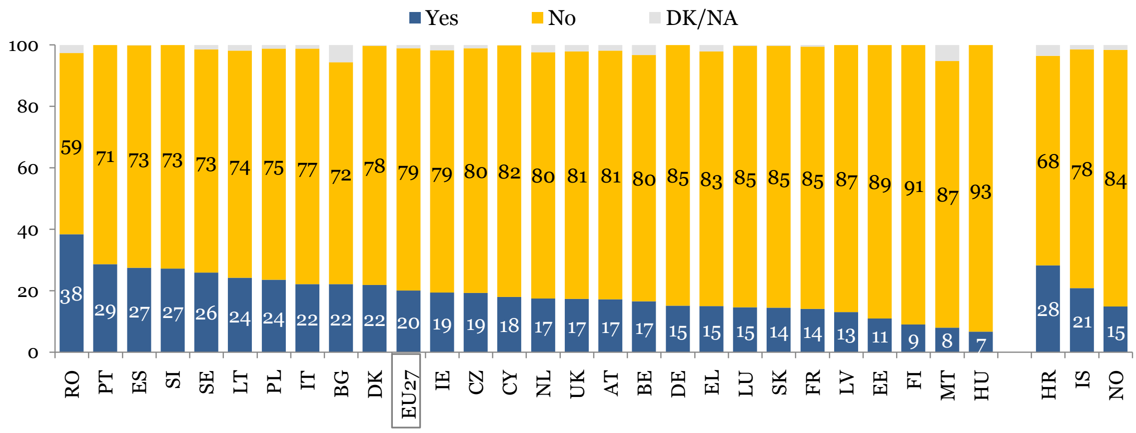
Introduction of a new or significantly improved **product or service** to the market



Q1. During the past 12 months have you introduced…?
Base: all companies, % by country

Process innovation was reported most frequently – once again – by managers in Romania (38%). Other countries at the higher end of the scale were Sweden, Slovenia, Spain and Portugal: in these countries between 26% and 29% of companies had introduced a new or significantly improved production process or method. In Hungary, Malta and Finland, on the other hand, less than a tenth of managers said that their company had introduced this type of innovation (between 7% and 9%).

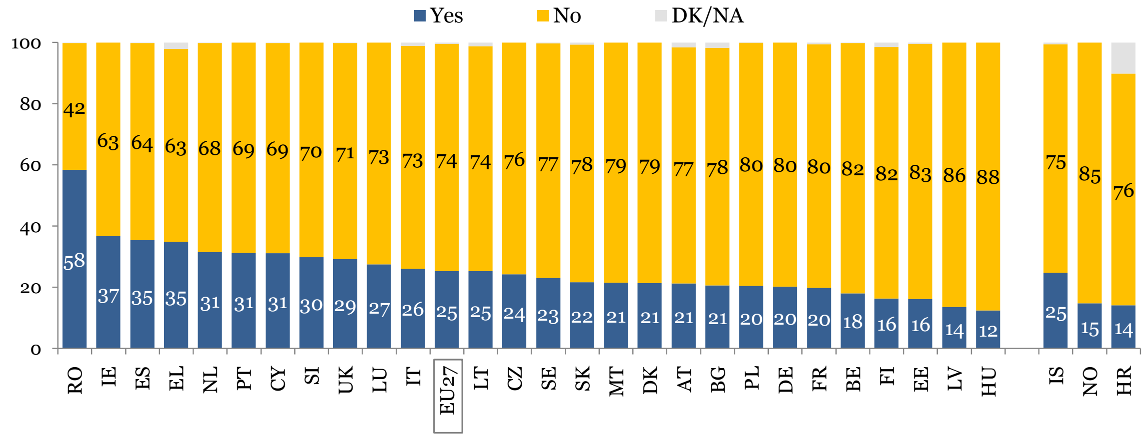
Introduction of a new or significantly improved **production process or method**



Q1. During the past 12 months have you introduced…?
Base: all companies, % by country

Romania was also the only country were more than half (58%) of respondents answered that they had introduced **a new way of selling products or services** in the past 12 months. In sharp contrast, in Hungary, Latvia, Estonia and Finland, less than one in six managers said they had improved their way of selling product or services in the past 12 months (between 12% and 16%).

Introduction of a new **way of selling goods or services**

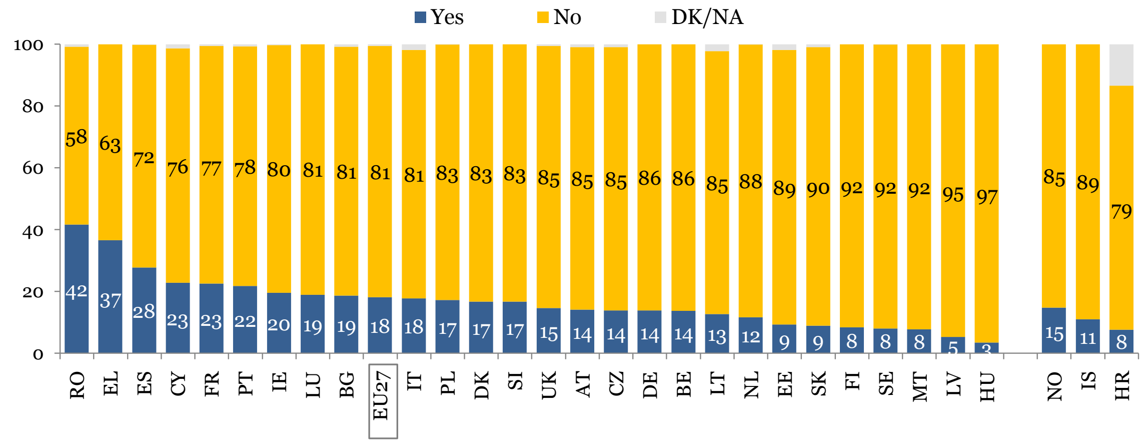


Q1. During the past 12 months have you introduced...?
Base: all companies, % by country

Finally, and similar to the country rankings observed for other types of initiatives, the amount of **organisational innovation** reported by managers ranged from 3% in Hungary to 42% in Romania.

In most countries in this study, the most popular type of innovative activity was linked to bringing new products or services to market, while organisational innovation was the least popular. For example, while 34% of Swedish businesses had introduced a new or significantly improved product or service to market in the past 12 months, only 8% had initiated a new type of management organisation. The corresponding proportions for process and marketing innovation were, respectively, 26% and 23%.

Introduction of a new **organisation of management**



Q1. During the past 12 months have you introduced...?
Base: all companies, % by country

Innovation and other company characteristics[5]

Although innovation was not restricted to the largest companies, companies with at least 250 employees and/or with an annual turnover of more than €50 million were considerably more likely to have initiated one or more of the surveyed innovative activities in the past 12 months. For example, while 77% of businesses with the highest turnover (more than €50 million) had introduced at least one type of innovation in the past 12 months, not more than a slim majority of companies with a lower turnover had done so (between 52% and 56%).

[5] This section – and other sections discussing results by company characteristics – focuses solely on interviews conducted in the EU (i.e. they do not include Croatia, Iceland and Norway).

More recently established companies (active for less than five years) were the most likely to have introduced innovative changes in the areas of products or services, production and marketing; while just under 60% of these companies had introduced innovation in at least one of the four areas in the past 12 months, approximately 50% of older companies had done so.

Businesses in the industry and trade sectors were the most likely to have introduced at least one type of innovation in the past 12 months (54% and 57%, respectively), while those in construction were the least likely to have done so (41%). The corresponding proportion for businesses in the services sector was 52%.

In terms of ownership structures, almost 6 in 10 managers of listed companies and those that received money from a venture capital firm[6] said they had introduced innovation in at least one of the four areas in the past 12 months; the corresponding proportions for companies with other ownership structures – family or entrepreneurs as owners, for example – were somewhat lower. Companies owned by a single person were the least likely to have introduced innovation of any kind: 50% for companies owned by a man and 39% for companies owned by a woman.

Finally, autonomous companies were also somewhat more likely than subsidiaries or branches to have introduced innovation of some kind in the past 12 months (53% vs. 47%).

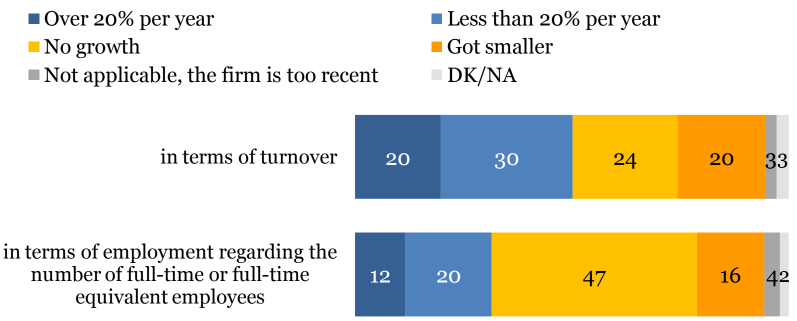
For more details, see annex tables 8b-c through 11b-c and annex table 85b-c.

1.1.2 Growing – and high-growth – companies

One in two managers in the EU stated that their company had grown in terms of annual **turnover** in the past three years: one in five companies had an average annualised growth of more than 20% (referred to as *high-growth* companies), while 3 in 10 had grown, but to a lesser extent than that. One-fifth of managers said that turnover had decreased, on average, in the past three years and roughly a quarter (24%) of companies had seen no change during that period.

The **number of full-time or full-time equivalent employees** in a relative majority of the EU companies surveyed (47%) had remained the same over the last three years. Roughly one-third of respondents reported an increase in the number of employees in their company in the past three years: 12% of companies had grown by over 20% on average per year and one-fifth had grown by less than 20% per year. About one in six (16%) companies had experienced a decrease in numbers of their workforce, on average, in the three-year period.

Companies' average yearly growth



Q16. Over the last three years, how much did your firm grow on average per year ...?
Base: all companies, % EU27

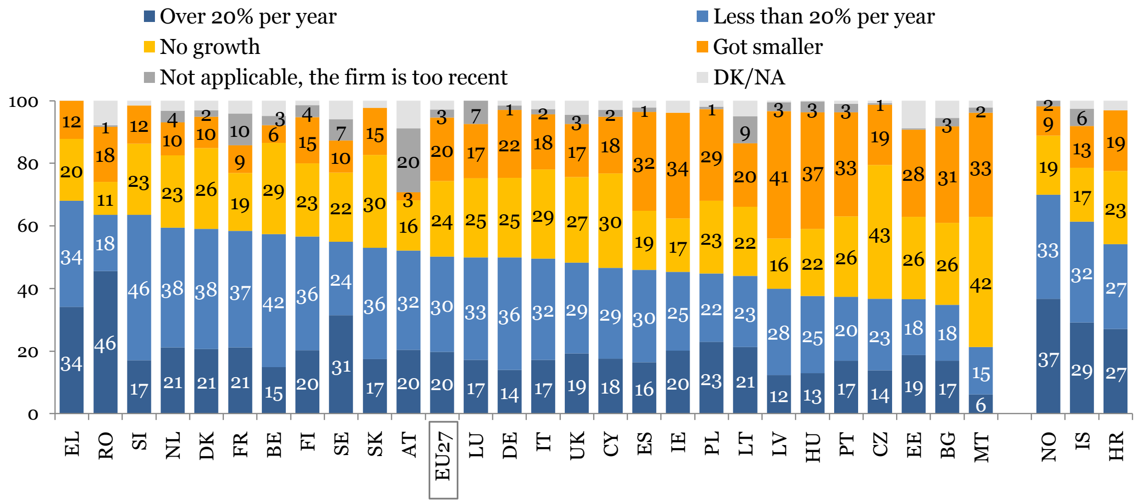
[6] Some caution should be exercised when interpreting results of companies that received money from a venture capital firm or business angel because only 67 such companies were included in the sample.

Country variations

Individual country results showed the highest growth – in terms of **turnover** – in Greece and Norway, where more than two-thirds of managers reported a growth in turnover in the past three years (68% and 70%, respectively) and slightly more than a third of companies could be classified as *high-growth* (34% and 37%, respectively). The proportion of *high-growth* companies surveyed was, nevertheless, the highest in Romania: there, 46% of managers answered that their company had an average annualised growth greater than 20% in the past three years.

In Malta, on the other hand, just about a fifth (21%) of companies had seen an average increase in turnover over the past three years. For a relative majority of Maltese companies (42%) the situation was stable in this timeframe, while one-third of companies had experienced a decline in turnover in the same period. The proportion of companies for which the situation in terms of turnover had deteriorated in the past three years was, nevertheless, as high – or even higher – in Spain (32%), Portugal (33%), Ireland (34%), Hungary (37%) and Latvia (41%).

Companies' average yearly growth in terms of **turnover**



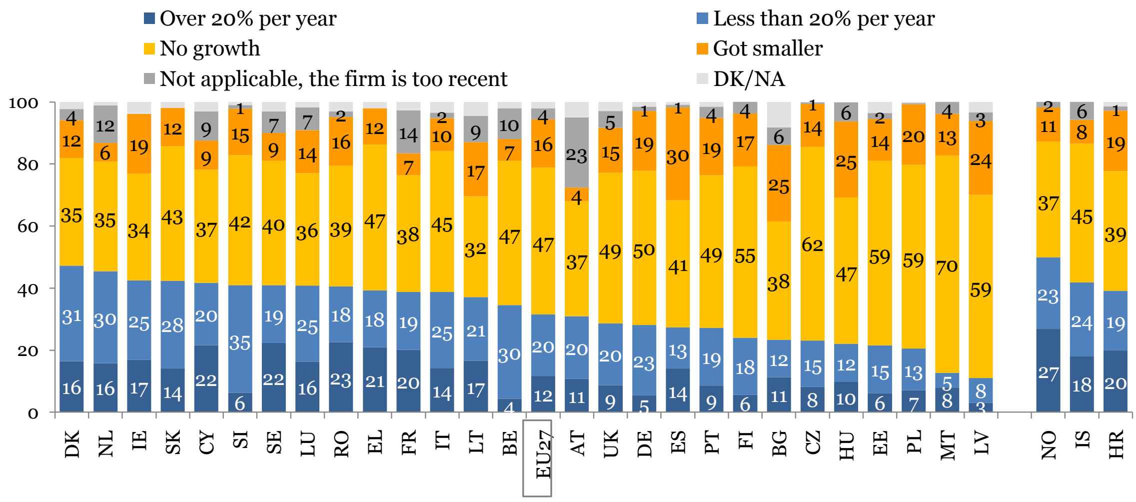
Q16. Over the last three years, how much did your firm grow on average per year ...?
Base: all companies, % by country

In 19 of the 30 countries in this study, the **number of employees** in a relative majority of companies had – on average – remained the same over the past three years. For example, 62% of managers in the Czech Republic reported no change in the number of their employees in the past three years, compared to 23% who said they had taken on new employees and 14% who reported lay-offs in their workforce.

The highest growth in terms of companies' workforce was observed in Norway: 27% of companies had grown more than 20% – on average – per year and 23% had grown at a rate of less than 20% per year. Denmark and the Netherlands followed with 16% of rapidly growing companies (over 20% per year) and roughly 30% of companies growing at a lower rate (less than 20%).

The greatest reduction in the number of employees, on the other hand, was observed in Spain – where 30% of companies had laid off staff in the past three years. In Bulgaria, Hungary and Latvia, about a quarter of companies (24%-25%) reported a reduction in their workforce, while this proportion was roughly a fifth (19%-20%) in Germany, Ireland, Portugal, Poland and Croatia.

Companies' average yearly growth in terms of **employment**

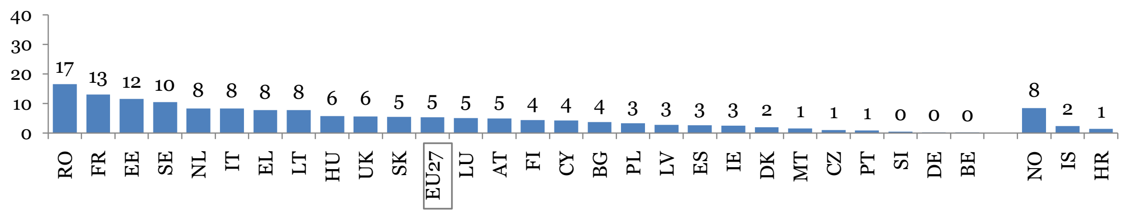


Q16. Over the last three years, how much did your firm grow on average per year …?
Base: all companies, % by country

Gazelles

"Gazelles" are a specific type of *high-growth* companies – i.e. these are companies up to five years old with an average growth greater than 20% per year, over a period of three years. In almost all countries in the study, the sample contained a small number of "gazelles" – ranging from just a few cases in, for example, Portugal and the Czech Republic to roughly one in six (17%) in Romania.

Gazelles
(companies up to 5 years old with an average growth greater than 20% per year, over a three year period)



D5. In which year was your firm registered?
Q16. Over the last three years, how much did your firm grow on average per year …?
Base: all companies, % by country

Innovation and growth

Innovative companies (i.e. those that had introduced innovation in at least one area – products or services, marketing, production and management) were more likely to report an average annualised growth of more than 20% in the past three years (25% vs. 14% for non-innovative companies) – in other words, innovative companies are more likely to be *high-growth* companies. Additionally, the proportion of innovative companies that saw no change – or a decrease – in turnover, was smaller than the corresponding proportion for non-innovative companies.

Companies' average yearly growth in terms of **turnover**

	Over 20% per year	Less than 20% per year	No growth	Got smaller	Not applicable	DK/NA
EU27	20	30	24	20	3	3
INNOVATION						
Non-innovative companies	15	31	27	23	2	3
Innovative companies	25	30	21	18	3	3

Q16. Over the last three years, how much did your firm grow on average per year in terms of turnover?
Q1. During the past 12 months have you introduced…?
Base: all companies, Row % EU27

Growth and other company characteristics

Larger companies in terms of turnover or workforce were more likely to have grown in the past three years, while smaller companies were more likely to have been characterised by a stable situation. For example, while 50% of managers of large companies (with at least 250 employees) reported that the number of employees in their company had increased in the past three years, 30% of managers of micro companies (with less than 10 employees) said the same; roughly half (49%) of the latter said that the number of employees in their company had remained the same in the past three years (compared to 20% of managers in large companies). A similar pattern was found when looking at changes in turnover in the past three years.

When focusing on the proportion of companies that reported a decrease in turnover and/or the number of employees, however, a different blueprint emerged. While companies with at least 250 employees were the most likely to have experienced an annual average decrease in turnover, micro companies most frequently reported having laid off employees.

An average annualised growth greater than 20% – in terms of turnover or employment – more frequently occurred in companies established between two and nine years ago than in the longest-established companies (active for 10 years or more)[7]. For example, the proportion of *high-growth* companies – in terms of turnover – was highest among companies established between two and four years ago (32%) and lowest among companies established at least 10 years ago (16%). Longer-established companies, on the other hand, were the most likely to have experienced a decrease in turnover and/or employment.

Businesses in the trade and services sectors were the most likely to have seen a stable situation in the past three years in terms of employment, while those in the industry and construction sectors were more likely to have experienced either an increase or a decrease in their workforce. For example, 22% of managers in the industry sector and 19% in the construction business said they had cut the number of employees in the past three years – compared to 13% in trade and 15% in services. No differences were observed by sector of activity when looking at changes in annual turnover.

Stability in the number of employees and in annual turnover was also more likely to apply to autonomous companies than to, for example, subsidiaries or branches (48% vs. 38% for stability in employment and 25% vs. 15% for stability in terms of turnover).

Finally, almost 6 in 10 (59%) managers of listed companies answered that their company had grown in terms of turnover in the past three years and 44% reported an increase in the number of employees; managers in other types of companies were considerably less likely to report such growth. Focusing on rapidly-growing companies, however, those receiving money from a venture capital firm were as likely to have experienced such growth in turnover as listed companies (e.g. 33% of *high-growth* companies for both categories).

When looking at the proportion of companies that reported a decrease in turnover and/or the number of employees, dissimilarities emerged again between firms with different ownership structures. For example, while managers of venture capital businesses were the least likely to answer that turnover had decreased in the past three years, they were among the most likely to report a reduction of the workforce.

For more details, see annex tables 68b-c and 69b-c.

[7] More than half of start-up companies (active for less than two years) answered that their company was established too recently to answer questions about average growth.

1.2 The financial situation of companies

1.2.1 Income generation indicators

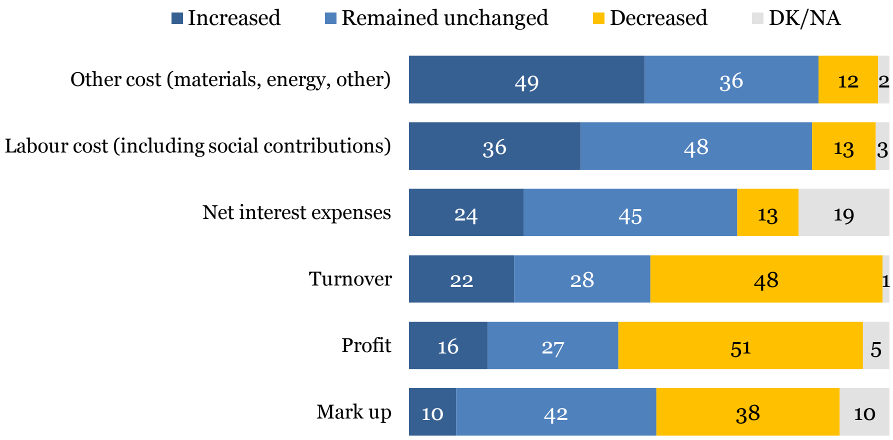
In the previous section, we looked at changes in companies' annual turnover and workforce in the past three years – this can be seen as a measure of longer-term changes in companies' financial situation. In the current section, however, we now focus on short-term changes, i.e. in the past six months – in this way, we can assess the most recent effects of the economic crisis on companies' financial situation.

More than a third (36%) of managers of EU companies answered that labour costs (including social contributions) had increased in the past six months, and an even larger proportion – 49% – said that there had been an increase in other costs, such as the cost of materials or energy. Only a minority of interviewees replied that costs had decreased: 13% saw a decrease in labour costs and 12% in other costs.

Companies' turnover and profit reflected these increases in production costs, with roughly one in two managers reporting a decrease in their company's annual turnover (48%) and/or profits (51%) in the past six months. About one in five (22%) interviewees said that their company's turnover had increased and 16% said the same about their company's profits. Similarly, 10% of companies had experienced an increase in their mark up – i.e. the difference between the cost of goods or services and their selling price – in the past six months, while 38% had seen their mark up decrease.

Managers were also asked to evaluate their net interest expenses (i.e. interest paid over interest earned); however, roughly one in five (19%) interviewees could not answer this question. Nonetheless, the largest proportion of managers (45%) answered that their net interest expenses had remained unchanged in the past six months, 24% said there had been an increase in these expenses and 13% reported a decrease.

Situation of companies compared to six months ago



Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased orver the past 6 months in your company?
Base: all companies, % EU27

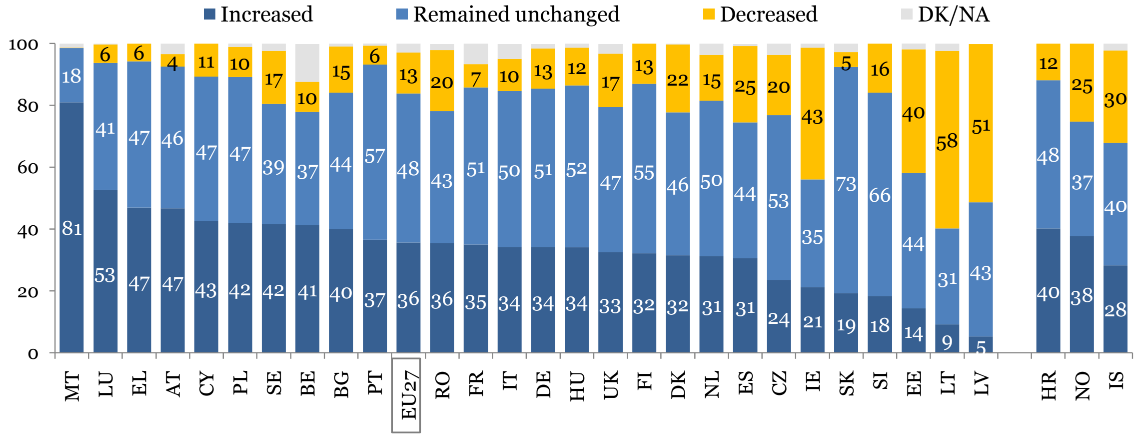
It was noted in section 1.1.2 that one in two companies had grown in terms of annual turnover in the past three years and a fifth had experienced a decline in turnover during that period. The results for changes in turnover in the past six months were almost a mirror image, with roughly one in two managers reporting a decrease in their company's annual turnover, while approximately one in five (22%) had seen their turnover increase.

Country variations – costs and interest expenses

The proportion of managers who answered that **labour costs** had increased in the past six months ranged from less than a tenth in Latvia (5%) and Lithuania (9%) to a slim majority in Luxembourg (53%) and an overwhelming majority in Malta (81%).

In six countries – Norway, Belgium, Sweden, Austria, Luxembourg and Malta – at least a relative majority of managers said that labour costs had increased in the past six months (between 38% and 81% of managers reported this evolution), while in only three countries – Lithuania, Latvia and Ireland – a relative majority said the opposite, i.e. that labour costs had decreased in the past six months (58%, 51% and 43%, respectively). In all other countries, the dominant opinion was that labour costs had remained unchanged in the past six months – with respondents in Slovakia (73%) and Slovenia (66%) leading the way in this view.

Situation compared to six months ago: **Labour cost (including social contributions)**



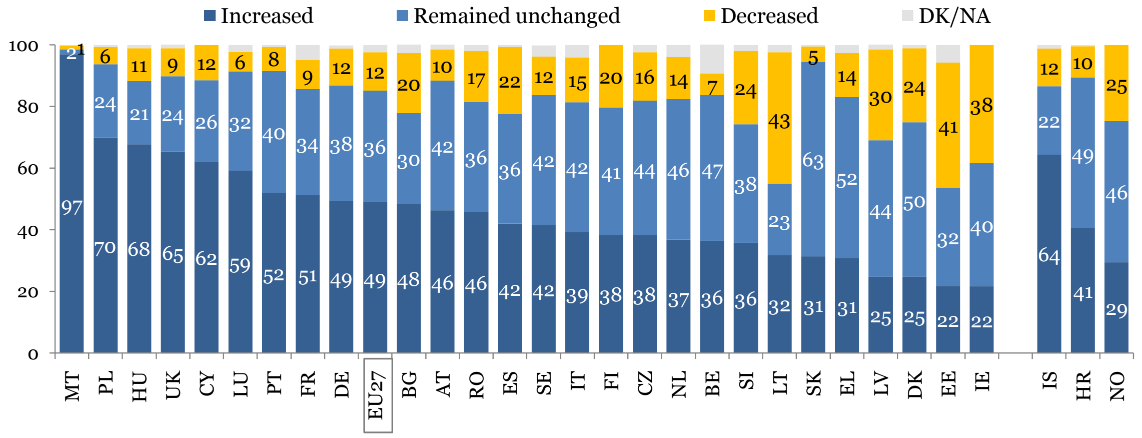
Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased orver the past 6 months in your company?
Base: all companies, % by country

A majority of managers surveyed in nine countries, and a relative majority in an additional five countries, said that **non-labour costs** – e.g. cost of materials and energy – had increased in the past six months. Managers in Malta were once again the most likely to answer that costs had increased (97%)[8], followed by those in Poland (70%), Hungary (68%), the UK (65%) and Iceland (64%).

In Ireland, Estonia, Denmark and Latvia, on the other hand, not more than a quarter of interviewees answered that there had been an increase in non-labour costs in the past six months (between 22% and 25%). However, while the dominant opinion in Ireland and Estonia was that costs had decreased (38% and 41%, respectively), respondents in Denmark and Latvia more often said that costs had remained the same in the past six months (50% and 44%, respectively).

[8] This is in accordance with the results of a survey of business perceptions conducted by the Central Bank of Malta – this study found that in the first quarter of 2009 a significantly larger proportion of respondents reported an increase in costs than in the last quarter of 2008.

Situation compared to six months ago: **Other cost (materials, energy, other)**



Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased orver the past 6 months in your company?
Base: all companies, % by country

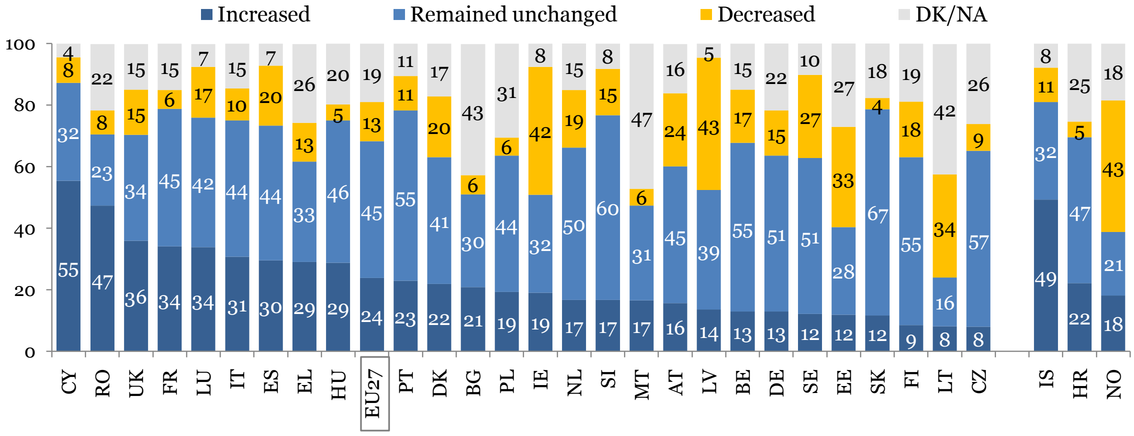
A significant number of managers in most countries in this study found it difficult to answer the question about changes in **net interest expenses**; the proportion of "don't know" responses ranged from 4% in Cyprus and 5% in Latvia to more than 40% in Lithuania (42%), Bulgaria (43%) and Malta (47%).

Focusing solely on respondents who answered this question, it was noted that managers in Cyprus and Romania were the most likely to say that their company's net interest expenses had increased in the past six months (58% and 60%, respectively); they were followed by respondents in Iceland (54%), the UK (42%), France (40%) and Greece (39%).

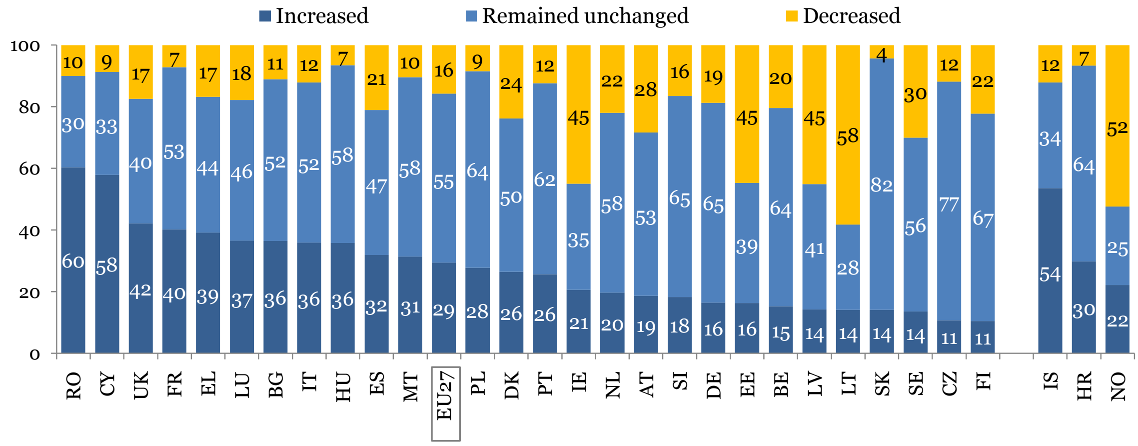
In the countries at the lower end of the distribution, however, less than 15% of managers answered that there had been an increase in their company's net interest expenses. Managers in Lithuania were the most likely to report a decrease in such expenses in the past six months (58%), while managers in Slovakia were – once again – most likely to say that these expenses had remained the same (82%).

Situation compared to six months ago: **Net interest expenses**

Base: All companies



Base: Companies that provided an answer



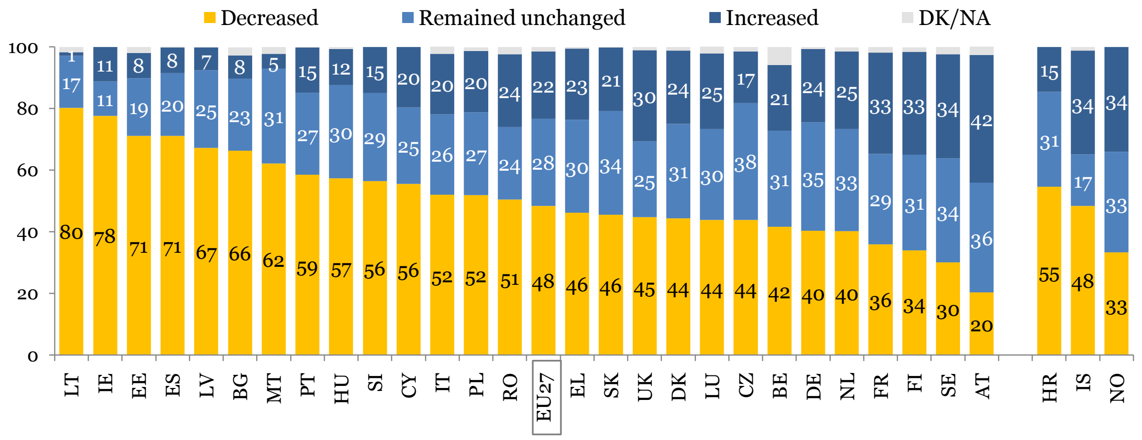
Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased orver the past 6 months in your company?
% by country

Country variations – turnover, profit and mark up

A majority of managers in 15 countries, and a relative majority in an additional 12 countries, answered that their company's annual **turnover** had decreased in the past six months. Managers in Lithuania and Ireland were the most likely to report a decrease in turnover (80% and 78%, respectively). In Bulgaria, Latvia, Spain and Estonia, at least two-thirds of respondents shared this opinion (between 66% and 71%).

In the remaining three countries, not more than a third of managers reported a decrease in turnover, while a relative majority answered that turnover had increased: 34% in Norway and Sweden and 42% in Austria.

Situation compared to six months ago: **Turnover**



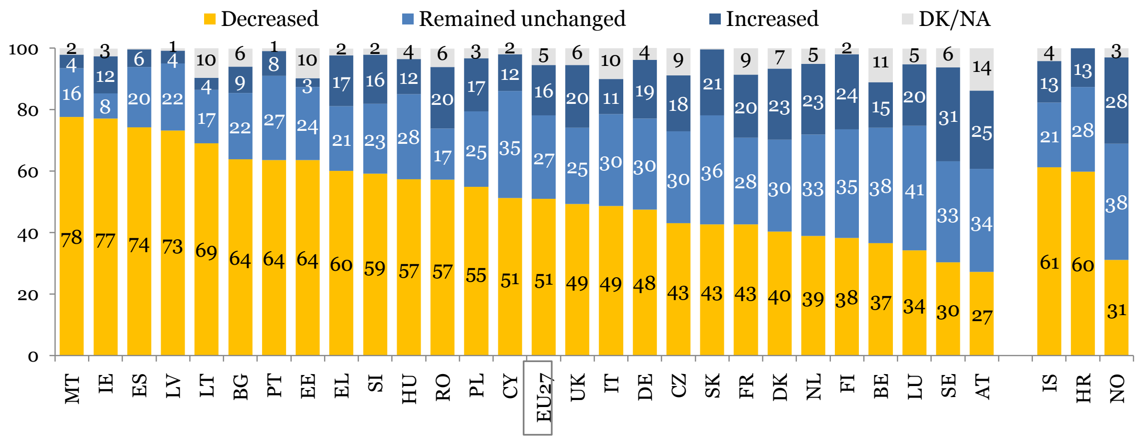
Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased orver the past 6 months in your company?
Base: all companies, % by country

A majority of managers in 16 countries, and a relative majority in an additional 9 countries, said that their company's **profits** had decreased in the past six months. Some similarities could be seen – with the same countries appearing at the higher or lower ends of the distribution – when perceived changes in profit were compared to perceived changes in turnover:

- Latvian, Spanish and Irish respondents were the ones most frequently reporting a decrease in profit (between 73% and 77%) – nonetheless, it was the Maltese respondents who were the most likely to select this response (78%).

- Although Austria, Sweden and Norway were again at the bottom of the distribution – with roughly 3 in 10 managers reporting a decrease in profit – even in these countries, the proportion of managers reporting an increase in profit in the past six months remained below a third (25%, 31% and 28%, respectively).

Situation compared to six months ago: **Profit**

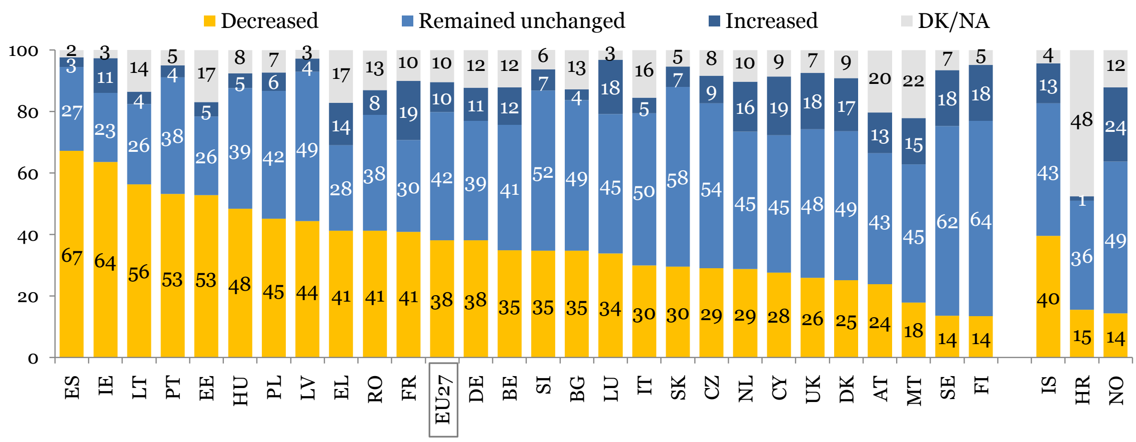


Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased orver the past 6 months in your company?
Base: all companies, % by country

Looking at perceived changes in mark up, similarities could again be seen: for example, managers in Spain and Ireland were the most likely to report a decrease in mark up (67% and 64%, respectively) and managers in Sweden and Norway were among the least likely to report such a decrease (both 14%). Nevertheless, in almost all countries in this study, the proportion of managers saying that there had been a decrease in their company's profit or turnover in the past six months was higher than the proportion saying the same about mark up. When answering this question about mark up, managers were more likely to describe their company's situation as unchanged (ranging from 23% in Ireland to 64% in Finland).

Finally, at least one-tenth of interviewees in half of the countries found it difficult to answer this question; the proportions of "don't know" responses were the highest in Croatia (48%), Malta (22%) and Austria (20%).

Situation compared to six months ago: **Mark up**



Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased orver the past 6 months in your company?
Base: all companies, % by country

A summary – income generation

Based on their answers to the question about changes in turnover, profit and mark up, companies were classified into three segments – those that had seen:

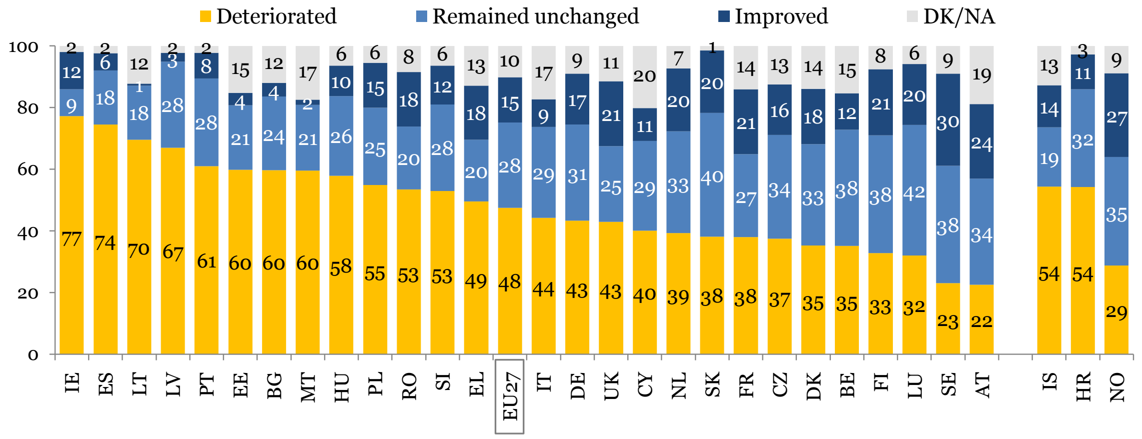
- a deterioration in their financial situation – almost half of EU companies (48%)
- an improvement in their financial situation (15%)
- no change in their financial situation – termed as "stagnant" (28%).

A majority of managers in 14 countries, and a relative majority in 9 countries, reported a deterioration of their company's financial situation in the past six months. Companies in Latvia, Lithuania, Spain and Ireland were the most likely to have experienced such a deterioration (between 67% and 77%).

In the other seven countries, a relative majority of companies had experienced no change in their financial situation in the past six months: Luxembourg (42%), Slovakia (40%), Belgium, Finland and Sweden (all 38%), Norway (35%) and Austria (34%).

Austria (24%) and the Nordic countries – Finland (21%), Norway (27%) and Sweden (30%) – were the only countries where more than a fifth of managers reported an improvement in their company's financial situation.

Situation compared to six months ago: **Summary – turnover, profit and mark up**



Deteriorated: at least two "decreased" responses, or at least one "decreased" response and no "increased" responses
Improved: at least two "increased" responses, or at least one "increased" response and no "decreased" responses
Remained unchanged: at least two "remained unchanged" responses
DK/NA: non-classified cases and cases with at least two "don't know" responses

Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased orver the past 6 months in your company?
Base: all companies, % by country

Company characteristics

In this section, different types of companies are compared in terms of changes in their income generation indicators in the past six months – we focus our discussion on the results of the *summary measure* presented in the previous section. More detailed results for individual indicators can be found in annex tables 12b-c through 17b-c.

Medium-sized companies (between 50 and 249 employees) were the most likely to have experienced a decrease in turnover, profit and/or mark up in the past six months; managers of large companies (at least 250 employees) were the most likely to report an improvement in their company's financial situation. A slim majority (54%) of medium-sized companies had seen their financial situation deteriorate and 16% had experienced an improvement. The corresponding proportions for large companies were 42% for "deteriorated" and 23% for "improved". Micro companies (with less than 10 employees) and small companies (with between 10 and 49 employees) were more likely than larger companies to have experienced no change in their financial situation.

Companies with an annual turnover above €10 million[9] and those active for at least five years were also more likely to have seen their financial situation deteriorate; for example, at least half of companies active for at least five years reported a deterioration of their financial situation, compared to 21% of the most recently-established companies (active for less than two years) and 38% of companies active for a period of between two and four years.

In terms of activities, companies in the industry sector were the most likely to report a decrease in turnover, profit and/or mark up in the past six months (54%), while those in the services sector were the least likely to have experienced such a decrease (44%). The corresponding proportions in the construction and trade sectors were 52% and 50%, respectively.

Across most types of ownership structures, roughly half of companies had experienced a deterioration of their financial situation in the past six months (e.g. 47% for listed companies and 50% for businesses with one female owner). The only exceptions were those companies receiving money from

[9] Note: Although almost all companies with at least 250 employees had a turnover above €10 million, the majority of companies with such a high turnover had less than 250 employees – as such, it is not unexpected that companies with at least 250 employees were the most likely to report an increase in their financial situation, while companies with a turnover above €10 million were most likely to have seen their situation deteriorate.

a venture capital firm or business angel – in this category, 33% of managers reported a decrease in turnover, profit and/or mark up compared to 34% who reported in increase.

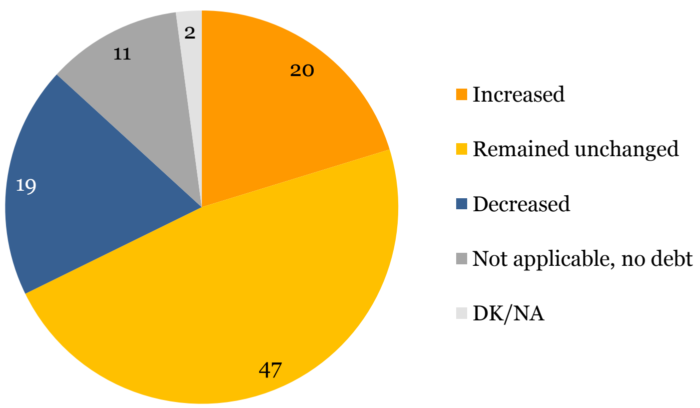
Finally, innovative companies were more likely than non-innovative ones to report an increase in turnover, profit and/or mark up (17% vs. 12%), while the latter type of companies appear to be a better fit for the description "stagnant" (33% vs. 25% for innovative companies).

For more details, see annex table 86b-c.

1.2.2 Changes in companies' debt-to-assets ratio

One-fifth of managers answered that their company's debt-to-assets ratio – i.e. the ratio of total debt financing a company uses compared to its total assets – had increased in the past six months, while a similar proportion (19%) answered that there had been a decrease in this ratio. Slightly less than half (47%) of managers said there had been no change in their company's debt-to-assets ratio. Finally, 11% of the companies surveyed reported having no debts.

Companies' debt-to-assets ratio



Q3. Would you say that the amount of debt compared to the assets of your company has decrease, remained unchanged or increased over the past 6 months?
Base: all companies, % EU27

Country variations

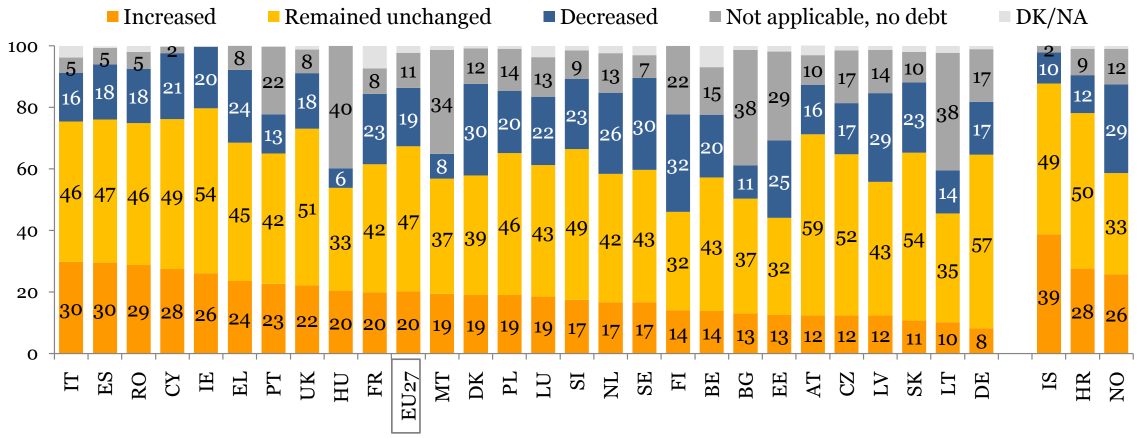
The proportion of non-leveraged companies – i.e. companies having no debt – ranged from less than 5% in Ireland, Cyprus and Iceland to more than a third of companies in Malta, Bulgaria, Lithuania and Hungary (between 34% and 40%).

Focusing solely on leveraged companies, it was noted that the proportion of respondents who answered that their company's debt-to-assets ratio had increased in the past six months ranged from 10% in Germany to 40% in Iceland. Malta, Romania, Spain, Croatia, Italy and Hungary joined Iceland at the higher end of the distribution with between 30% and 34% of companies with an increased debt-to-assets ratio.

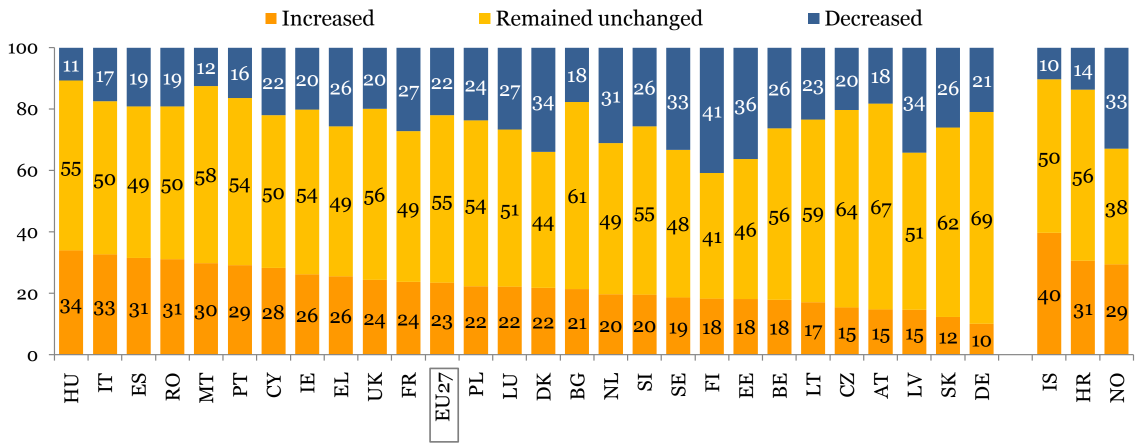
Nonetheless, in all countries surveyed (except Finland), at least a relative majority of respondents reported no change in their company's leverage – with the proportion selecting this response being the highest in Germany (69%), Austria (67%) and the Czech Republic (64%). In Finland, on the other hand, managers were as likely to report a decrease in their company's debt-to-assets ratio as they were to report no change (both 41%).

Companies' debt-to-assets ratio

Base: All companies



Base: Companies that provided an answer



Q3. Would you say that the amount of debt compared to the assets of your company has decrease, remained unchanged or increased over the past 6 months?
% by country

Company characteristics

Although micro companies (with less than 10 employees) were considerably more likely to have no debt, company size had only a minor impact on changes in a company's debt-to-assets ratio; the ratio of "increased" and "decreased" responses was the same for all types of companies – micro, small, medium and large. A similar picture emerged when comparing innovative and non-innovative companies: although the former are more leveraged than the latter, the ratio of "increased" and "decreased" responses was the same for both types of companies.

Companies with an annual turnover below €2 million were also more likely not to have debts (12% vs. 3% of companies with an annual turnover of more than €50 million). The ratio of "increased" to "decreased" debt-to-assets ratio responses was the largest for companies with the highest turnover (29% "increased" vs. 22% "decreased"). A similar picture emerged when looking at sector of activity: companies in the industry sector somewhat stood out with 25% of managers reporting an increase in leverage in the past six months, compared to 16% reporting a decrease. By comparison, in the trade sector the proportions of "increased" and "decreased" debt-to-assets responses were the same (22% vs. 20%).

Young companies were more leveraged than old ones: 13% of managers of companies active for a period of at least 10 years said there was no debt compared to 9% of the most recently-established companies (active for less than two years). Furthermore, while the most-recently established companies were the most likely to report a decrease in their debt-to-assets ratio (24% vs. 16%

"increased"), companies active for a period of between two and four years were more likely to have experienced an increase in this ratio (25% vs. 18% "decreased").

Companies that had experienced a decrease in turnover in the past three years were the most likely to report an increase in their debt-to-assets ratio (27% vs. 18% "decreased"), while *high-growth* companies were more likely to have experienced a decrease in this ratio (22% vs. 21% "increased").

In terms of ownership structure, it was noted that the ratio of "increased" and "decreased" debt-to-assets responses was the same for most types of ownership structures (e.g. listed companies: 22% "increased" and 23% "decreased"). The only exception were companies receiving money from a venture capital firm or business angel – in this category, 8% of managers reported an increase in their company's debt-to-assets ratio compared to 29% who reported a decrease. Companies with a single owner were the most likely to have no leverage (e.g. 19% of companies with one female owner have no debts vs. 4% for listed companies).

Finally, autonomous companies were less likely than subsidiaries or branches to report an increase in their company's debt-to-assets ratio in the past six months (20% vs. 26%) and they were more likely to report a decrease, or no change, in this ratio.

For more details, see annex table 18b-c.

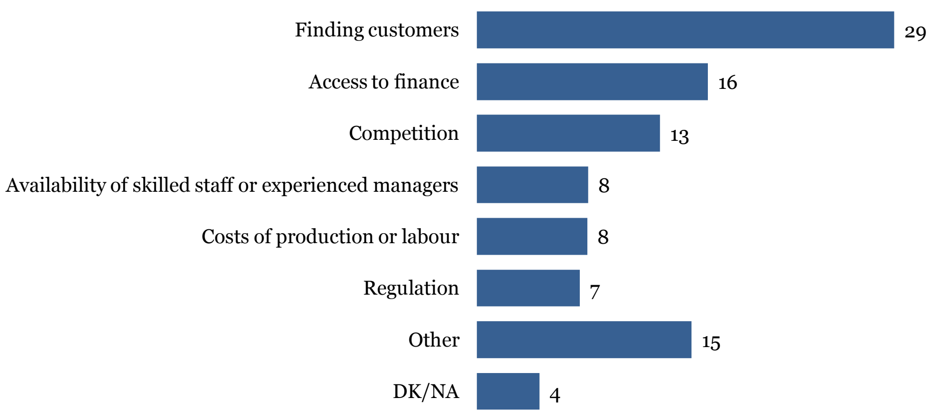
1.2.3 Companies' most pressing problem

Finding customers was identified as the surveyed companies' most serious concern (29%), which might reflect the fall in demand for products and services in the months prior to the survey. The second most pressing problem for managers of EU companies was access to finance (indicated by 16% of respondents).

Slightly more than a tenth (13%) of managers were most concerned about competition and less than a tenth mentioned the availability of skilled staff (8%), costs of production or labour (8%) or regulatory issues (7%).

Finally, 15% of managers listed some other issue as the most pressing problem for their company; for example, issues such as non-payment or late-paying customers.

Companies' most pressing problem



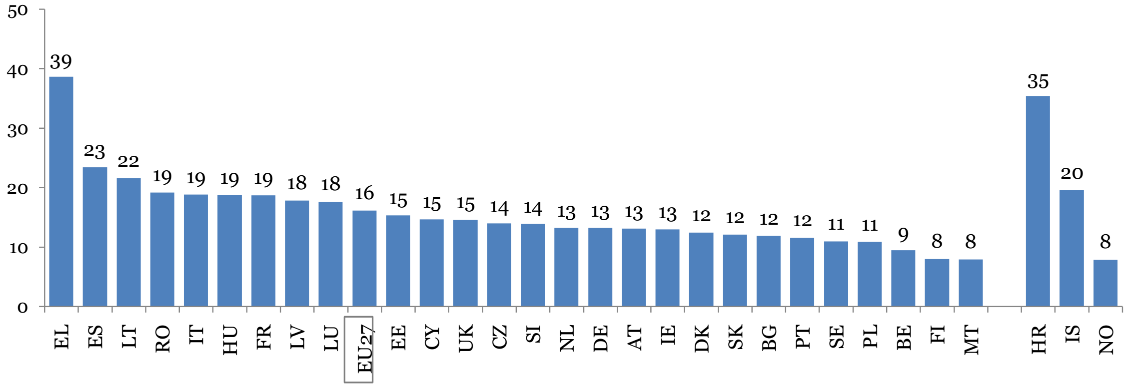
Q0. What is currently the most pressing problem your firm is facing?
Base: all companies, % EU27

Country variations

Similar to results obtained for the EU overall, the largest proportion of managers in most countries in this study identified finding customers as the most pressing issue for their company (for more details, see annex table 7a). In Greece and Croatia, on the other hand, managers worried more about access to finance: the following chart shows that Greek and Croatian managers were – by far – the most likely to select access to finance as the most pressing problem for their company (39% and 35%, respectively).

In all other countries in this study, less than a quarter of respondents said that access to finance was the most pressing problem for their company – with Maltese, Finnish, Belgian and Norwegian managers being the least likely to select this problem (8%-9%).

Companies identifying **access to finance** as the most pressing problem



Q0. What is currently the most pressing problem your firm is facing?
Base: all companies, % by country

Company characteristics

Access to finance was more often selected as the most pressing problem by managers of companies:

- with a turnover of less than €10 million (16%-17% vs. 8%-10% for companies with a turnover above €10 million),
- established between two and nine years ago (20%-21% vs. 12% in companies established less than two years ago and 14% in companies existing for 10 years or more),
- in the construction sector (20% vs. 14% in the services sector and 17% in trade and industry)
- receiving money from a venture capital firm (29% vs. 16%-22% in companies with other ownership structures), or
- that have introduced innovation in at least one area – products or services, marketing, production and management (18% vs. 14% in non-innovative companies).

For more details, see annex table 7b-c.

2. Companies' use of external financing

In this chapter, we look at companies' use of various sources of financing – distinguishing between internal funds, debt financing and equity financing. The first section takes a look at the different types of external financing used by companies in the past six months, while the second section studies companies' past experiences when applying for external financing. In the last section, a more detailed analysis is conducted of companies' use of bank loans and other loans in the past two years.

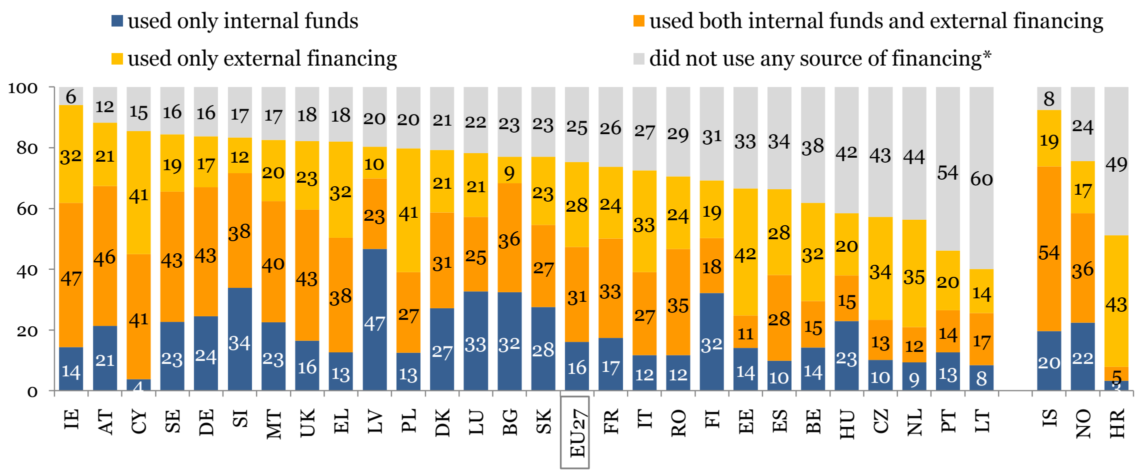
2.1 Use of different sources of financing

Companies can use internal funds or external sources to finance their operations, investments, etc. In the EU, 31% of companies had used both internal funds and external financing in the past six months. A slightly lower proportion – 28% – had only used external financing in this period, while 16% had only used internal funds. Finally, a quarter of managers said that no source of financing had been used in the past six months.

Companies across countries have different financing structures. The chart below shows that companies in Croatia were the least likely to have used both internal funds and external sources of finance in the past six months (5%) – but this proportion reached 54% in Iceland, where companies were also among the least likely not to have used any source of financing in that period (8%), a figure similar to the situation in Ireland (6%). Businesses in Lithuania (60%) and Portugal (both 54%) were the most likely not to have used any source of financing.

The proportion of interviewees who said that their company had only used internal funds in the past six months ranged from 3% in Croatia and 4% in Cyprus to 47% in Latvia. In Finland, Bulgaria, Luxembourg and Slovenia, roughly one-third (32%-34%) of companies had only used internal funds. Companies in Croatia and Cyprus were not only the least likely to have just used internal funds, they were also among the most likely to have only used external financing in the past six months (43% and 41%, respectively), a figure similar to the situation in Poland and Estonia (41% and 42%, respectively). Companies in Bulgaria, Latvia and Slovenia were the least likely to have only used external financing (between 9% and 12%).

Financing structure: use of internal funds and external financing



Q4. With respect to the financing structure of your firm, you can use internal funds and external financing. For each of the following sources of financing, could you please indicate whether you used them OR NOT during the past 6 months?

* A small number of respondents could not answer this question, they were also classified in this category

Base: all companies, % by country

Sources of financing

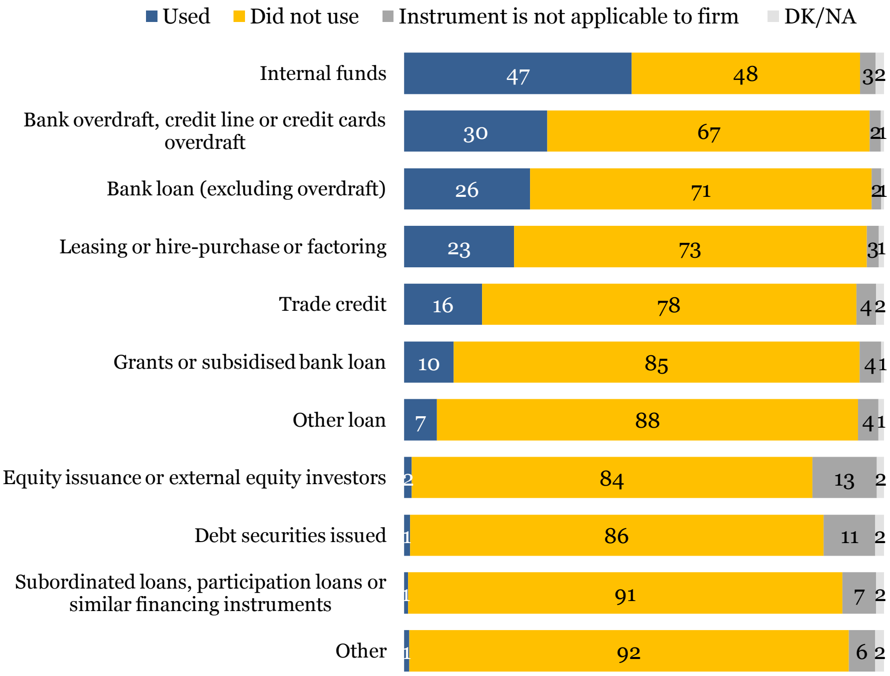
Almost half (47%) of managers in the EU answered that they had used internal funds in the past six months to finance their operations (as seen above – some had only used internal funds, while others had used these in combination with external financing).

Companies also turned to external sources to finance their operations – in total, 58% of companies had used at least one source of debt financing in the past six months (see further). The most popular source of debt financing was a bank[10]: 30% of companies had used bank overdraft facilities or a credit line and 26% had received a bank loan. Debt can also be issued by a public source or even a friend or family member: 10% of interviewees referred to grants or subsidised bank loans and 7% mentioned "other loans". A few (1%) managers said they had used a subordinated loan, participation loan or similar financing structures – i.e. "mezzanine" financing.

Roughly a quarter (23%) of respondents mentioned leasing, factoring or hire-purchasing as one of their sources of financing and 16% said they had used trade credit as a source of short-term financing. A few companies (1%) had issued debt securities in the past six months, but 11% of managers did not find this type of financing to be relevant to them.

Equity issuance or external equity investments were mentioned by 2% of managers as one of the sources of external financing they had used in the past six months[11]. More than a tenth (13%) of managers did not find this type of financing to be relevant when they were asked to explain their company's financing structure.

Companies' use of internal and external financing in the past six months



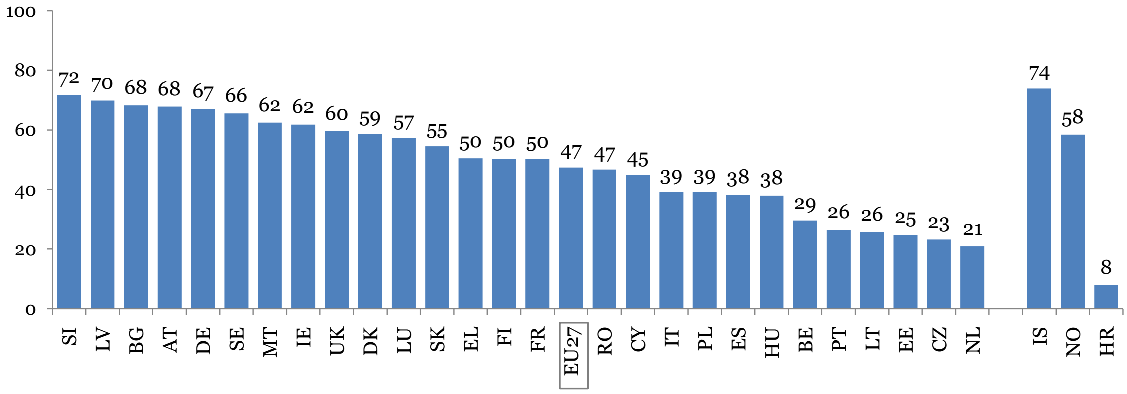
Q4. With respect to the financing structure of your firm, you can use internal funds and external financing. For each of the following sources of financing, could you please indicate whether you used them OR NOT during the past 6 months?
Base: all companies, % EU27

[10] This is in accordance with the results of Flash Eurobarometer 174/184 – *SME Access to finance*. According to this study, banks are the financial institutions that SMEs use most to obtain external financing.
[11] Flash Eurobarometer 174/184 – *SME Access to finance* showed that venture capital was an almost non-existent form of financing; there appears to have been almost no change in the use of venture capital from 2006 to 2009.

Internal funds

The proportion of companies that had used internal funds in the past six months to finance, for example, investments showed large variation across countries. Croatia stood out from the pack with just 8% of managers reporting that internal funds were used in the past six months. Other countries at the lower end of the distribution were the Netherlands, the Czech Republic, Estonia, Lithuania, Portugal and Belgium – in these countries between 21% and 29% of interviewees mentioned internal funds. In Latvia, Slovenia and Iceland, on the other hand, at least 7 in 10 companies had used internal funds in the past six months (between 70% and 74%).

Companies that had used internal funds in the past 6 months

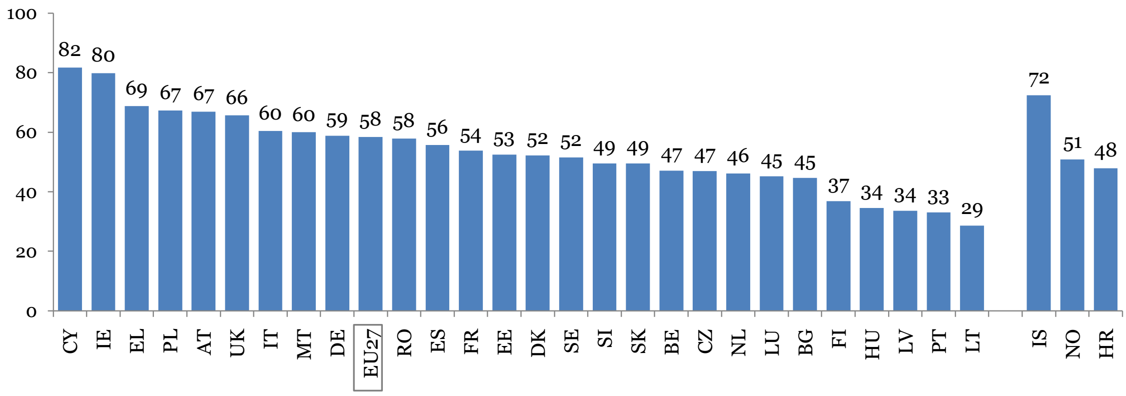


Q4. With respect to the financing structure of your firm, you can use internal funds and external financing. For each of the following sources of financing, could you please indicate whether you used them OR NOT during the past 6 months?
Base: all companies, % by country

External sources of finance: debt vs. equity financing

Companies in Lithuania were not only among the least likely to have used internal funds, they were also the least likely to report having used any type of **debt financing**[12] in the past six months – it was mentioned by 29% of respondents (it was noted earlier that companies in Lithuania were the most likely to have not used any source of financing in the past six months). In Ireland and Cyprus, on the other hand, roughly 8 out of 10 respondents said they had used debt financing in the past six months (80% and 82%, respectively) – the UK, Austria, Poland, Greece and Iceland followed with at least two-thirds of companies having used that method (between 66% and 72%).

Companies that had used debt financing in the past six months



Q4. With respect to the financing structure of your firm, you can use internal funds and external financing. For each of the following sources of financing, could you please indicate whether you used them OR NOT during the past 6 months?
Base: all companies, % by country

[12] Debt financing: for example, a bank loan, grants or a subsidised bank loan, a bank overdraft, trade credit, other loans, leasing or factoring and subordinated loans, participation loans or similar financing instruments.

The chart above only looks at the proportion of companies that had used debt financing in the past six months, and excludes another source of external financing – i.e. **equity financing**. Very few companies in this study had issued equity to investors in the past six months or had received money from a venture capital firm during that period. Sweden stood out from the pack with 26% of interviewees who said they had used this source of financing in the past six months. Equity financing was also somewhat more common in Norway (mentioned by 8% of respondents), Greece and France (both 4%), Denmark, Luxembourg and Lithuania (all 3%).

For more details, see annex table 28a.

Company characteristics

Micro companies (with less than 10 employees) were the most likely to have only used internal funds in the past six months or to have not used any source of financing in that period. The more employees a company had, the more likely they were to have combined internal funds and external sources to finance their operations, investments, etc.: while 48% of large companies (with at least 250 employees) had a financing structure based on internal and external sources of finance, this proportion decreased to 30% for micro companies. The proportion of companies that had only used external financing in the past six months did not seem to depend on company size.

Four in 10 companies with an annual turnover of more than €50 million had used internal funds and external sources of finance in the past six months, while 15% of such companies had only used external financing. For companies with a lower turnover, however, the proportion that had used both internal funds and external financing was only slightly higher than the proportion that had only used external sources of finance (e.g. 35% vs. 34% for companies with an annual turnover between €10 million and €50 million).

A similar observation could be made when looking at the sector of activity: businesses in the industry sector were considerably more likely to have used both internal funds and external sources of finance in the past six months than to have only used external financing (35% vs. 24%) – companies active in other sectors were, however, only slightly more likely to have combined internal and external financing (e.g. 32% vs. 31% in the construction sector).

Innovative companies were more likely than non-innovative ones to have combined the use of internal funds with external financing (37% vs. 31%); managers of the latter type of companies were more likely to say that no source of financing had been used in the past six months (26% vs. 16% for innovative companies).

The most recently-established companies (active for less than two years) were the most likely to have only used internal funds to finance their operations (22% compared to 14%-17% for longer-established companies) and the least likely to have just used external financing in the past six months (24% vs. 27%-29% for longer-established companies).

Across most types of ownership structures, roughly a third of companies had combined internal and external sources of finance (e.g. 30% for companies with one male owner and 32% for family-owned companies or companies owned by several entrepreneurs). There were, nevertheless, two exceptions: listed companies were more likely to have only used external financing (37% vs. 28% both internal and external financing) and companies owned by one woman were somewhat more likely not to have used any type of financing in the past six months (32% vs. 26% both internal and external financing).

Not surprisingly, companies reporting a stable turnover during the past three years were the most likely to have not used any source of financing in that period (27% vs. 16%-21% of other companies). A similar picture emerged when analysing companies' financing structure by changes in their financial situation in the past six months.

For more details, see annex table 87b-c.

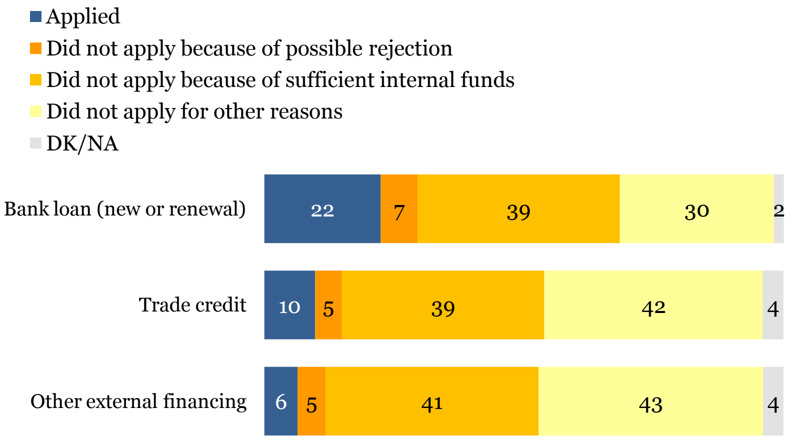
2.2 Experiences with applications for external financing

2.2.1 Applying for various types of external financing

Almost a quarter (22%) of managers in the EU said they had applied for a new bank loan, or a renewal of such a loan, in the past six months. One-tenth had applied for trade credit in that period and 6% had sought other external financing.

A minority of respondents answered that they had not applied for external financing because they thought the request would be rejected: 7% for bank loans, 5% for trade credit and 5% for other types of external financing. For each of these external sources of finance, roughly 4 in 10 (39%-41%) managers answered that they had not applied for such financing because they had sufficient internal funds to finance their projects. Other reasons for not applying were mentioned by 30% of managers for bank loans, 42% for trade credit and 43% for other types of external financing.

Types of external financing applied for in the past six months



Q7A. For each of the following ways of financing, could you please indicate whether you applied for them over the past 6 months, or if you did not apply because you thought you would be rejected, because you had sufficient internal funds, or you did not apply for other reasons?
Base: all companies, % EU27

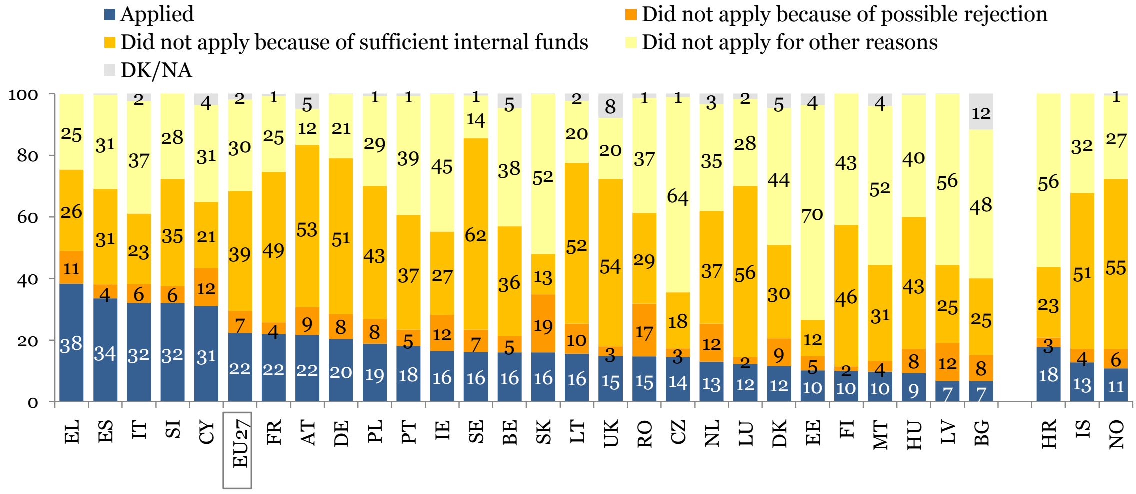
Country variations

The proportion of companies that had applied for a new **bank loan** or a renewal of such a loan in the past six months ranged from 7% in Bulgaria and Latvia to 38% in Greece. In Cyprus, Slovenia, Italy and Spain, between 31% and 34% of the surveyed companies had applied for a bank loan.

In a majority of countries in this study, less than 10% of managers answered that they had not applied for a bank loan because they expected their application to be rejected. The proportion expecting a rejection was the highest in Slovakia and Romania (19% and 17%, respectively). In these two countries – and in Bulgaria and Latvia – the proportion of companies that did not apply for a bank loan because of potential rejection was higher than the proportion who had actually applied for that type of loan.

In Germany, Iceland, Lithuania, Austria, the UK, Norway, Luxembourg and Sweden, more than half of companies had not applied for a bank loan because they had sufficient internal funds (between 51% and 62%). Other reasons for not having applying for a bank loan were most often cited by respondents in Estonia (70%), the Czech Republic (64%), Latvia and Croatia (both 56%).

Applying for bank loan (new or renewal)



Q7A. For each of the following ways of financing, could you please indicate whether you applied for them over the past 6 months, or if you did not apply because you thought you would be rejected, because you had sufficient internal funds, or you did not apply for other reasons?
Base: all companies, % by country

In only six countries had more than a tenth of companies applied for **trade credit** from other companies: Romania (11%), Ireland (14%), the UK (15%), Spain (19%), Poland (23%) and Iceland (25%). The proportion of companies that had applied for **other external sources of financing** was not higher than 10% in all of the surveyed countries.

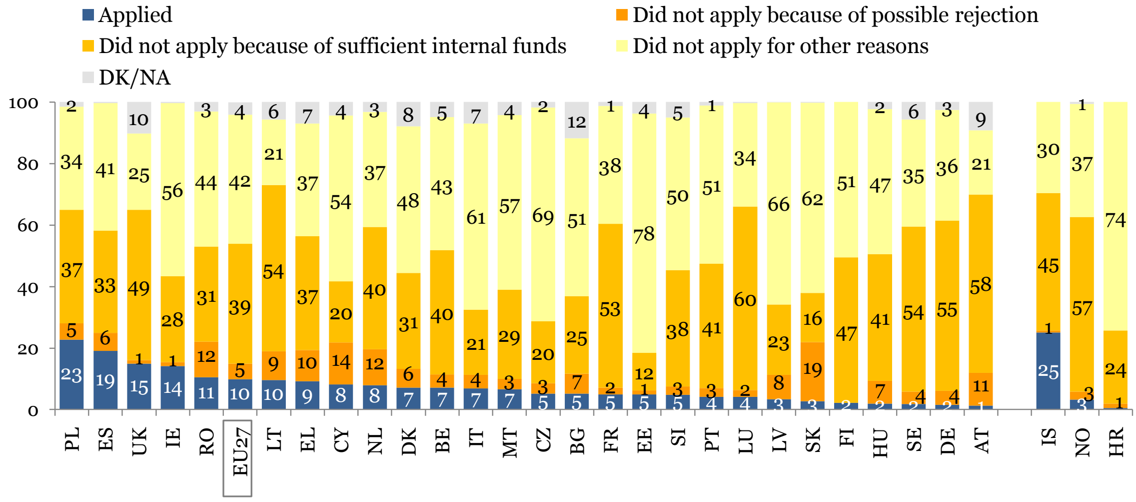
Similarities could be seen in country rankings when the reasons for not applying for trade credit or other sources of external financing were compared to those for not applying for a bank loan:

- Managers in Slovakia and Romania were systematically among the most likely to answer that they had not applied for external financing because they expected their application to be rejected. For example, 19% of companies in Slovakia had not asked for trade credit because they thought companies would be unwilling to provide it.

- For each type of financing, at least half of respondents in Luxembourg, Austria, Germany, Lithuania and Sweden answered that they had not made such an application because they had sufficient internal funds. For example, 59% of companies in Austria had not applied for any other type of external financing because they had not needed such funds.

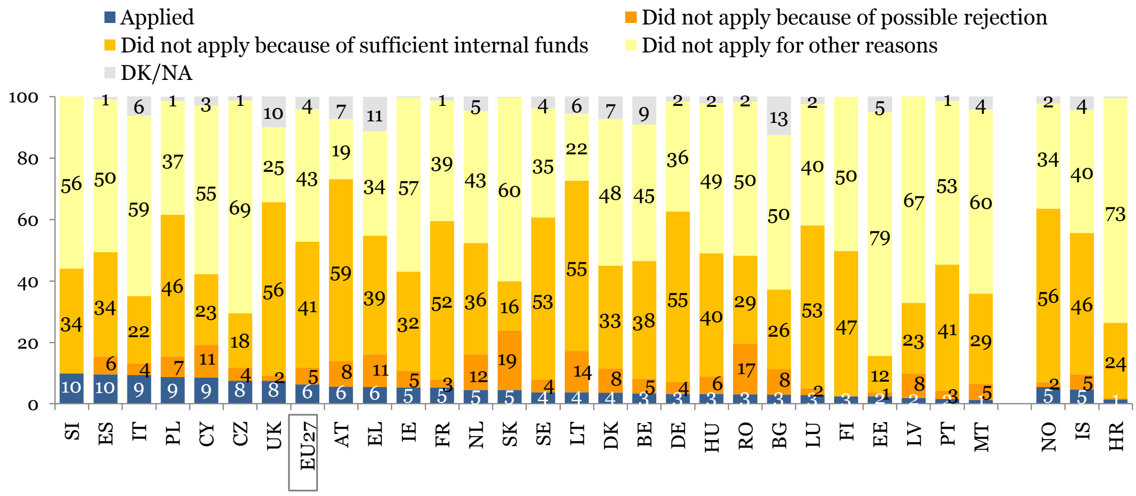
- Finally, other reasons for not having applied for external financing were systematically most often cited by respondents in Estonia, the Czech Republic, Latvia and Croatia.

Applying for trade credit



Q7A. For each of the following ways of financing, could you please indicate whether you applied for them over the past 6 months, or if you did not apply because you thought you would be rejected, because you had sufficient internal funds, or you did not apply for other reasons?
Base: all companies, % by country

Applying for other external financing



Q7A. For each of the following ways of financing, could you please indicate whether you applied for them over the past 6 months, or if you did not apply because you thought you would be rejected, because you had sufficient internal funds, or you did not apply for other reasons?
Base: all companies, % by country

Company characteristics

Applying for external financing

The proportion of companies that had applied for a bank loan, trade credit or some other source of financing in the past six months was higher among companies with a large number of employees. For example, while 36% of companies with at least 250 employees had applied for a new bank loan, or a renewal of a bank loan, this proportion fell to 22% for companies with less than 10 employees. A similar observation could be made when comparing innovative and non-innovative companies, with the former being more likely to have applied for each type of external financing.

The proportion of companies that had applied for a bank loan or trade credit in the past six months was also higher among companies with an annual turnover between €2 million and €50 million – companies with a turnover of less than €2 million or, alternatively, over €50 million were less likely to have applied for these methods. The latter type of companies were, nevertheless, somewhat more likely to have applied for other external sources of financing (11% vs. 7%-8% for companies with a turnover of less than €50 million).

While 29% of the most recently-established companies (active for less than two years) had applied for a bank loan, this proportion was between 21% and 23% for companies active for two or more years. Companies active for 10 years or more, however, were the most likely to have applied for trade credit (12% vs. 7%-9% for more recently-established companies). A company's age had no influence on the likelihood of having applied for other sources of external financing.

Companies that had experienced no change in their financial situation in the past six months were the least likely to have applied for a bank loan, trade credit of other source of financing during that period: for example, while 12% of companies that had seen their financial situation improve or deteriorate had applied for trade credit, this proportion was just 6% for "stagnant" companies. A similar pattern of differences emerged when looking at changes in turnover in the past three years (instead of in the past six months).

Autonomous companies were more likely than subsidiaries or branches to have applied for a bank loan (23% vs. 16%), but no differences were seen in the likelihood of having applied for trade credit or other external financing.

Companies in the services sector appeared to be less likely than companies in other sectors to have applied for a bank loan or trade credit: for example, 20% of service companies had applied for a bank loan, compared to 26% of companies in the industry sector. The use of other external financing sources did not depend on a company's sector of activity.

Finally, businesses also differed in their likelihood of having applied for external financing depending on their ownership structure – with listed companies, family businesses and those owned by entrepreneurs, other firms or business associates being somewhat more likely than companies with a different ownership structure to have applied for a bank loan or trade credit. For example, 15% of listed companies had applied for trade credit in the past six months, compared to 6% of businesses owned by a single person.

Reasons for not applying for external financing

Across all types of companies, and all types of financing, the number of managers saying that they had not applied for external financing because they thought the request would be rejected never exceeded 1 in 10. For example, only 5% of micro and small companies, 3% of medium-sized companies and 2% of large companies had not asked for trade credit because they thought companies would be unwilling to provide it.

No clear pattern emerged when looking at the proportions of managers who answered that they had not applied for external financing because they had sufficient internal funds to finance the project and the proportions citing "other reasons" for taking this action.

For more details, see annex tables 40b-c through 42b-c.

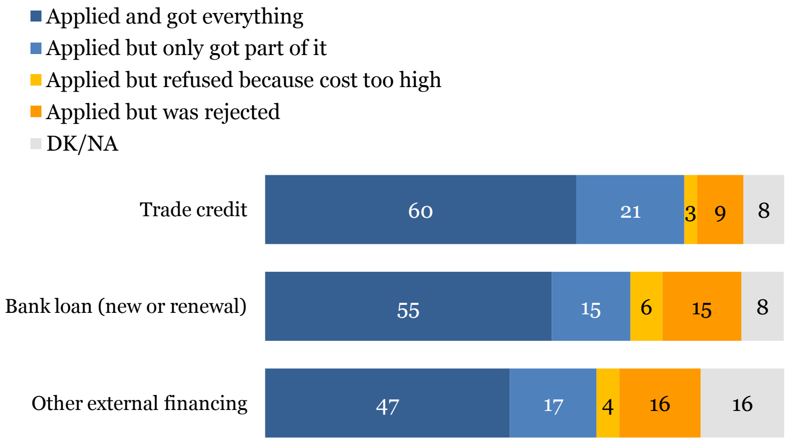
2.2.2 Outcome of applications for external financing

Between 5 and 6 out of 10 companies that had applied for external financing received all the financing they requested: 60% had experienced no problems when they had requested trade credit, 55% had received the bank loan that they had applied for and 47% had received all the financing they had requested from other external sources of finance. Furthermore, roughly a fifth (21%) of companies that had applied for trade credit received part of the financing they requested, while the corresponding proportions for "bank loans" and "other external financing" were 15% and 17%, respectively.

About 1 in 10 (9%) companies that had applied for trade credit had had the request rejected. Rejections of a bank loan application or an application for another source of financing had occurred more frequently: mentioned by, respectively, 15% and 16% of managers.

Finally, the proportion of managers who had applied for external financing, but had refused the offer because the associated costs had been too high was 3% for trade credit, 6% for bank loans and 4% for other external financing sources.

Outcome of the application for external financing

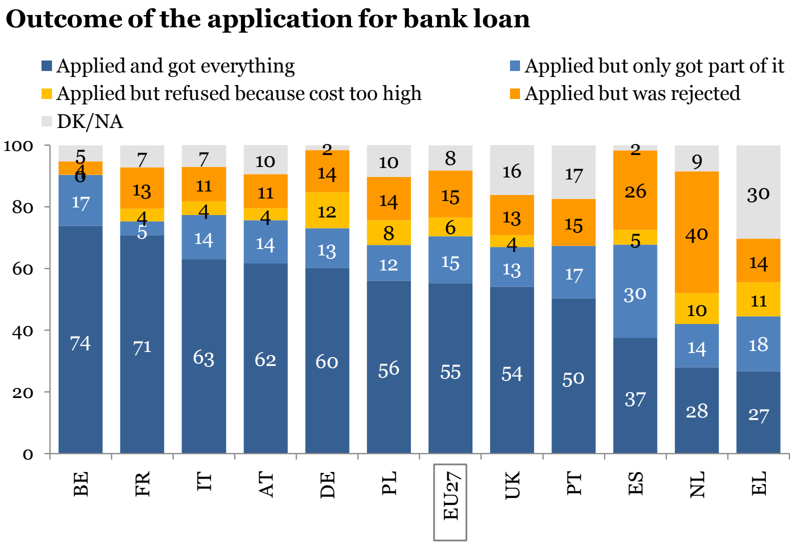


Q7B. If you applied and tried to negotiate for this type of financing over the past 6 months, did you receive all the financing you requested, or only part of the financing you requested, or only at unacceptable costs or terms and conditions so you did not take it, or you have not received anything at all?
Base: companies that applied for the specific type of financig in the past six months, % EU27

Country variations

Questions about the outcome of applications for external financing were only presented to respondents who said that their company had applied for such financing; as a result, the sample size per country was relatively small and caution should be exercised when interpreting the results at an individual country level (for more details, see annex tables 43a through 45a).

In the following chart, the results of applications for bank loans are only shown for countries with a sample size larger than 50. The proportion of successful applications for a bank loan ranged from 27% in Greece and 28% in the Netherlands to 74% in Belgium. Companies in Spain most frequently reported that they had not received all of the financing they had applied for – 30% vs. 37% who had received the total amount requested. Companies in the Netherlands were as likely to have had their application rejected as to have had a – partially or completely – successful outcome of their application (40% vs. 42%). The results for these 11 countries illustrate that one can assume that the location of a company influences its chances of success when applying for external funding.



Q7B. If you applied and tried to negotiate for this type of financing over the past 6 months, did you receive all the financing you requested, or only part of the financing you requested, or only at unacceptable costs or terms and conditions so you did not take it, or you have not received anything at all?
Only countries with n>50 are shown
Base: companies that applied for a bank loan in the past six months, % by country

Company characteristics

Across most company types, at least 7 in 10 managers that had applied for a bank loan had also obtained a loan for all, or part, of the financing requested. The proportion of partially or completely successful applications for a bank loan was, however, somewhat lower for certain types of companies: e.g. those with few employees or a low annual turnover, subsidiaries or branches, those active for between two and nine years or those that had experienced a deterioration in their financial situation.

Furthermore, some differences were also seen in the ratio of completely and partially successful applications. For example, companies that had experienced a deterioration in their financial situation in the past six months were not only more likely to have had their application for a bank loan rejected, they were also less likely to have received all the financing they requested when a loan had been granted (19% "partially approved" and 48% "completely successful"; the corresponding proportions for companies that had seen an improvement in their financial situation were 9% and 64%, respectively).

For many types of companies, the proportion of interviewees who were not aware of the outcome of their company's application for trade credit or some other type of financing exceeded 20% – as such, success rates for these instruments were difficult to compare. Nonetheless, it appears that the results for applications for trade credit and other types of financing were, to some extent, along the same lines as for loan applications.

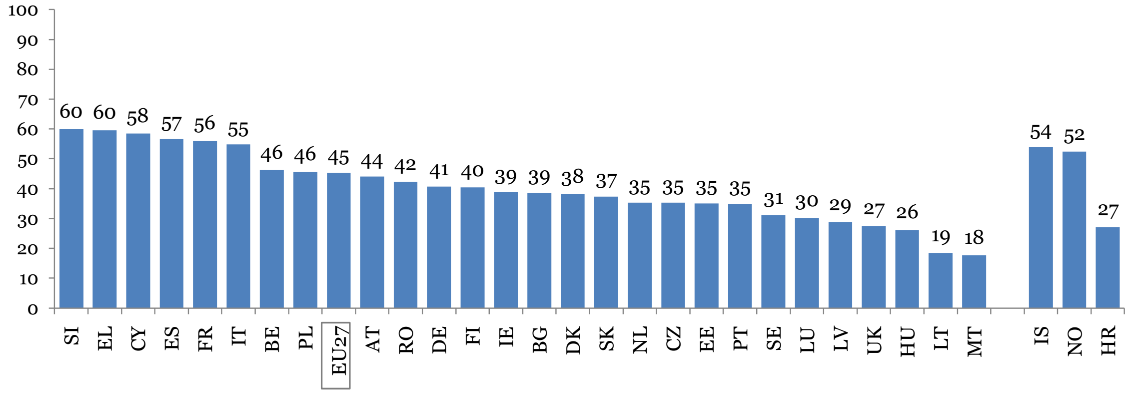
For more details, see annex tables 43b-c through 45b-c.

2.3 Loans as external source of financing

2.3.1 Use of loans

In accordance with the results for applications for a bank loan in the past six months (see above), companies in Slovenia, Greece, Cyprus, Spain, France and Italy were the most likely to have obtained at least one loan, of any kind, in the past two years – in these countries, between 55% and 60% of companies had obtained a loan during this period. In Malta and Lithuania, on the other hand, slightly less than a fifth of companies had obtained a loan (18% and 19%, respectively).

Use of loans* as source of financing – past two years



Q12. What is the size of the last loan, of any kind, that your firm has obtained in the last two years?
* Proportion of companies that did not answer "we did not take a loan" or "DK/NA"
Base: all companies, % by country

Company characteristics

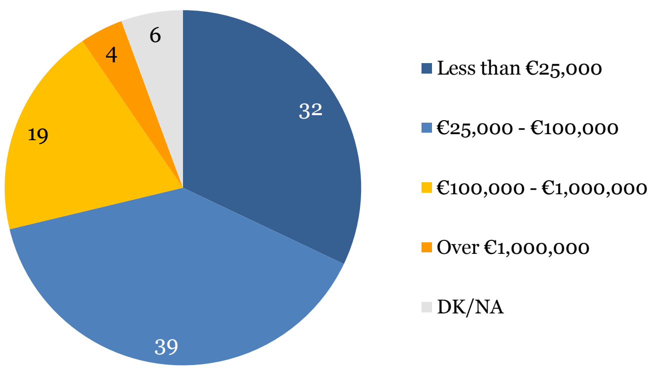
Although loans were a popular source of financing across all types of companies, certain types were less likely to have obtained a loan in the past two years. These companies, however, were already identified when looking at the results for the proportion of bank loan applications in the past six months. To summarise, the proportion that had obtained a loan in the past two years was lower among small companies (in terms of turnover and workforce), non-innovative companies, the longest-established companies, branches or subsidiaries, companies in the services sector and those that had experienced no change in their financial situation in the past six months.

For example, 57% of managers of non-innovative companies and 59% of managers of branches or subsidiaries said that they had not obtained a loan in the past two years; the corresponding proportions for innovative companies and autonomous ones were 48% and 51%, respectively.

For more details, see annex table 65b-c.

2.3.2 Size of companies' most recent loan

For roughly a third of EU companies that had obtained a loan in the past two years, the size of their most recent loan was under €25,000. A somewhat larger proportion (39%) had borrowed between €25,000 and €100,000, and 19% had borrowed between €100,000 and €1,000,000. Finally, 4% of companies had borrowed over €1,000,000.



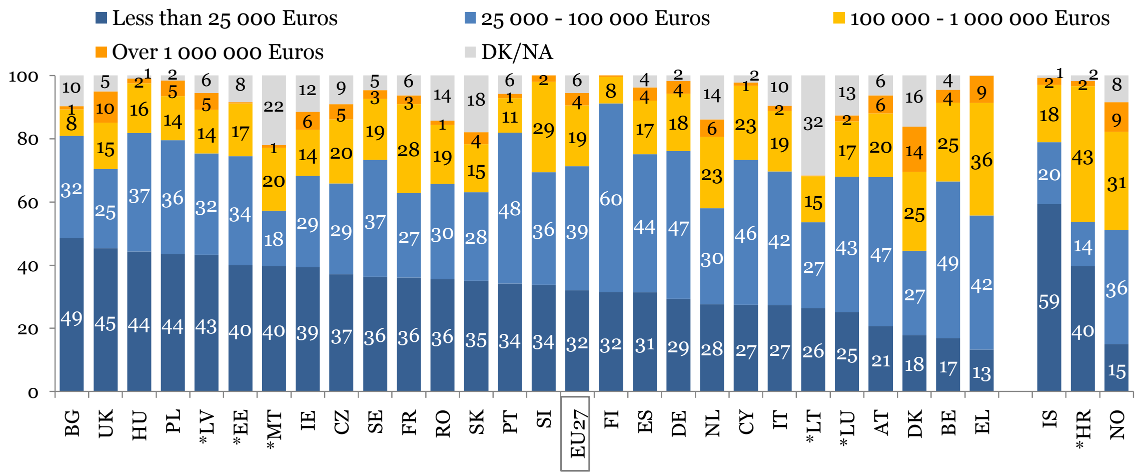
Q12. What is the size of the last loan, of any kind, that your firm has obtained in the last two years?
Base: companies that obtained a loan in the past two years, % EU27

Country variations

Micro loans – i.e. loans of less than €25,000 – were the most popular in Bulgaria, where almost half (49%) of companies that had obtained a loan in the past two years had obtained such a loan as their most recent loan. In Greece, Belgium, Denmark and Austria, on the other hand, less than a quarter of managers said that their most recent loan had been a micro loan (between 13% and 21%).

Loans of more than €100,000 were most frequently obtained in Denmark (39%), Norway (40%), Greece and Croatia[13] (both 45%). Furthermore, Danish managers most frequently reported that their most recent loan had been over €1,000,000 (14%).

In most countries, a significant number of managers could not provide the size of their company's most recent loan; the proportion of "don't know" responses ranged from 1% in Hungary to 32% in Lithuania[14].



Q12. What is the size of the last loan, of any kind, that your firm has obtained in the last two years?
Note: * n < 50
Base: companies that obtained a loan in the past two years, % by country

[13] Caution should be exercised when interpreting the result for Croatia as only 35 of its interviewed companies had obtained a loan in the past two years.
[14] Only 38 companies interviewed in Lithuania had obtained a loan in the past two years.

Company characteristics

Large companies – in terms of turnover and workforce – had obtained bigger loans than smaller ones. Companies with less than 10 employees or those with an annual turnover of less than €2 million were the most likely to have obtained a micro loan (a loan of less than €25,000).

For example, while a large majority of companies with at least 50 employees that obtained a loan in the past two years borrowed more than €100,000, only a fifth of loans provided to micro companies were larger than €100,000 and more than a third were micro loans.

Micro loans were also somewhat more popular among businesses in the construction and services sectors, autonomous companies, businesses with a single owner, companies receiving money from a venture capital firm[15], "stagnant" companies and those active for between two and four years.

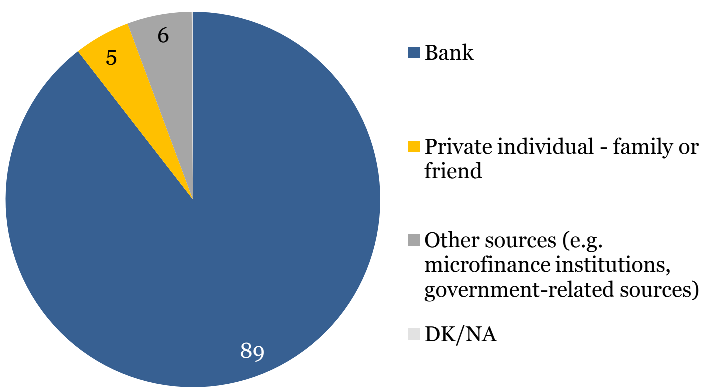
Looking at a company's age, it could also be noted that although the longest-established companies (active for at least 10 years) were somewhat more likely to have received a loan of more than €1,000,000, it was the most recently-established companies that most frequently received a loan of between €100,000 and €1,000,000: about a third of all loans provided to start-up companies (active for less than two years) were loans of this size, while the corresponding proportion for longer-established companies was somewhat lower than a fifth.

For more details, see annex table 65b-c.

2.3.3 Most popular providers of loans

Banks were the most popular provider of loans in the EU; they were mentioned by 89% of companies that had obtained a loan in the past two years. One in 20 managers of such companies had received a loan from a private individual, such as a family member or friend. Other sources – such as micro-finance institutions or government-related sources – were mentioned by 6% of interviewees as the provider of their most recent loan.

Provider of the most recent loan



Q13. Who provided you this last loan?
Base: companies that took a loan in the last two years, % EU27

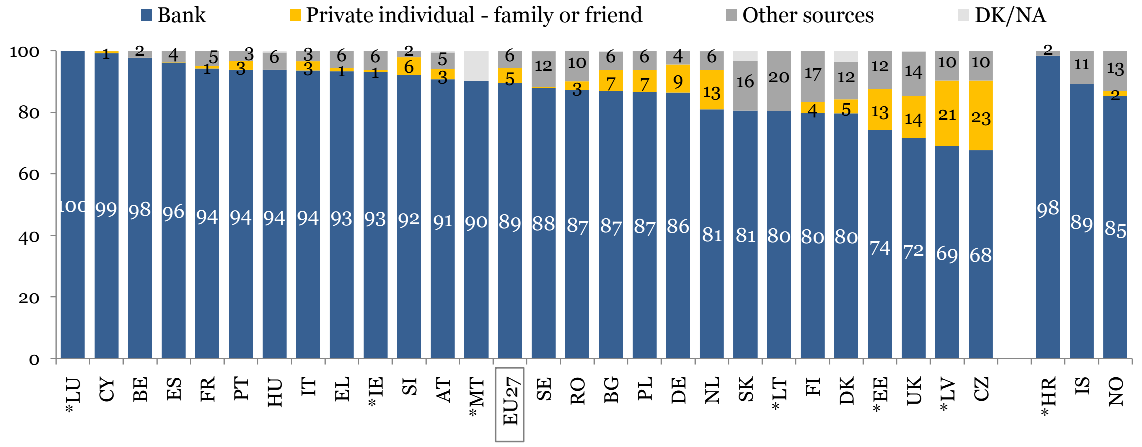
Country variations

Banks were the most popular source for a loan in all countries in this study: among the companies that had obtained a loan in the past two years the proportion that had received their most recent loan from a bank ranged from 68% in the Czech Republic to virtually all companies in Belgium, Cyprus and Luxembourg[16].

Loans from a private individual, such as family members or friends, were most often mentioned in the Czech Republic and Latvia[17] (23% and 21%, respectively, of all loans), while loans from other sources were most popular in the UK, Slovakia, Finland and Lithuania[18] (between 14% and 20% of all loans).

[15] Only 32 companies receiving money from a venture capital firm had obtained a loan in the past two years.
[16] Only 36 companies interviewed in Luxembourg had obtained a loan in the past two years.
[17] Only 43 companies interviewed in Latvia had obtained a loan in the past two years.
[18] Only 28 companies interviewed in Lithuania had obtained a loan in the past two years.

Provider of the most recent loan



Q13. Who provided you this last loan?
* Note: n<50
Base: companies that took a loan in the last two years, % by country

Provider of the loan and size of the loan

The following table show that both loans of less than €25,000 and those of more than €1,000,000 were somewhat less likely to have been provided by a bank (85% and 84%, respectively, vs. 91%-93% of other loans).

Provider of the most recent loan

	Bank	*Private individual (e.g. family or friend)*	*Other sources*
EU27	89	5	6
SIZE OF THE MOST RECENT LOAN			
Less than €25,000	85	7	8
€25,000 - €100,000	93	3	3
€100,000 - €1,000,000	91	3	6
Over €1,000,000	84	8	7

Q12. What is the size of the last loan, of any kind, that your firm has obtained in the last two years?
Q13. Who provided you this last loan?
DK/NA not shown (0.1 or 0.4% across categories).
Base: companies that took a loan in the last two years, Row % EU27

Company characteristics

Across all types of companies that had obtained a loan in the past two years, at least 8 in 10 managers said that they had received their most recent loan from a bank.

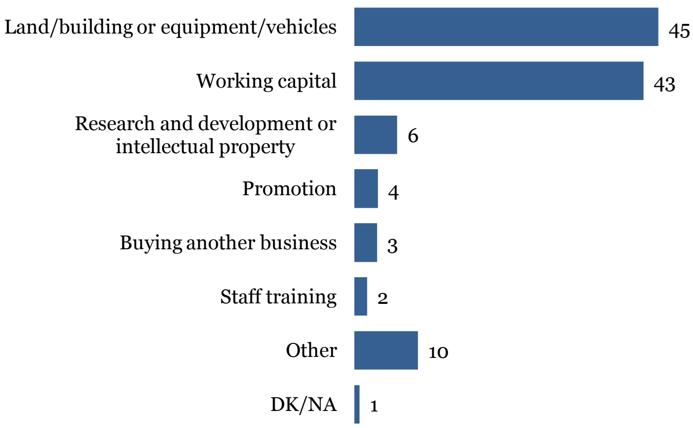
Loans from a private individual, such as family members or friends, were mentioned by less than 5% of managers across most types of companies. However, the proportion of loans provided by other sources, such as micro-finance institutions or government-related sources, showed a larger variation. For example, while 5% of micro companies and 7% of small companies that had obtained a loan in the past two years had received their most recent loan from such “other” sources, this proportion increased to 16% for large companies (with at least 250 employees).

For more details, see annex table 66b-c.

2.3.4 Purpose of the most recent loan

Almost equal proportions of companies had used the money that they had borrowed most recently as working capital (43%) or had bought land, buildings, equipment or vehicles with the loan (45%). Slightly more than 1 in 20 (6%) managers answered that they had obtained a loan to finance research and development or intellectual property. Promotion, buying another business and staff training were each mentioned by less than 5% of respondents. One-tenth of managers referred to other reasons for having taken out their most recent loan.

What was the most recent loan used for?

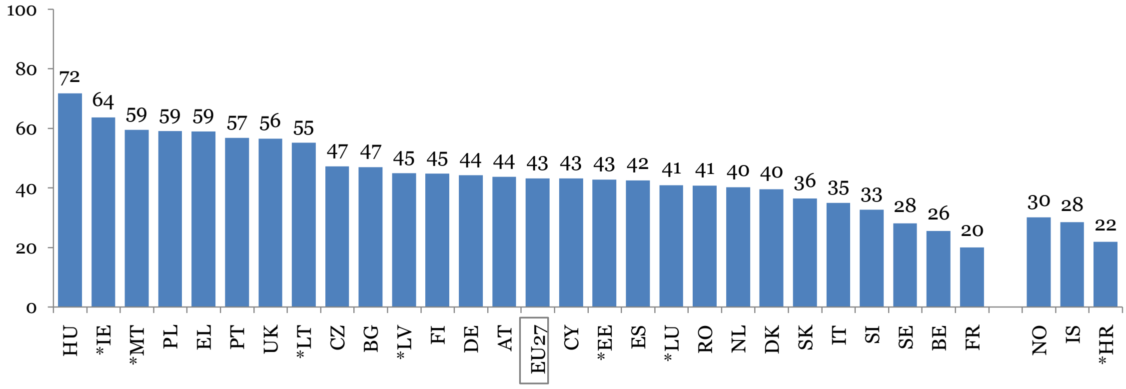


Q14. What did you use this last loan for?
Base: companies that took a loan in the last two years, % EU27

Country variations

The individual country results showed a large variation in the proportion of companies that had used their most recent loan to increase their **working capital**: while only 20% of companies in France selected this response, the proportion was more than three times higher in Hungary (72%).

Last loan was used for working capital

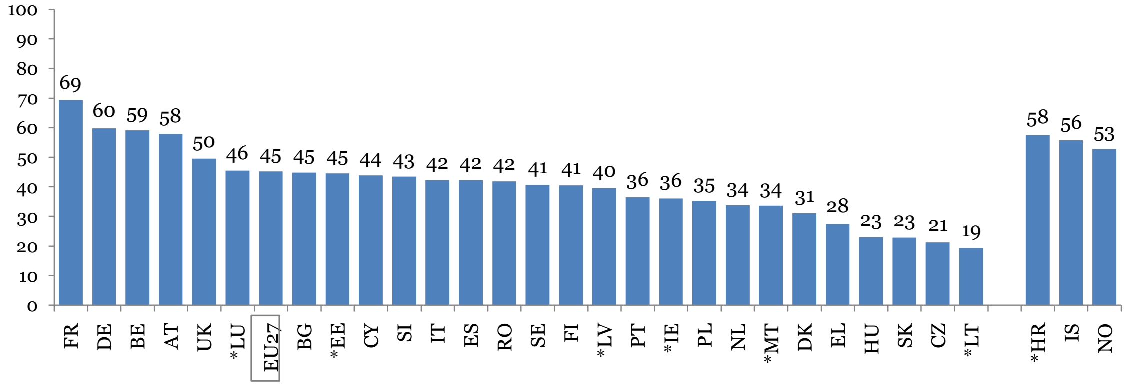


Q14. What did you use this last loan for?
Note: * < 50
Base: companies that took a loan in the last two years, % EU27

The country results, however, also showed a large variation in the proportion of managers who said that their last loan had been used to **buy land, a building, vehicles or equipment** – this proportion ranged from roughly a fifth in Lithuania[19] and the Czech Republic to 69% in France. Other countries at the higher end of the scale were Germany (60%), Belgium (59%), Austria and Croatia[20] (both 58%).

[19] Only 28 companies interviewed in Lithuania had obtained a loan in the past two years.
[20] Only 34 companies interviewed in Croatia had obtained a loan in the past two years.

Most recent loan used for land/buildings or equipment/vehicles



Q14. What did you use this last loan for?
Note: * n < 50
Base: companies that took a loan in the last two years, % EU27

Purpose of the loan and size of the loan

Loans of different sizes had been used for the same purposes – for example, between 44% and 48% of loans ranging from less than €25,000 to more than €1,000,000 had been used to buy land, a building, property or equipment. The proportion of loans of different sizes that had been used to provide working capital, however, differed by the size of the loan; loans between €25,000 and €100,000 had been used most often for working capital, while those of over €1,000,000 had been used the least often for this purpose (47% vs. 35%).

Purpose of the most recent loan

	Land/building or equipment/vehicles	*Working capital*
EU27	45	43
SIZE OF THE MOST RECENT LOAN		
Less than €25,000	46	40
€25,000 - €100,000	45	47
€100,000 - €1,000,000	44	41
Over €1,000,000	48	35

Q12. What is the size of the last loan, of any kind, that your firm has obtained in the last two years?
Q14. What did you use this loan for?
Base: companies that took a loan in the last two years, Row % EU27

Company characteristics

Similar to results obtained for the EU overall, across all types of companies, loans were most frequently used to increase a company's working capital or to buy land, buildings, equipment or vehicles. Nevertheless, certain types of companies were more likely to have borrowed money to use as working capital (e.g. those that had experienced a deterioration in their financial situation in the past six months), while others were more likely to have used the money to buy land, buildings, equipment or vehicles (e.g. companies in the construction sector).

Looking at the results for other reasons to have borrowed money, it was noted, for example, that companies with at least 250 employees were more likely than those with fewer employees to have taken out a loan to be able to buy another business (9% vs. 3% for companies with less than 10 employees), or that innovative companies were more likely than non-innovative ones to have obtained a loan to finance research and development or intellectual property (8% vs. 4%).

For more details, see annex table 67b-c

3. Access to external sources of finance

In the previous chapter, we noted that almost 40% of companies in the EU had not used any source of external financing in the past six months. Companies could have had various reasons for not having used such instruments: there might have been no need for external financing, sufficient internal funds to finance their projects might have existed or external financing might not have been available.

The first section of this chapter presents managers' opinions of changes in the availability of external financing, while the second section deals with perceived changes in companies' needs for financing. The last section takes a more detailed look at changes in terms and conditions of bank financing.

3.1 Availability of external financing

3.1.1 Changes in the general economic and financial environment

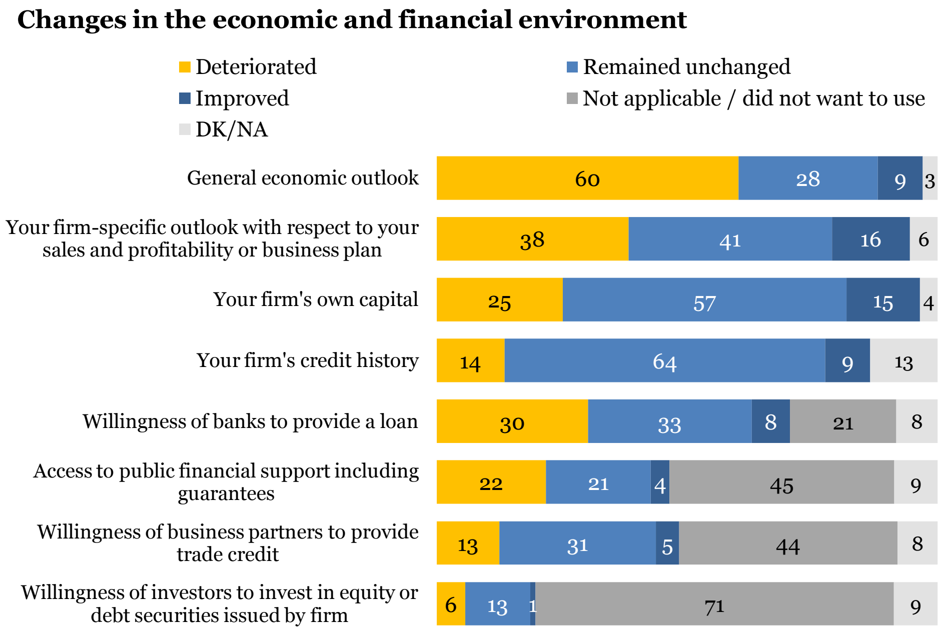
A majority (60%) of managers in the EU said that the **general economic outlook** had deteriorated in the past six months, while 9% said that there had been an improvement.

Respondents were more optimistic when evaluating changes in the **financial situation of their own company**:

- Although 38% of managers answered that their company-specific outlook with respect to sales, profitability or business plan had deteriorated in the past six months, the proportion saying that there had been no change was greater (41%). About one in six (16%) reported an improvement.

- Although the proportion of managers who answered that their company's own capital had decreased in the past six months was larger than the proportion reporting an increase (25% vs. 15%), the majority had seen no change in the past six months (57%).

- A similar picture emerged when looking at companies' credit history, with 64% of managers reporting no change in the past six months. One respondent in eight (13%), however, was not able to answer the question.



Q11. The availability of external financing depends on various factors, which are in part related to the general economic situation, your firm-specific situation and to lenders' attitudes. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?
Base: all companies, % EU27

Managers were also asked to evaluate **access to certain sources of external financing**, such as bank loans or public financial support instruments. It was noted earlier that bank loans were a popular source of external financing – as such, only 21% of managers said that this question was not relevant to their situation. For other external sources of finance, however, the proportion of managers who did not answer was considerably higher: 44% for trade credit, 45% for public financial support instruments and 71% for investments in equity or debt securities.

The proportion of managers who said that there had been a decrease in the willingness of banks to provide loans in the past six months was more or less equal to the proportion that had seen no change (30% vs. 33%). About 1 in 12 (8%) thought that banks were now more willing to provide loans than they had been six months ago. A similar picture emerged when looking at access to public financial support instruments: equal proportions of managers had seen a decrease or, alternatively, no change in the availability of these instruments (22% and 21%, respectively). Just a few (4%) thought there had been an increase.

Regarding the perceived willingness of business partners to provide trade credit and of investors to buy equity or debt securities, the proportion of managers who had seen no change in the past six months was significantly higher than the share of those who thought there had been a decrease in willingness (trade credit: 31% vs. 13%; equity and debt securities: 13% vs. 6%). However, for these sources of finance as well, the proportion of managers who thought that access was now more difficult was larger than the share of those who thought the opposite – i.e. that access to these instruments had improved in the past six months.

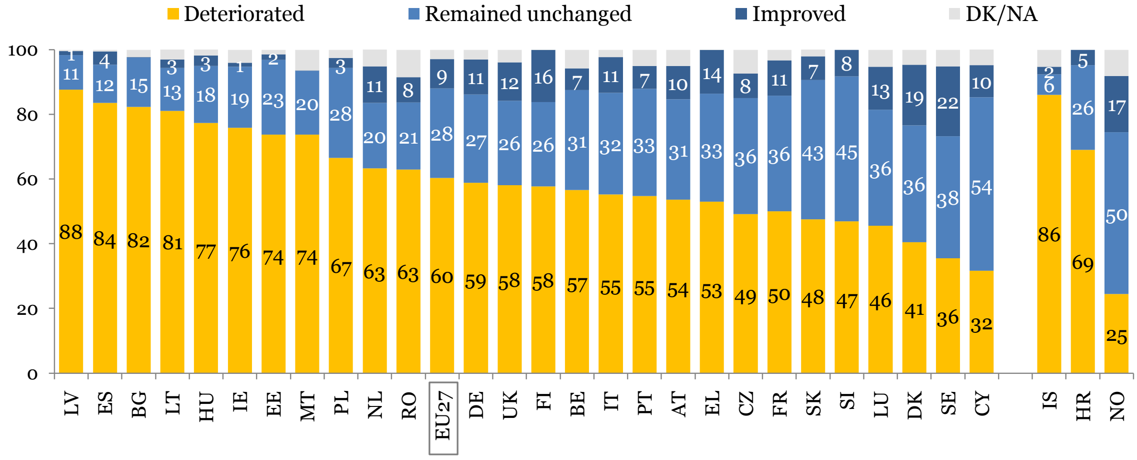
Country variations – general economic outlook and companies' financial outlook

More than three-quarters of managers in Ireland (76%), Hungary (77%), Lithuania (81%), Bulgaria (82%), Spain (84%), Iceland (86%) and Latvia (88%) thought that the **general economic outlook** had deteriorated in the past six months. In Norway and Cyprus, on the other hand, less than a third shared this opinion, while at least half answered that the outlook for the economy had remained unchanged during that period (50% and 54%, respectively). One-tenth of managers in Cyprus and 17% in Norway even thought that the general economic outlook had improved in the past six months – managers in

Sweden and Denmark were, nevertheless, the most likely to express this opinion (22% and 19%, respectively).

Economic and financial environment

General economic outlook



Q11. The availability of external financing depends on various factors, which are in part related to the general economic situation, your firm-specific situation and to lenders' attitudes. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?
Base: all companies, % by country

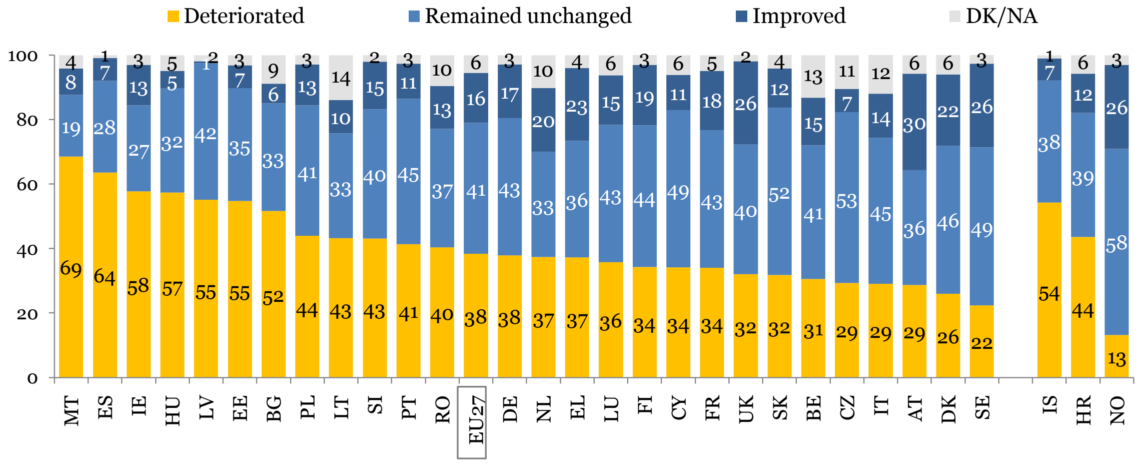
Managers in Latvia, Hungary, Ireland and Spain were not only among the most likely to think that the general economic situation had deteriorated in the past six months, they were also the most likely to answer that their **company-specific outlook with respect to sales, profitability or business plan** had deteriorated in that period (between 55% and 64%). In this case, however, they were joined by managers in Malta – 69% answered that their company-specific financial outlook had deteriorated.

The Nordic countries – once again – were found at the bottom of the country ranking: only 13% of managers in Norway, 22% in Sweden and 26% in Denmark answered that their company-specific financial outlook had deteriorated in the past six months, while more than a fifth of managers in these countries thought that there had been an improvement (between 22% and 26%). Managers in Austria were, nevertheless, the most likely to answer that their company-specific financial situation had improved in the past six months (30%).

Some similarities could also be seen – with the same countries appearing at the higher or lower ends of the distribution – when managers' evaluation of their company-specific financial outlook were compared to managers' evaluation of changes in their company's financial situation in terms of turnover, profit and mark up (see section 1.2.1).

Economic and financial environment

Your firm-specific outlook with respect to your sales and profitability or business plan



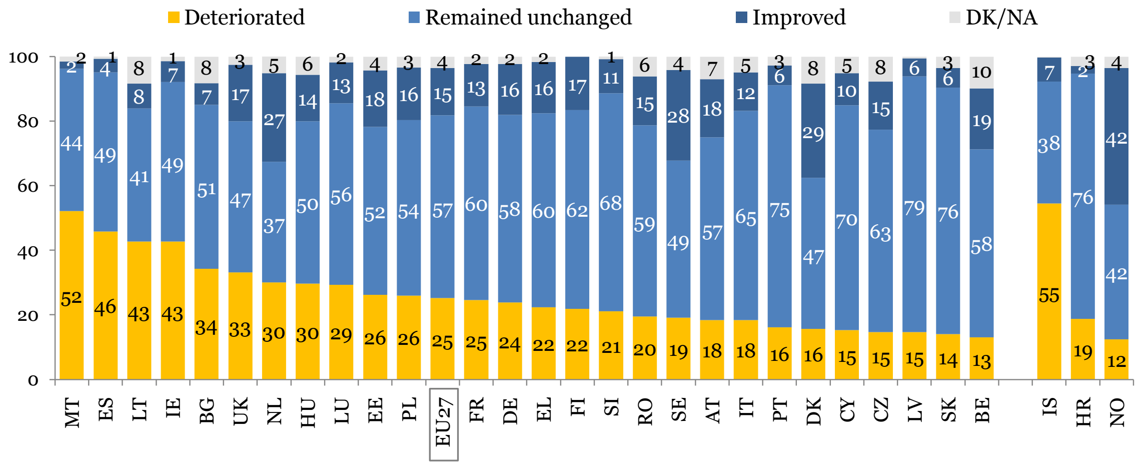
Q11. The availability of external financing depends on various factors, which are in part related to the general economic situation, your firm-specific situation and to lenders' attitudes. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?
Base: all companies, % by country

Managers in Iceland were the most likely to answer that their **company's own capital** had deteriorated in the past six months (55%). In only one additional country – Malta – did a majority of interviewees select this response (52%), while in half of the countries in this study less than a quarter of respondents had seen their company's own capital deteriorate in the past six months.

Managers in Norway were – by far – the most likely to answer that their company's own capital had increased in the past six months (42%). Other countries with a high proportion of managers reporting an improvement in their company's own capital were Denmark (29%), Sweden (28%) and the Netherlands (27%). In Cyprus, Portugal, Slovakia, Croatia and Latvia, on the other hand, at least 7 in 10 managers had seen no change in their company's own capital in the past six months (between 70% and 79%).

Economic and financial environment

Your firm's own capital



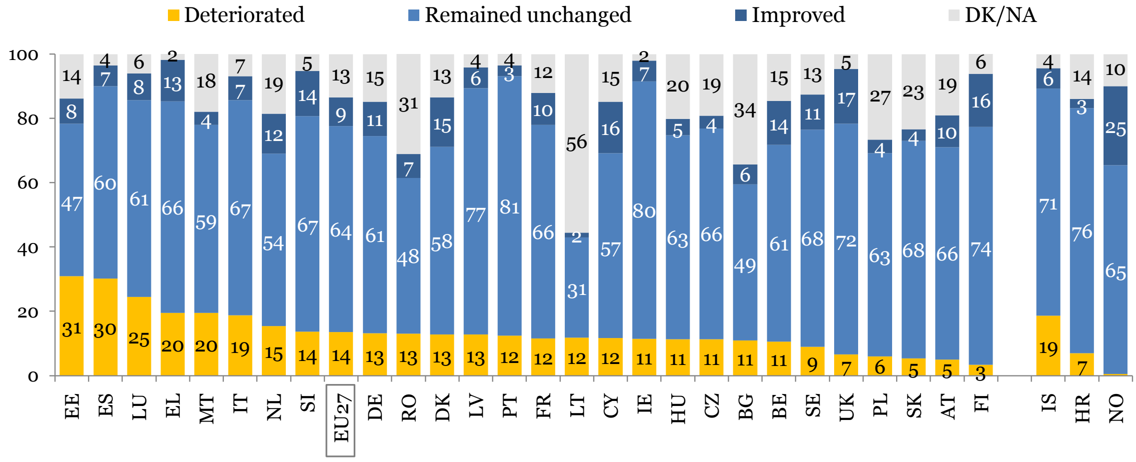
Q11. The availability of external financing depends on various factors, which are in part related to the general economic situation, your firm-specific situation and to lenders' attitudes. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?
Base: all companies, % by country

At least one-tenth of interviewees in a majority of countries found it difficult to answer the question about their **company's credit history**; the proportions of "don't know" responses were highest in Lithuania (56%), Bulgaria (34%) and Romania (31%).

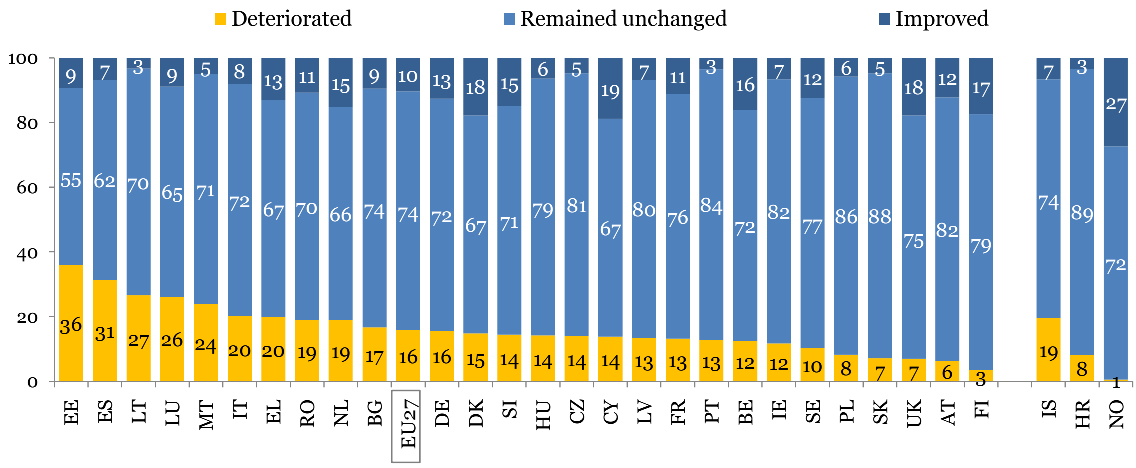
Focusing solely on respondents who answered this question, in almost all countries in this study, the proportion of managers saying that their company's credit history had deteriorated in the past six months was below a third. A majority of managers who provided an answer to this question described the situation as unchanged (ranging from 55% in Estonia to 88% in Slovakia and 89% in Croatia).

Economic and financial environment: *Your firm's credit history*

Base: All companies



Base: Companies that provided an answer



Q11. The availability of external financing depends on various factors, which are in part related to the general economic situation, your firm-specific situation and to lenders' attitudes. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?
% by country

Country variations – access to certain sources of external financing

It was noted earlier that bank loans were a popular source of external financing. As such, in almost all countries in this study, less than a third of interviewees found the question about recent changes in banks' willingness to provide loans to be irrelevant. In Finland, Latvia, Hungary and Lithuania, however, more than 4 in 10 managers replied that this question was not relevant to their situation (between 44% and 51%).

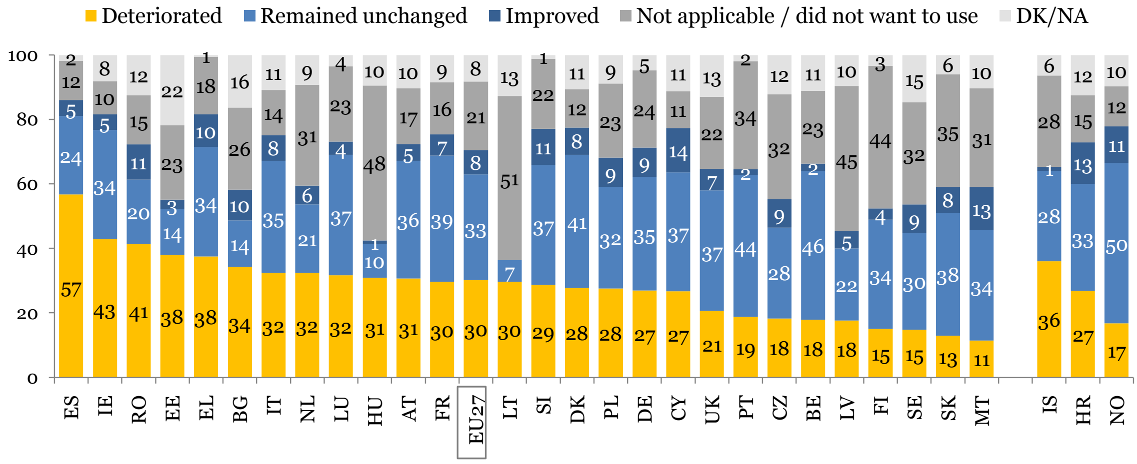
Focusing solely on respondents who provided an answer, we found that the proportion of managers who said that there had been a decrease in banks' willingness to provide a loan in the past six months ranged from 19% in Malta to 82% in Lithuania[21]. Spain, Estonia and Hungary joined Lithuania at the higher end of the distribution with between 66% and 73% of interviewees who thought that access to bank loans was now more difficult.

[21] Caution should be exercised when interpreting the result for Lithuania as only 45 of its interviewed companies provided an answer to this question.

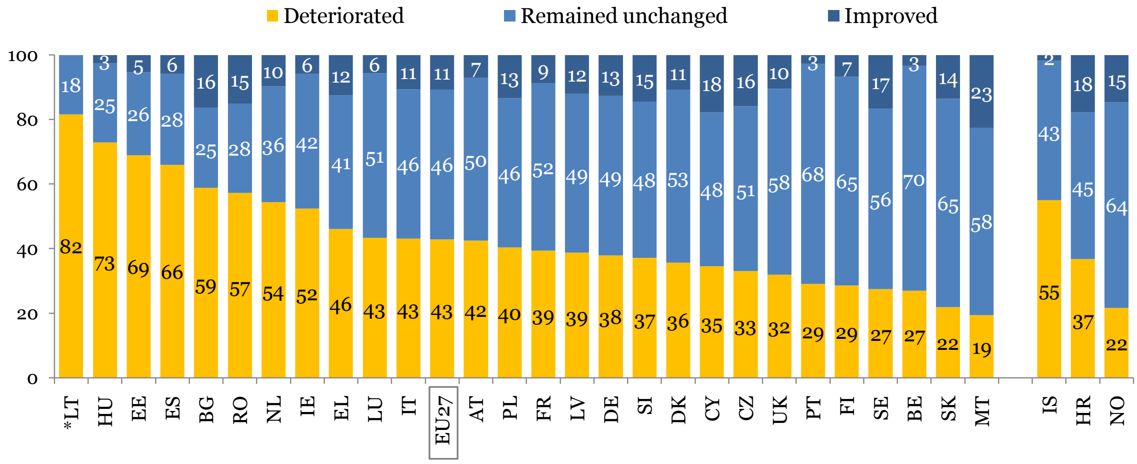
In Malta, Slovakia, Norway, Belgium, Sweden, Finland and Portugal, on the other hand, less than 30% of interviewees answered that it had become more difficult to get a bank loan in the past six months, while at least twice as many respondents had seen no change in banks' willingness to provide loans – ranging from 56% in Sweden to 70% in Belgium.

Economic and financial environment: *Willingness of banks to provide a loan*

Base: All companies



Base: Companies that provided an answer



Q11. The availability of external financing depends on various factors, which are in part related to the general economic situation, your firm-specific situation and to lenders' attitudes. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?

Note: * n<50

% by country

Similar to EU-wide results, in a majority of countries in this study, less than half of respondents answered the question about **access to public financial support instruments**. The proportions of "non-applicable" responses were highest in Sweden (62%), Portugal (60%) and Germany (57%).

Focusing solely on managers who did provide an answer, those in Hungary, Spain and Lithuania[22] were once more the most pessimistic – approximately 7 in 10 managers in these countries thought that access to public financial support instruments had deteriorated in the past six months. Ireland joined the above-mentioned countries at the higher end of the distribution with 70% of "deteriorated" responses.

Cyprus (19%) and the Nordic countries – Norway (5%), Finland (16%), Sweden (17%) and Denmark (20%) – were the only ones where a fifth or less managers reported reduced access to public financial support instruments. Managers in the Nordic countries – and those in Greece and Germany – were also somewhat more likely to answer that access to such instruments had improved in the past six months.

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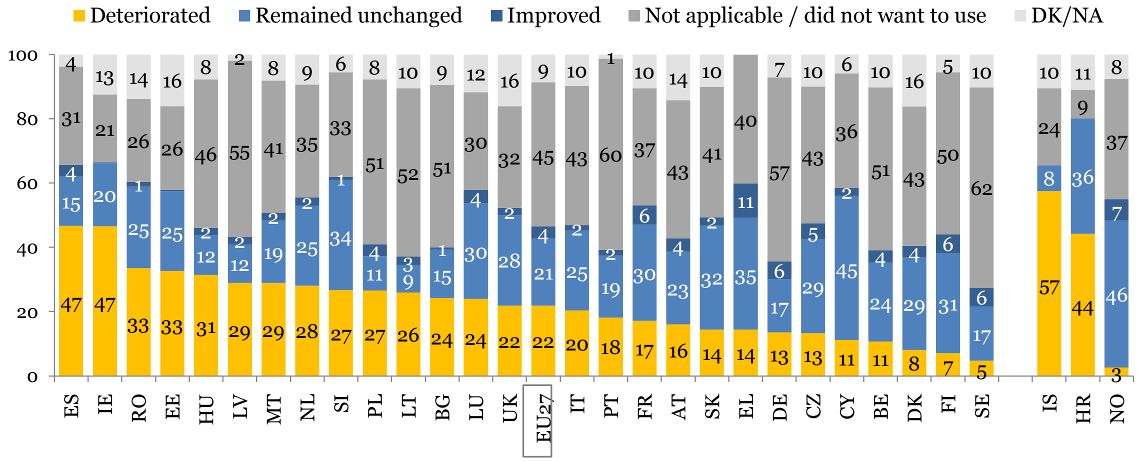
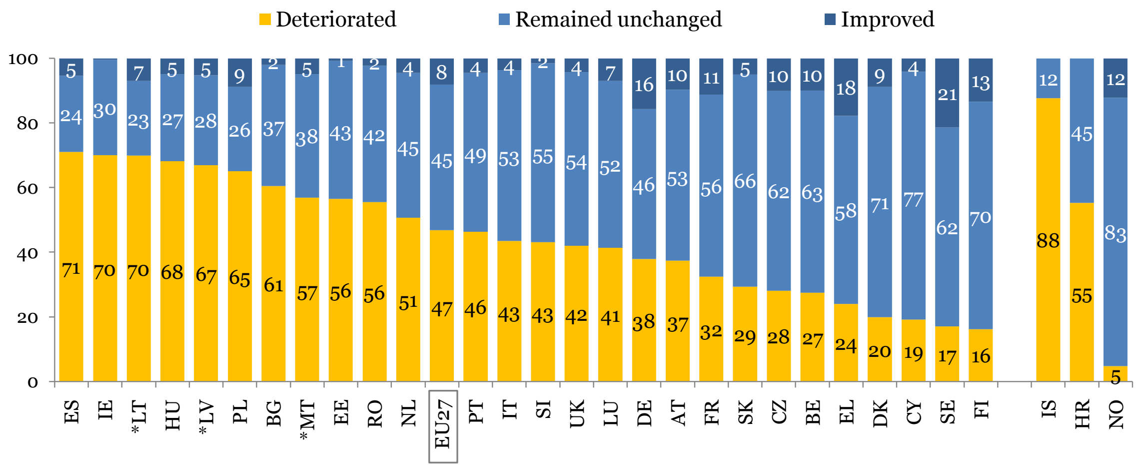
[22] Only 35 companies interviewed in Lithuania provided an answer.

Economic and financial environment: *Access to public financial support including guarantees*

Base: All companies



Base: Companies that provided an answer



Q11. The availability of external financing depends on various factors, which are in part related to the general economic situation, your firm-specific situation and to lenders' attitudes. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?

Note: * n<50

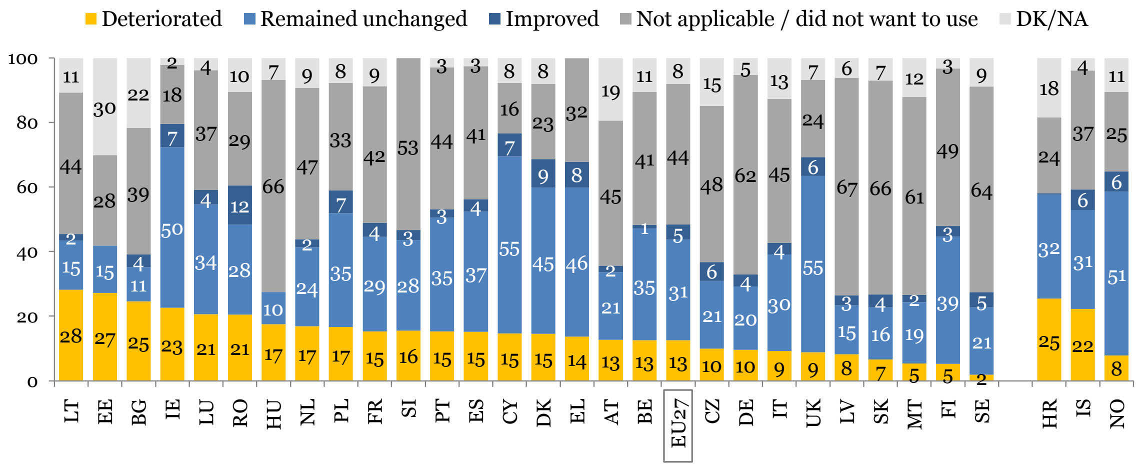
% by country

It was noted in chapter 2 that only 17% of companies had recently used trade credit. Managers in Ireland, the UK and Cyprus were among the most likely to answer the question about the **willingness of business partners to provide trade credit**; as a source of short-term financing, trade credit was the most popular in these countries (see annex table 23a).

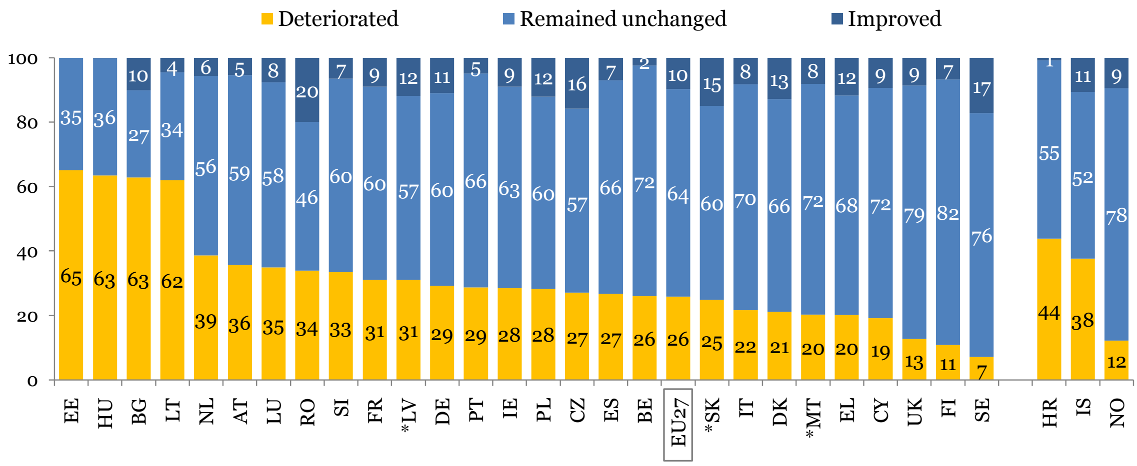
Among the respondents who did provide an answer, we found that Estonia, Hungary, Bulgaria and Lithuania stood out, with more than 6 in 10 managers who thought that access to trade credit was now more difficult than six months ago (between 62% and 65%). In all other countries, however, less than half of interviewees expressed this opinion (ranging from 7% in Sweden to 44% in Croatia) – the dominant opinion in each of these countries was that the willingness of business partners to provide trade credit had remained the same in the past six months.

Economic and financial environment: *Willingness of business partners to provide trade credit*

Base: All companies



Base: Companies that provided an answer



Q11. The availability of external financing depends on various factors, which are in part related to the general economic situation, your firm-specific situation and to lenders' attitudes. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?

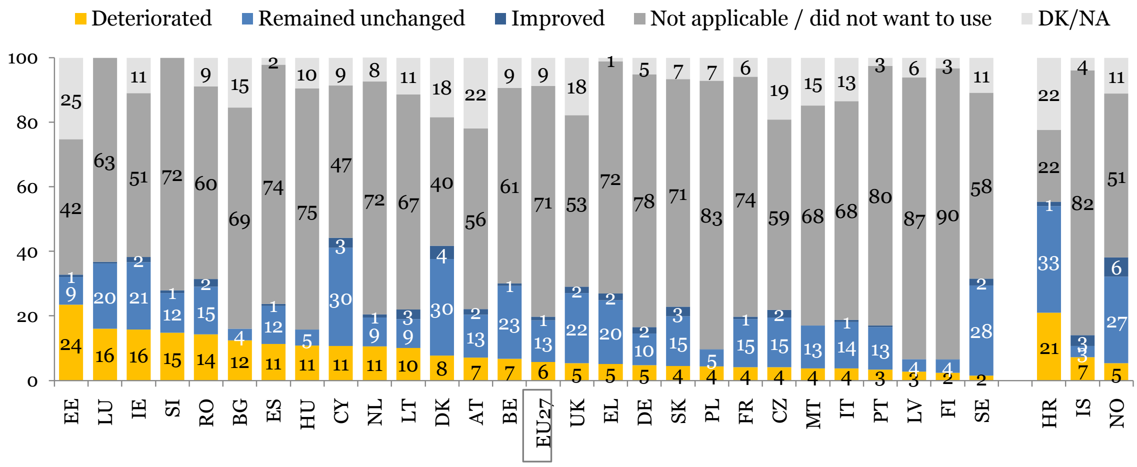
Note: * n<50

% by country

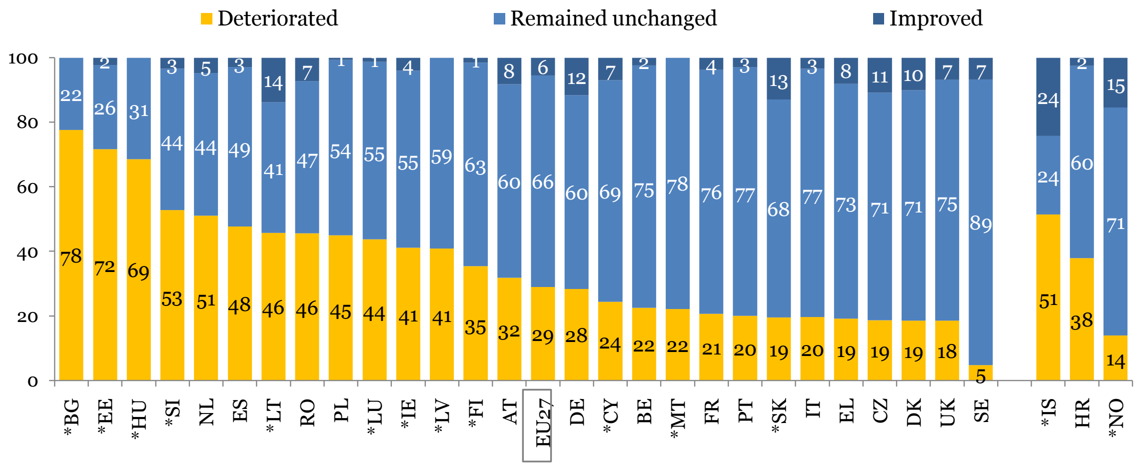
In a large majority of the countries in this study, the proportion of managers who answered the question about changes in the **willingness of investors to invest in equity or debt securities** was less than 30%. Although caution should be exercised when interpreting individual country results, one can infer from these answers that managers' perceptions about changes in the availability of these instruments differed across countries. For example, in Denmark and the UK, the proportion of managers who thought that access to these instruments had not changed in the past six months was larger than the proportion who said that access was now more difficult. In the Netherlands and Spain, on the other hand, these proportions were almost the same.

Economic and financial environment: *Willingness of investors to invest in equity or debt securities*

Base: All companies



Base: Companies that provided an answer



Q11. The availability of external financing depends on various factors, which are in part related to the general economic situation, your firm-specific situation and to lenders' attitudes. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?

Note: * n<50

% by country

Company characteristics

General economic outlook

Managers of longer-established companies and those of larger companies in terms of turnover or workforce were more likely to answer that the general economic outlook had deteriorated in the past six months. For example, two-thirds of managers of companies with an annual turnover above €10 million thought that the economic outlook had deteriorated, compared to about 60% of managers of companies with a lower turnover.

Companies active in the industry sector were also somewhat more likely to state that the general economic outlook had deteriorated in the past six months (63%), while those active in the construction sector were the least likely to express this view (58%). The corresponding proportions in the trade and services sectors were 61% and 60%, respectively. A similarly small difference existed between innovative and non-innovative companies, with the former being somewhat more likely to answer that the general economic outlook had deteriorated (63% vs. 60%).

About a third of managers of companies that received money from a venture capital firm or business angel said that the general economic outlook had deteriorated in the past six months; managers in other types of companies were considerably more likely to report such a deterioration.

Not surprisingly, businesses that had seen their financial situation deteriorate in the past six months and those characterised by long-term decreasing turnover figures were also more likely to report that the general economic outlook had deteriorated in the past six months (79% and 78%, respectively, compared to 35% of companies that had seen their financial situation improve in the past six months).

Companies' financial outlook

In section 1.2.1, different types of companies were compared in terms of changes in their income generation indicators in the past six months. The current section looks at changes in companies' outlook with respect to sales and profitability, companies' credit history and their own capital during the same period. As expected, comparing results across company types for the latter type of indicators led, to a large extent, to similar findings to section 1.2.1.

For example, it was noted in section 1.2.1 that companies with an annual turnover above €10 million and those active for at least five years were more likely to have seen a deterioration in their financial situation in terms of profit and turnover. Companies with these characteristics were also more likely to report that their company-specific outlook with respect to sales, profitability or business plan had deteriorated in the past six months: for example, approximately 4 out of 10 companies active for at least five years reported a deterioration in their company-specific outlook, compared to 27% of the most recently-established companies (active for less than two years) and 30% of companies active for a period of between two and four years.

Similarly, innovative companies were – once again – more likely than non-innovative ones to report an improvement in their financial situation; the latter were characterised by a more stable financial situation. For example, 17% of managers of innovative companies answered that their company's own capital had increased in the past six months and 55% had seen no change; the corresponding proportions for non-innovative companies were 12% and 60%, respectively.

Looking at companies' financing structure, it was noted that those that had used both internal and external sources of financing were the most likely to report a deterioration of their company-specific outlook with respect to sales and profitability and/or a decrease in their own capital, while companies that had not used any financing were the least likely to report such a deterioration or decrease. For example, 29% of managers of the former type of companies answered that their company's own capital had decreased in the past six months, compared to 22% of managers of the latter type of companies.

We pointed out in the beginning of this chapter that companies can have various reasons for not having used any financing: there might have been no need for financing or external financing might not have been available. The above finding could be an indication that the first reasons applied to at least some of the companies that had not used any financing in the past six months.

Access to certain sources of external financing

In chapter 2, certain types of companies were identified as being less likely to have used external financing: to summarise, the proportion of companies that had not used external financing such as bank loans or trade credit was greater among small companies (in terms of turnover or workforce), non-innovative companies, the longest-established companies, branches or subsidiaries, companies in the services sector and those that had experienced no change in their financial situation.

For the above-mentioned types of companies, the proportion of interviewees unable to evaluate recent changes in the availability of some source of external financing was considerably higher than for other types of companies – as such, opinions on changes in the availability of external financing were difficult to compare. In the next section, we look again at how managers regard recent changes in the availability of external financing and analyse the differences of opinions.

For more details, see annex tables 57b-c through 64b-c.

3.1.2 Changes in availability of external financing

In the current section, we look once more at how managers regard recent changes in the availability of various sources of external financing; however, this time only managers of companies that had applied for at least one type of external financing in the past six months were asked to evaluate changes as experienced by their own company.

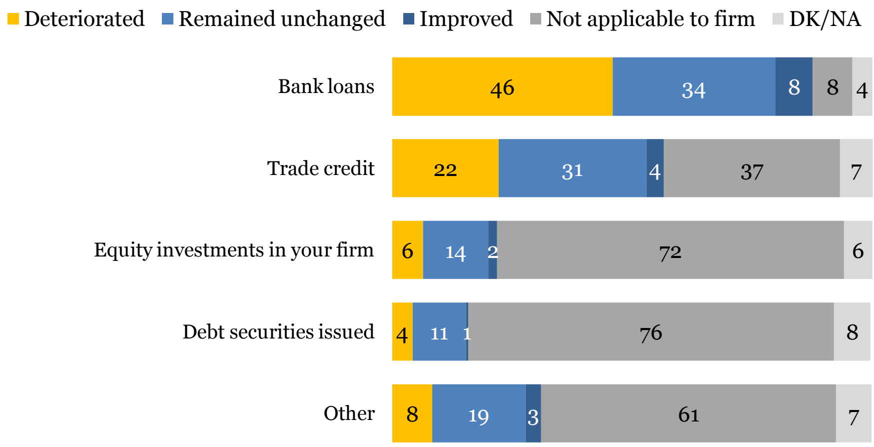
Almost half (46%) of managers who had applied for at least one type of external financing in the past six months thought that the availability of bank loans' had decreased in the past six months, while 8% had seen an improvement in availability and 34% had seen no change.

Looking at the results for trade credit, equity investments and issuance of debt securities, the proportion of managers who had seen no change in their availability in the past six months was higher than the proportion who thought that they were now harder to obtain. The proportion who thought the availability had decreased was – once again – larger than the proportion who thought the opposite.

For example, 31% of respondents reported that the availability of trade credit had remained the same in the past six months, while 22% said that it was now more difficult to get trade credit from other businesses. Less than 1 in 20 (4%) managers said that their company's access to trade credit had improved in the past six months.

The proportion of respondents who considered the question to be not applicable to their company's situation was smallest for bank loans (8%) and largest for equity investments and debt securities (72% and 76%, respectively).

Changes in the availability of various sources of finance



Q9. For each of the following ways of financing, would you say that their availability has improved, remained unchanged or deteriorated for your firm over the past 6 months?
Base: companies that applied for at least one type of financing in the past six months, % EU27

Country variations

As noted earlier, only managers of companies that had applied for at least one type of external financing in the past six months were asked to evaluate changes in the availability of various sources of external financing as experienced by their own company. As such, the sample size per country was relatively small and caution should be exercised when interpreting the results at an individual country level (for more details, see annex tables 46a through 50a).

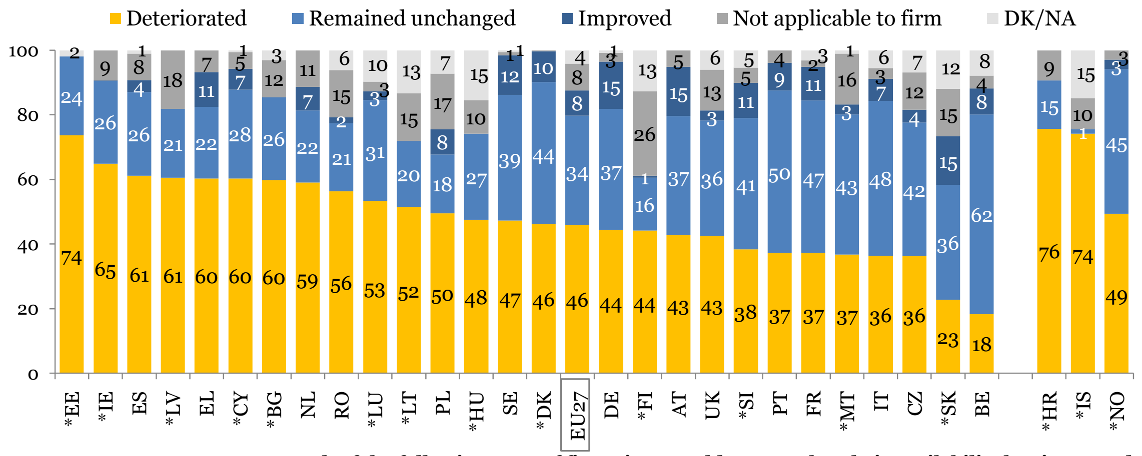
The following chart shows the results for perceived changes in the availability of bank loans in the past six months. As expected, these results were, to a large extent, along the same lines as those presented in the previous section:

- Across all countries in this study, a minority of managers answered that it was now easier for them to obtain a bank loan than six months ago.

- Similar countries appeared at the higher or lower ends of the distribution: for example, managers in Spain were again among the most likely to report a decrease in availability (61%) and managers in Belgium were the least likely to report such a decrease (18%).

- Finally, managers in Belgium, Portugal and Norway were again among the most likely to have seen no change in their company's access to bank loans in the past six months (62%, 50% and 45%, respectively).

Changes in the availability of bank loans



Q9. For each of the following ways of financing, would you say that their availability has improved, remained unchanged or deteriorated for your firm over the past 6 months?
Note: * n < 50
Base: companies that applied for at least one type of financing in the past six months, % by country

Company characteristics

In this section, we focus solely on the responses of managers who considered the question relevant to their company's situation. As noted earlier, only managers of companies that had applied for at least one type of external financing in the past six months were asked to evaluate changes in the availability of various sources of external financing as experienced by their own company.

<u>Bank loans and trade credit</u>

While 4 in 10 managers of medium-sized companies (with between 50 and 249 employees) answered that it had become more difficult to get a bank loan in the past six months, this proportion increased to 50% for large companies (with at least 250 employees). Managers of medium-sized companies were also the least likely to think that that access to trade credit was now more difficult than six months ago (20% vs. 22%-25% for companies with less than 50 employees or more than 249 employees).

A slim majority (55%) of companies with an annual turnover over €50 million reported that bank loans were now harder to obtain than six months ago, this proportion decreased to 45% for companies with a turnover under €2 million. Companies with a turnover between €10 million and €50 million, on the other hand, were the least likely to report a decrease in the availability of trade credit (16% vs. 22%-26% for companies with a turnover under €10 million or over €50 million).

Looking at a company's age, it could be noted that start-up companies (active for less than two years) were the least likely to report that access to bank loans and/or trade credit had deteriorated in the past six months. While 46% of companies active for at least five years and 48% of those active between two and four years answered that bank loans' availability had decreased in the past six months, a lower number (43%) of start-up companies shared this view.

Companies in the construction sector, on the other hand, were more likely to have seen a decrease in the availability of bank loans and/or trade credit than those in other sectors: for example, a slim majority (52%) of managers in the construction sector answered that it had become more difficult to get a bank loan in the past six months, while 41% of managers in the industry sector agreed.

Subsidiaries or branches were also more likely to think that access to trade credit was now more difficult than six months ago (29% vs. 22% for autonomous companies); however, no differences were observed when looking at perceptions of bank loans' availability.

Not surprisingly, companies reporting a deterioration of their financial situation in the past six months were most likely to report that access to bank loans and/or trade credit had deteriorated during that period. Businesses characterised by long-term decreasing turnover figures were also more likely to answer that bank loans' availability had decreased in the past six months (48% vs. 40%-43% for companies characterised by long-term increasing turnover figures); however, only small differences were observed when looking at perceptions of access to trade credit.

Finally, in terms of ownership structure, it appeared that listed companies, businesses owned by other firms or business associates and those receiving money from a venture capital firm[23] were more pessimistic about recent changes in the availability of bank loans and trade credit than companies with other ownership structures.

Equity investments and debt securities and "other" sources of finance

The proportion of interviewees who did not answer the question about "other" sources of finance was greater than 60% across almost all types of companies. As such, perceptions about changes in the availability of these instruments were difficult to compare. Nevertheless, after controlling for the proportions of "non applicable" responses, it appeared that companies' perceptions of the availability of other sources of finance varied with their size (in terms of turnover or workforce), sector of activity and financial situation, similar to their perceptions of bank loans' availability.

Finally, the proportion of interviewees who answered the question about equity investments or debt securities was less than a quarter across almost all types of companies. The only exceptions were those with an annual turnover of more than €50 million and listed companies; nevertheless, even among these types of companies less than half of respondents answered these questions.

For more details, see annex tables 46b-c through 50b-c.

3.2 Changes in the need for external financing

3.2.1 Changes in companies' need for external financing

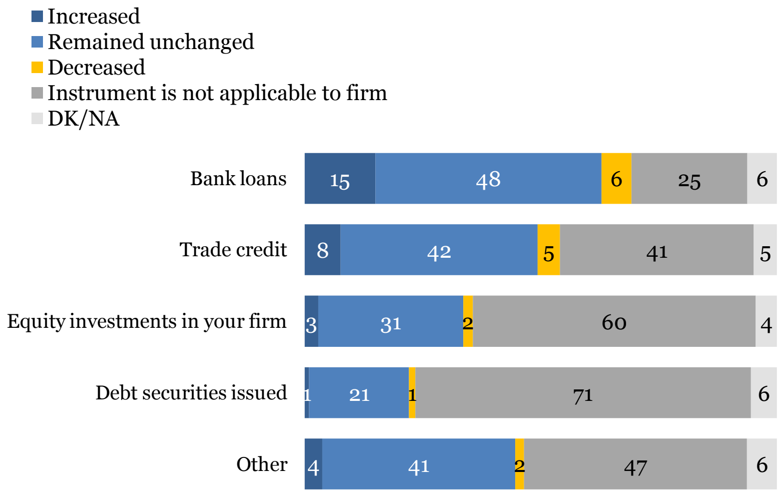
Similar to the results for companies' perceptions of the availability of various sources of external financing (see section 3.1.1), a large proportion of managers answered that the question about trade credit, equity investments, debt securities or "other" sources of financing was not relevant to their company's situation (between 41% and 71%). However, just a quarter of managers said that the question about bank loans was not relevant to them.

About one in seven (15%) managers said that their company's need for bank loans had increased in the past six months, while 6% said the opposite. The dominant opinion was, nevertheless, that the need for bank loans had not changed in the past six months (48%).

[23] Caution should be exercised when interpreting the result for companies receiving money from a venture capital firm as only 40 of such companies had applied for at least one source of external financing in the past six months.

A similar picture emerged when looking at changes in companies' need for trade credit, equity investments, debt securities or "other" sources of financing. Among the respondents who provided an answer, those who thought that nothing had changed in their company's need for a specific type of financing largely outnumbered those who answered that this need had increased or, alternatively, had decreased in the past six months. For example, 31% of managers answered that their company's need for equity investments had remained the same in the past six months, while 3% said that this need had increased and 2% said it had decreased during this period.

Companies' need for various sources of external financing



Q5. For each of the following types of external financing, please tell me if your needs increased, remained unchanged or decreased over the past 6 months?
Base: all companies, % EU27

Country variations

In this section, we focus solely on the responses of managers who considered the question relevant to their company's situation. Differences across countries in the proportion of respondents who said that a question was not relevant to their company's situations were, to some extent, along the same lines as those discussed in earlier sections – see, for example, section 3.1.1.

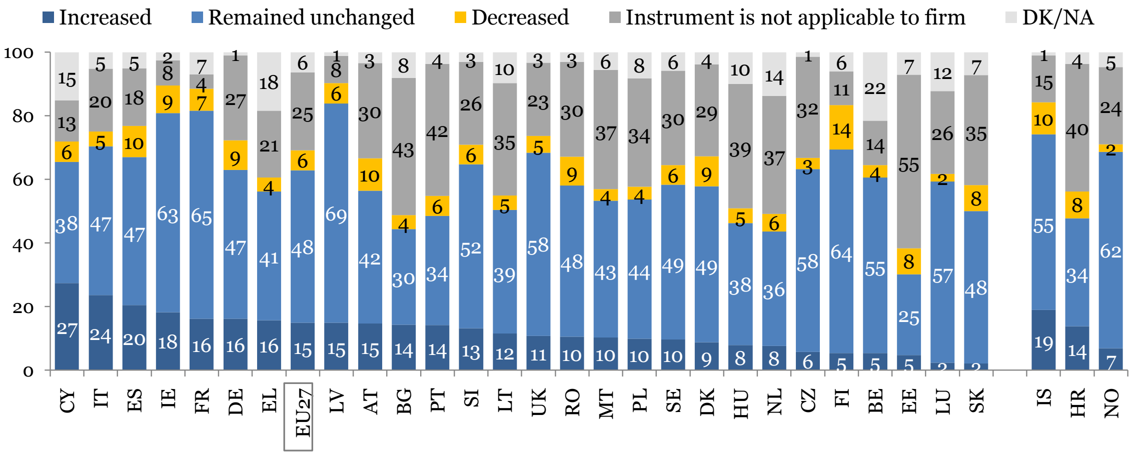
Almost 4 in 10 (38%) respondents in Cyprus answered that their company's need for **bank loans** had increased in the past six months; this proportion decreased to 4% in Slovakia and Luxembourg. Greece, Portugal, Spain, Bulgaria and Italy joined Cyprus at the higher end of the distribution with between 26% and 31% of interviewees who reported an increase in their company's need for bank loans.

Managers in Estonia[24] and Finland, on the other hand, most frequently reported a decrease in their company's need for bank loans in the past six months (21% and 17%, respectively), while managers in the Czech Republic, Belgium, Norway and Luxembourg were the most likely to report no change in their company's situation (between 86% and 92%).

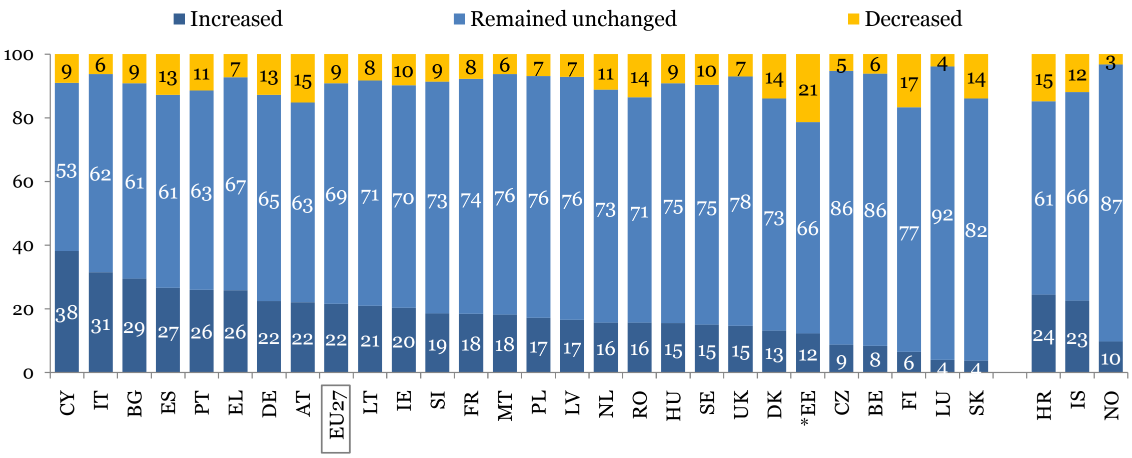
[24] Only 46 companies interviewed in Estonia provided an answer.

Companies' need for bank loans

Base: All companies



Base: Companies that provided an answer



Q5. For each of the following types of external financing, please tell me if your needs increased, remained unchanged or decreased over the past 6 months?
Note: * n<50
% by country

In all countries in this study, a majority of managers[25] had seen no change in their company's need for **trade credit** from business partners in the past six months. Nonetheless, managers in Belgium, Luxembourg, the Czech Republic and Norway were again among the most likely to say that their need for trade credit had not changed in the past six months (between 88% and 91%).

Managers in Cyprus and Greece were the most likely to answer that their company's need for trade credit had increased in the past six months (37% and 40%, respectively). In Romania and Lithuania[26], on the other hand, about one in six respondents answered that their need for trade credit had decreased during that period (17%-18%).

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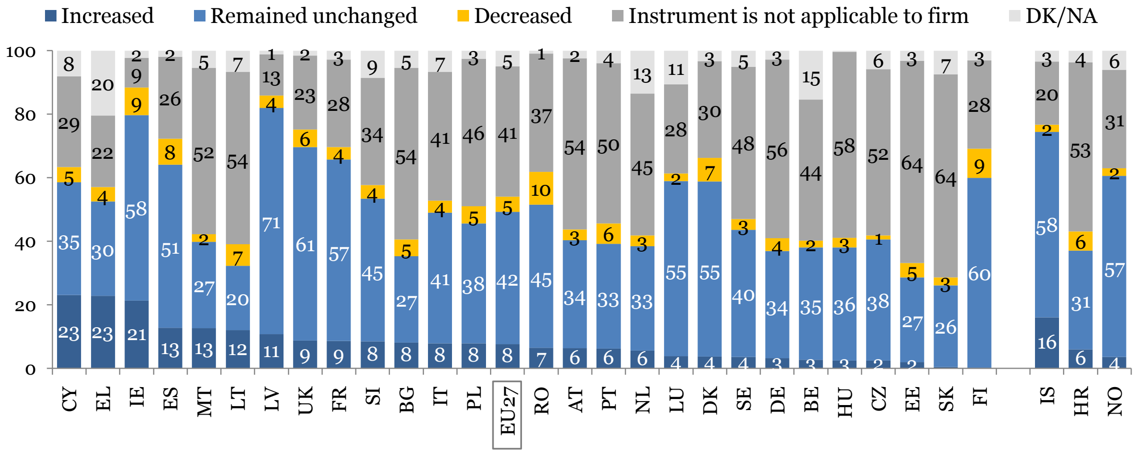
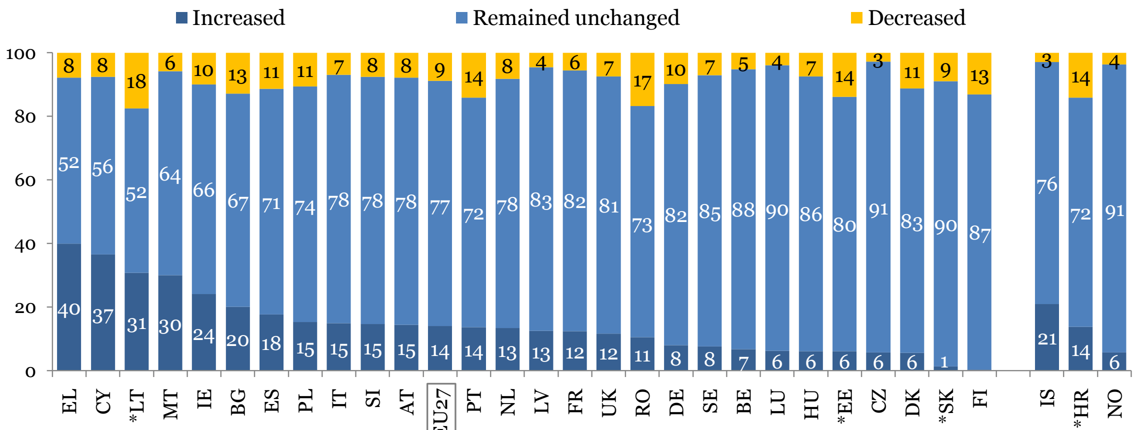
[25] In this section, we focus solely on the responses of managers who considered the question relevant to their company's situation.
[26] Only 44 companies interviewed in Lithuania provided an answer.

Companies' need for trade credit

Base: All companies



Base: Companies that provided an answer



Q5. For each of the following types of external financing, please tell me if your needs increased, remained unchanged or decreased over the past 6 months?

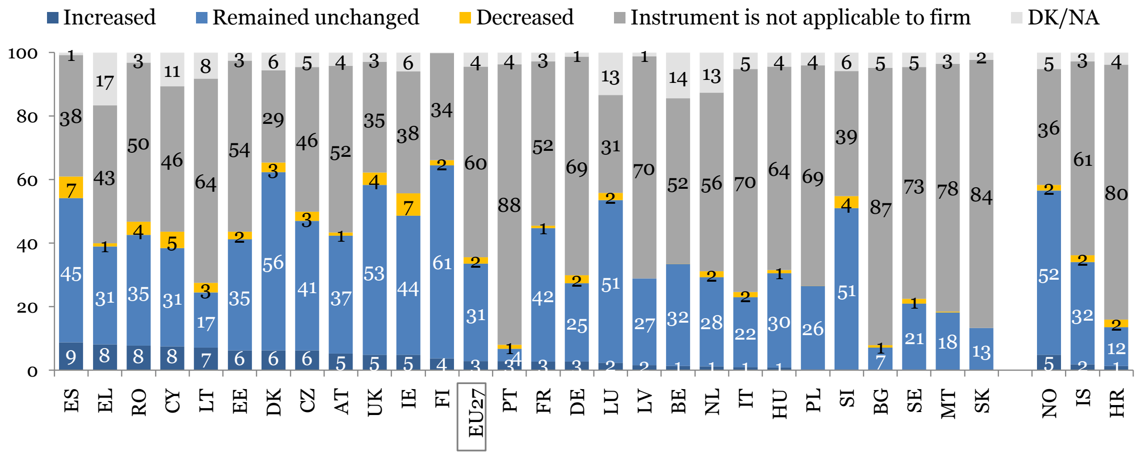
Note: * n<50

% by country

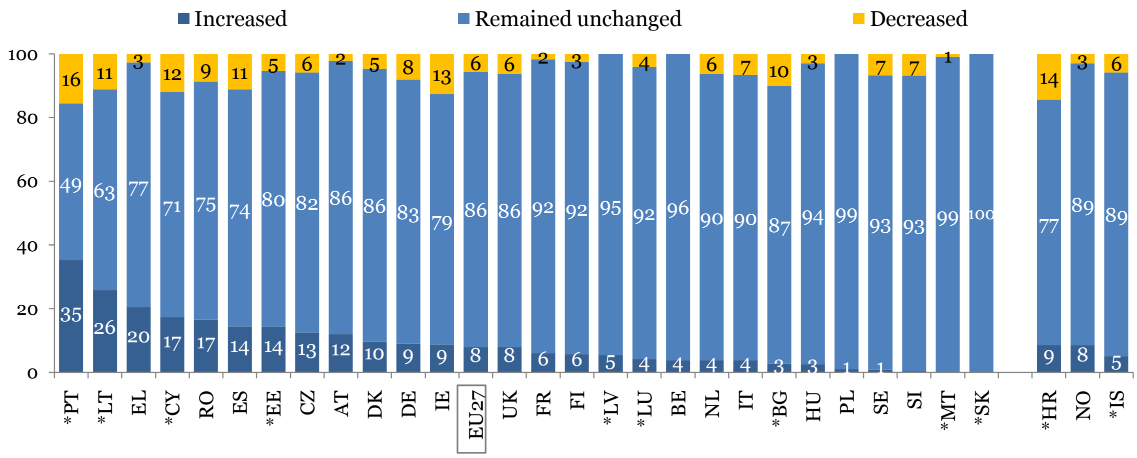
In a large majority of the countries in this study, the proportion of managers who answered the questions about **equity investments** or **debt securities** was lower than 40%. The following charts present the results for the question about equity investments – results for debt securities are not shown (for more details, see annex table 34a). Although caution should be exercised when interpreting individual country results for these questions, one can infer from managers' answers that the dominant opinion across all countries was that there had been no change in the need to issue equity or debt securities. For example, 82% of managers in the Czech Republic, 92% in France and 89% in Norway answered that their company's need for equity investments had remained the same in the past six months.

Companies' need for equity investments

Base: All companies



Base: Companies that provided an answer



Q5. For each of the following types of external financing, please tell me if your needs increased, remained unchanged or decreased over the past 6 months?
Note: * n<50
% by country

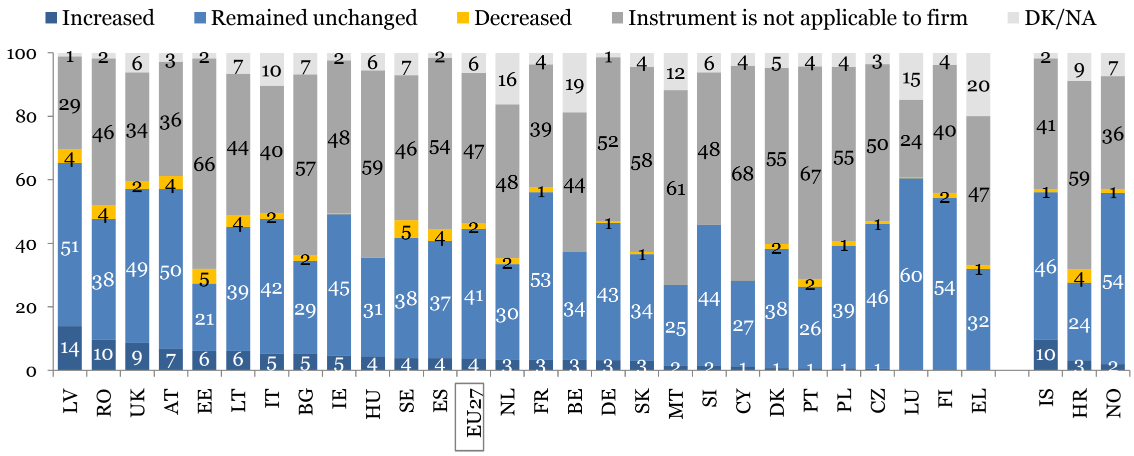
When asked about their company's need for **"other" sources of finance**, such as a loan from a related company, from family or friends, and factoring or leasing, managers (who considered the question relevant to their company's situation) once more repeated that their company's need for such external financing had not changed in the past six months – ranging from 66% in Estonia[27] to 99% in Luxembourg.

In only three countries did about a fifth of respondents think that their company's need for "other" financing instruments had increased in the past six months: Latvia (20%), Estonia and Romania (both 19%). Furthermore, managers in Estonia – together with those in Sweden and Croatia[28] – were also somewhat more likely to answer that their company's need for such "other" instruments had decreased in the past six months.

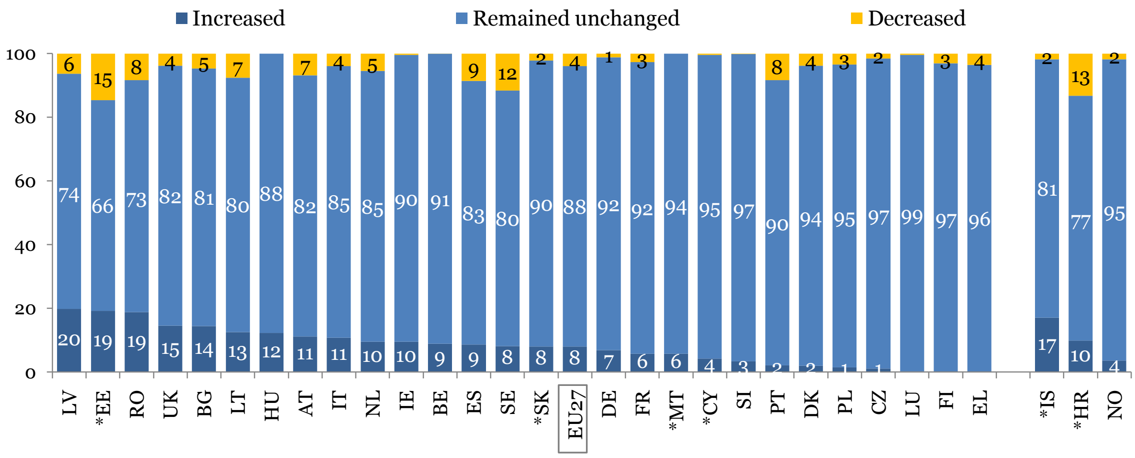
[27] Only 37 companies interviewed in Estonia provided an answer.
[28] Only 33 companies interviewed in Croatia provided an answer.

Companies' need for other types of external financing
(e.g. loan from a related company or shareholders, loan from family and friends, leasing and factoring)

Base: All companies



Base: Companies that provided an answer



Q5. For each of the following types of external financing, please tell me if your needs increased, remained unchanged or decreased over the past 6 months?
Note: * n<50
% by country

Company characteristics

In this section, we again focus solely on the responses of managers who considered the question to be relevant to their company's situation. Across all types of companies, among the respondents who provided an answer, those who thought that nothing had changed in their company's need for a specific type of financing outnumbered those who answered that this need had increased or, alternatively, had decreased in the past six months. For example, 48% of managers of companies active for between two and four years answered that their company's need for bank loans had remained the same in the past six months, while 17% said that this need had increased and 5% said it had decreased during this period.

Nonetheless, after controlling for the differences in "non applicable" responses, it appeared that certain types of companies were somewhat more likely to report an increased need for external financing. For example, the proportion of managers who said that their company's need for bank loans had increased in the past six months was higher among managers of companies:

- with at least 50 employees,
- active for less than two years,
- that had combined internal and external financing in the past six months, and
- that had seen their financial situation deteriorate in the past six months.

The proportion of interviewees who did not answer the question about equity investments was higher than 50% across all types of companies, and this proportion increased to more than 60% for the question about issuance of debt securities. Companies with an annual turnover over €50 million and listed companies were the most likely to consider these questions relevant to their company's situation; nevertheless, no differences were observed when looking at their perceptions of availability.

For more details, see annex tables 31b-c through 35b-c.

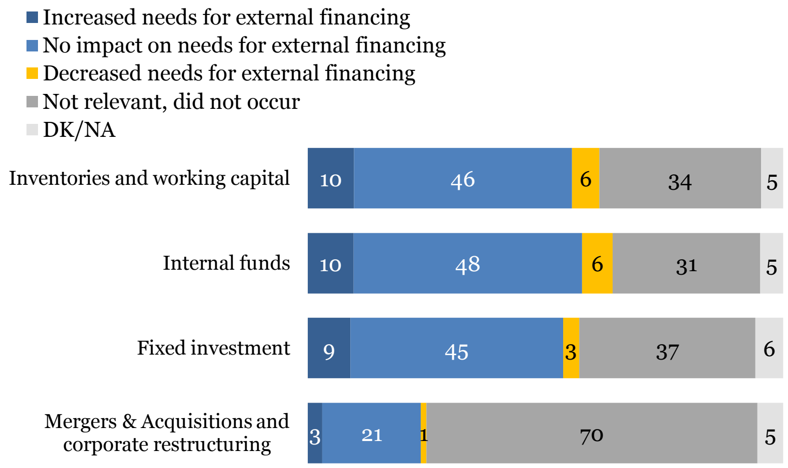
3.2.2 The impact of companies' assets on the need for external financing

When managers were asked to explain how their **company's assets** had influenced their need for external financing in the past six months, a considerable number did not answer because the topic was not relevant to them: 31% for the impact of internal funds, 34% for inventories and working capital and 37% for fixed investment.

Among respondents who did provide an answer, the dominant opinion was that company assets – internal funds, fixed investment and working capital – had not influenced their company's need for external financing in the past six months. Furthermore, managers who had seen an impact were somewhat more likely to think that company assets had increased the need for external sources of finance (for example, fixed investment: 9% "increase" vs. 3% "decrease").

Only about a quarter of companies considered the question about **mergers and acquisitions, or corporate restructuring** to be relevant to their situation; however, among these companies a large majority answered that these events had had no impact on their need for external financing in the past six months.

Impact on companies' need for extenal financing



Q6. For each of the following items, would you say that they have increased, decreased, or had no impact on your firm's needs for external financing over the past 6 months?
Base: all companies, % EU27

Country variations

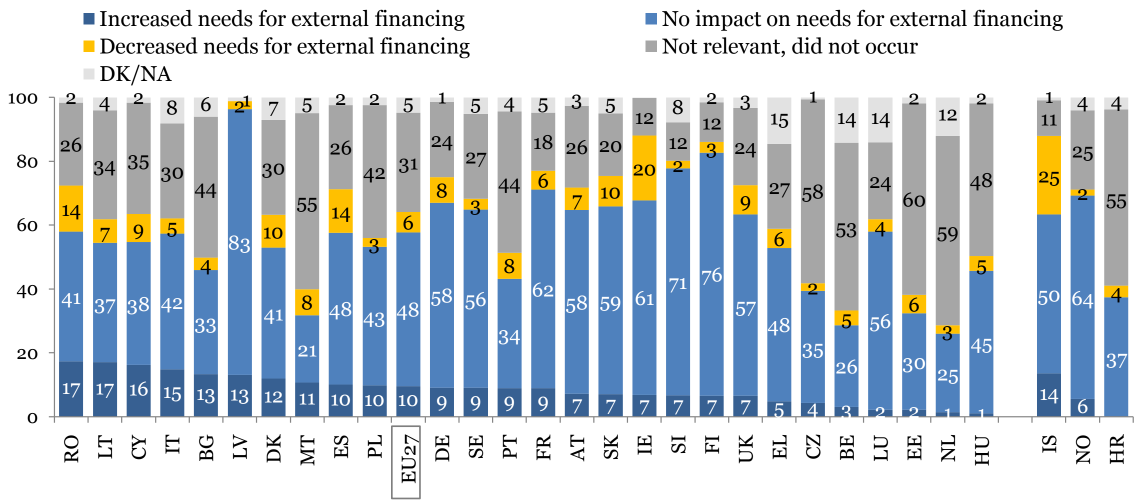
Respondents in the Czech Republic, the Netherlands and Estonia were most likely to answer that the question about impact of **internal funds** on the need for external financing was not relevant to their company's situation (between 58% and 60%). This is in line with the finding that companies in these countries were among the most likely not to have used internal funds in the past six months (see section 2.1).

Focusing solely on respondents who provided an answer, the proportion of managers who said that internal funds had not influenced their company's need for external financing ranged from 53% in

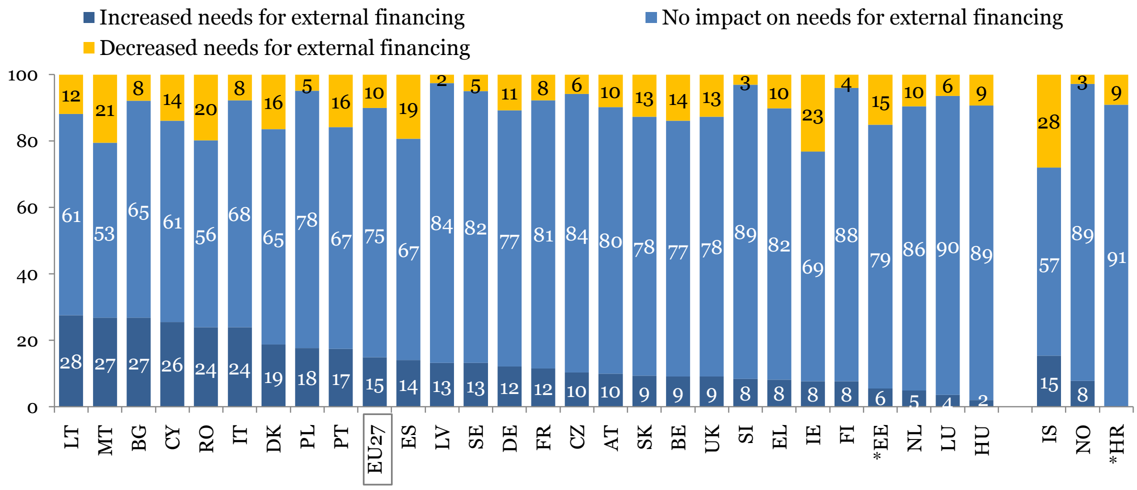
Malta to 91% in Croatia[29]. Managers in Italy, Romania, Cyprus, Bulgaria, Malta and Lithuania were the most likely to answer that internal funds had increased their company's need for external financing in the past six months (between 24% and 28%), while a similar proportion of managers in Ireland and Iceland answered the opposite – i.e. that these funds had decreased their company's need for external sources of finance (23% and 28%, respectively).

Impact of internal funds on companies' need for extenal financing

Base: All companies



Base: Companies that provided an answer



Q6. For each of the following items, would you say that they have increased, decreased, or had no impact on your firm's needs for external financing over the past 6 months?

Note: n<50

% by country

The proportion of managers who thought that the question about **fixed investment** was not relevant to their situation ranged from 12% in Slovenia and 14% in Ireland to 67% in Latvia. Among the respondents who answered this question, in all countries surveyed (except Lithuania and Cyprus), the dominant opinion was that there had been no impact of fixed investment on their company's need for external financing – with the proportion selecting this response being the highest in Norway and Slovakia (96%-97%).

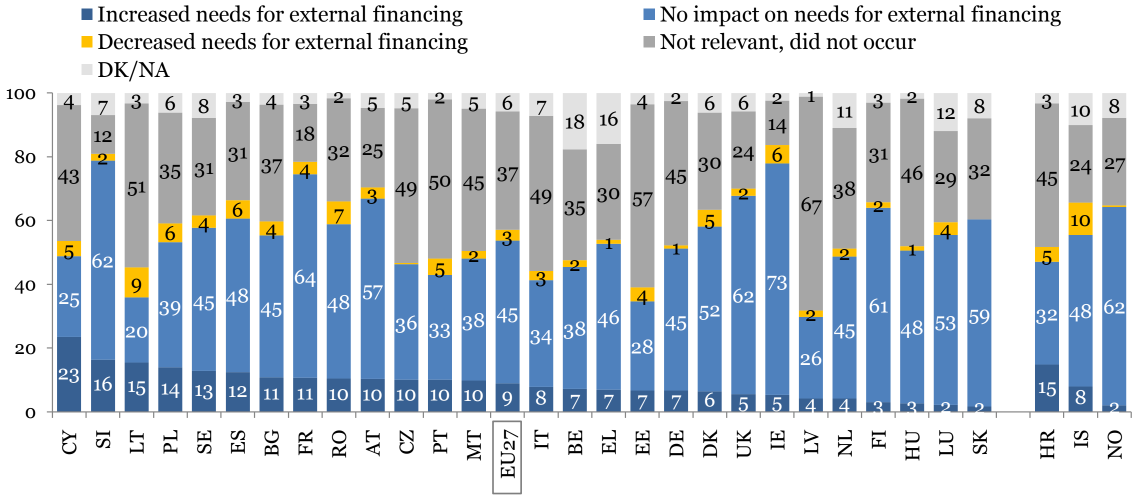
In Lithuania[30] and Cyprus, respondents who had experienced an increase or, alternatively, a decrease in their company's need for external financing as a consequence of fixed investment outnumbered those who had seen no change in their need for financing (for example, Cyprus: 44% "increase" and 9% "decrease" vs. 48% "no impact").

[29] Only 41 companies interviewed in Croatia provided an answer.

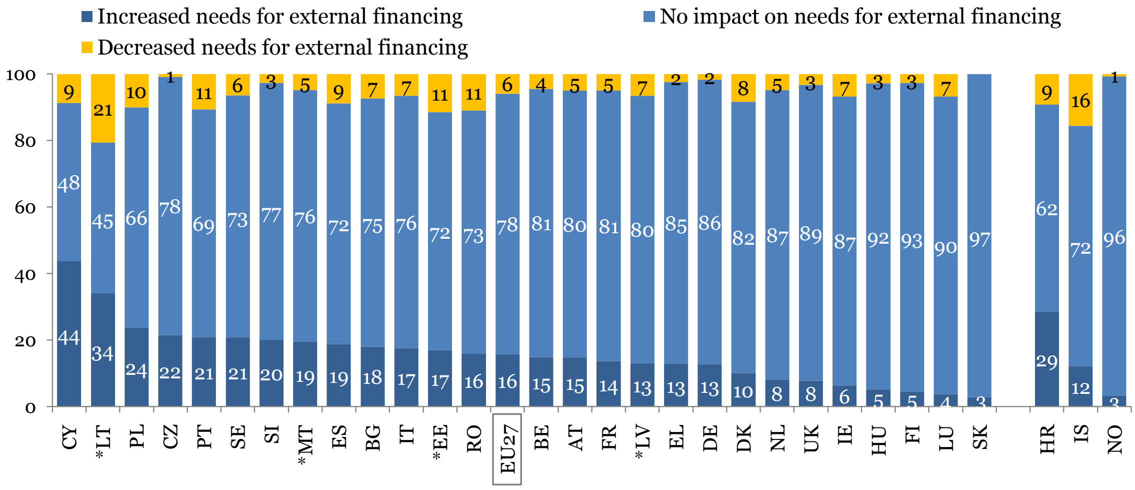
[30] Only 49 companies interviewed in Lithuania provided an answer.

Impact of fixed investment on companies' need for extenal financing

Base: All companies



Base: Companies that provided an answer



Q6. For each of the following items, would you say that they have increased, decreased, or had no impact on your firm's needs for external financing over the past 6 months?

Note: n<50

% by country

Managers in Malta were the least likely to answer the question about impact of **inventories and working capital** on their company's need for external financing, while those in Latvia were the most likely to do so (67% vs. 1% "not relevant"). We focus our discussion again on respondents who provided an answer.

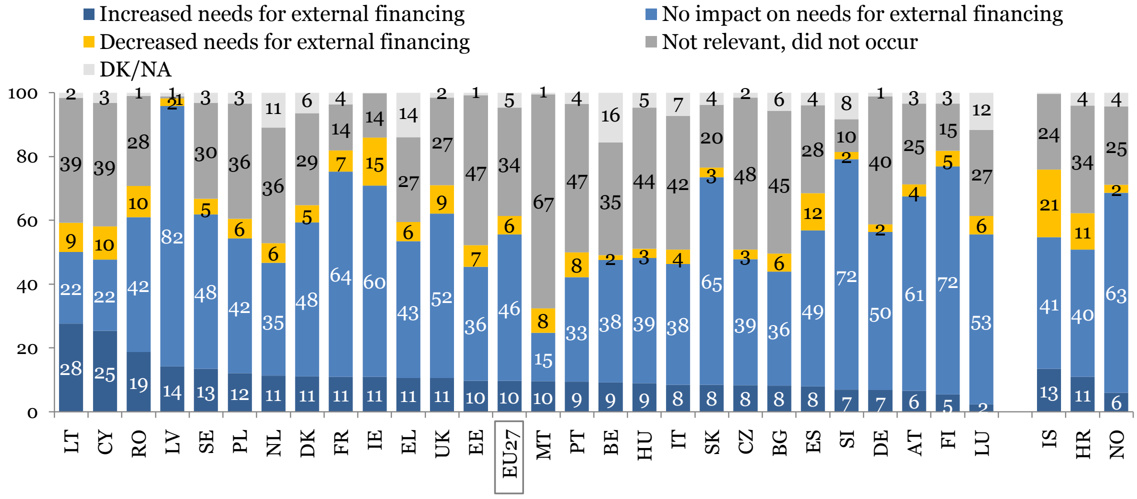
Managers in Lithuania and Cyprus were not only the most likely to say that fixed investment had influenced their company's need for external financing, they were also the most likely to have seen an impact from inventories and working capital in the past six months: 47% and 44%, respectively, reported an increase in their company's need for external financing.

Respondents in Finland, Luxembourg, Norway and Slovenia were this time the most likely to have seen no effect on their need for external financing (between 87% and 89%), while managers in Iceland and Malta[31] were the most likely to have seen their need for financing decrease as a consequence of changes in inventories and working capital (28% and 24%, respectively).

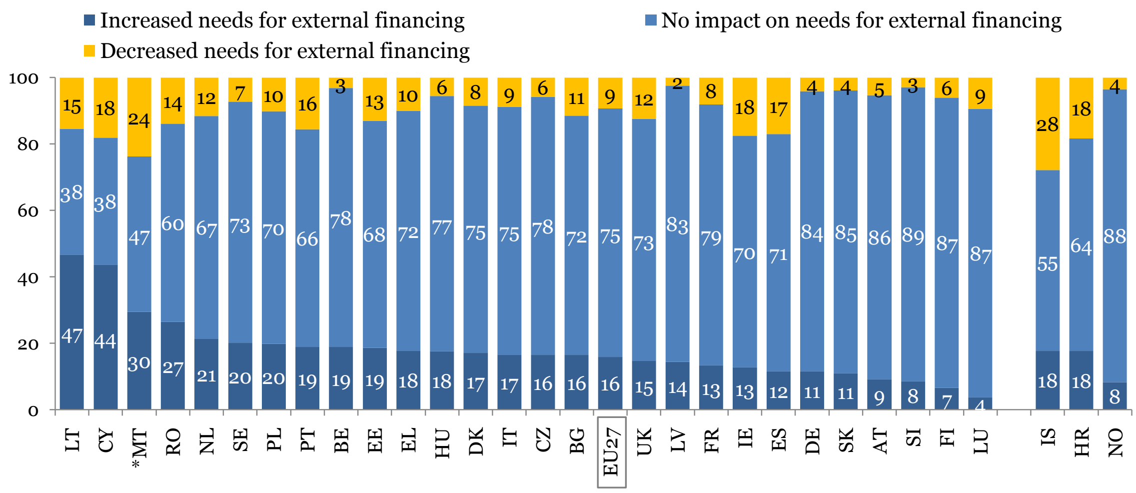
[31] Only 44 companies interviewed in Malta provided an answer.

Impact of inventories and working capital on companies' need for extenal financing

Base: All companies



Base: Companies that provided an answer



Q6. For each of the following items, would you say that they have increased, decreased, or had no impact on your firm's needs for external financing over the past 6 months?

Note: n<50

% by country

Only a small number of respondents in most countries in this study considered the question about **mergers and acquisitions (M&A), or corporate restructuring** to be relevant to their company's situation (for more details, see annex table 39a). Furthermore, focusing solely on respondents who answered this question, in almost all countries in this study, the proportion of managers saying that the M&A transaction or corporate restructuring had increased their company's need for external financing remained below a quarter – a large majority of managers had seen no change in the need for external financing following a merger or restructuring.

Company characteristics

Managers of medium-sized companies (with between 50 and 249 employees) and those with an annual turnover between €2 million and €50 million were the most likely to answer the questions about impact of their company's assets on the need for external financing – these questions appeared to be more relevant to these managers than they were to managers of other types of company. For example, while 24% of managers of medium-sized companies answered that the question about impact of inventories and working capital was not relevant to their company's situation, this proportion increased to 35% for managers of micro companies (less than 10 employees).

Among the respondents who provided an answer, across all types of companies, the dominant opinion was that company assets – internal funds, fixed investment and working capital – had not influenced their company's need for external financing in the past six months. Furthermore, managers across most types of companies were somewhat more likely to think that company assets had increased rather than decreased the need for external sources of finance.

Across all type of companies, less a third of managers answered the question about mergers and acquisitions (M&A) or corporate restructuring. The only exceptions were companies with an annual turnover over €50 million; nevertheless, even among these companies only slightly more than a third (36%) of respondents answered this question.

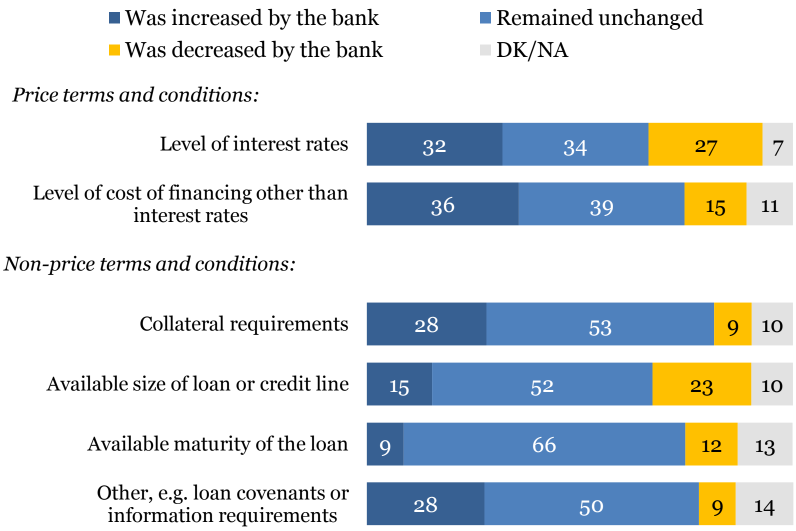
For more details, see annex tables 36b-c through 39b-c.

3.3 Terms and conditions of bank financing

Managers of companies that had applied for a bank loan in the past six months were asked to evaluate recent changes in the terms and conditions of bank financing available to their company.

Roughly one-third (32%) of managers – who had applied for a bank loan in the past six months – answered that **interest rates** had been increased by their bank in this period; a somewhat lower proportion (27%) answered that their bank had decreased these rates in the past six months. Similar to the results for interest rates, 36% of interviewees answered that non-interest related costs of financing had been increased by their bank in the past six months; 15%, however, said these costs had decreased and 39% had seen no change.

Terms and conditions of bank financing



Q10. We will now consider the terms and conditions of the bank financing available to your firm. For each of the following items, could you please indicate whether they were increased, remained unchanged or were decreased the past 6 months?
Base: companies that applied for a bank loan in the past six months, % EU27

When asked about various **non-price terms and conditions**, a majority of managers answered that these terms and conditions had remained the same in the past six months: 66% for the maturity of a loan, 53% for collateral requirements, 52% for the size of a loan or credit line and 50% for "other" non-price terms (such as loan covenants or information requirements).

Looking at the proportions of "increased" and "decreased" responses, however, it was again noted that managers were more likely to say that the terms and conditions of bank financing had deteriorated than they were to answer that these had improved. For example, 28% answered that collateral requirements had been increased by their bank in the past six months, while 9% said that these had been decreased. Furthermore, 23% answered that their bank had decreased the amount of money that they could borrow, while 15% said that that the size of an available loan had increased in the past six months.

Country variations

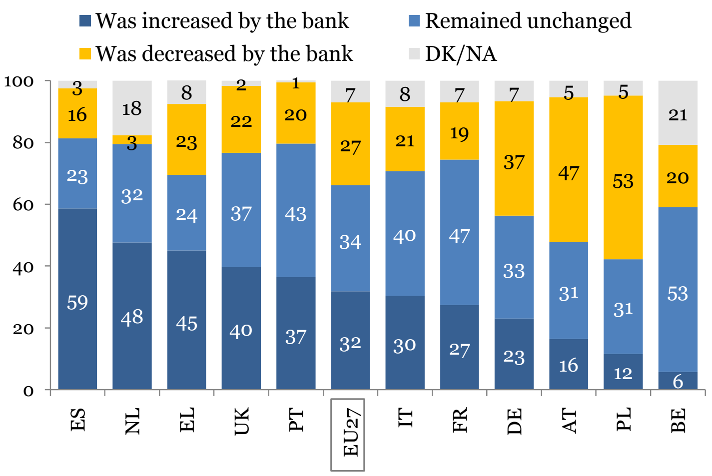
As the questions about recent changes in the availability of various sources of external financing were only presented to respondents who said that their company had applied for a bank loan in the past six months, the sample size per country was relatively small. Caution should therefore be exercised when interpreting the results at the individual country level.

In the following chart, for example, the results for the question about changes in interest rates are shown; note, however, that we only selected the countries with a sample size greater than 50. Roughly 6 in 10 (59%) managers in Spain who applied for a bank loan in the past six months reported that interest rates had been increased by their bank in the past six months. In the Netherlands and Greece, more than 4 in 10 respondents selected this response (48% and 45%, respectively). In Poland, on the other hand, a slim majority (53%) of managers answered that their bank had recently decreased interest rates – an opinion that was also shared by 47% of managers in Austria and 37% in Germany.

The results for these 11 countries illustrate that one can assume that banks in some countries seem to be relaxing their terms and conditions linked to loans – while banks in other countries appear to be tightening the conditions that apply to bank financing of companies.

Terms and conditions of bank financing

Level of interest rates



Q10. We will now consider the terms and conditions of the bank financing available to your firm. For each of the following items, could you please indicate whether they were increased, remained unchanged or were decreased the past 6 months?

Only countries with n > 50 are shown

Base: companies that applied for a bank loan, % by country

Company characteristics

Managers of companies with at least 250 employees and/or with an annual turnover between €10 million and €50 million that had applied for a bank loan in the past six months were most likely to answer that the available size and maturity of loans had been decreased by their bank in the past six months, but they were somewhat less likely to answer that collateral requirements or other non-price terms of bank financing had increased during that period. As seen in section 2.3.1, large companies (in terms of turnover or workforce) had obtained bigger loans than smaller ones.

Companies active for between five and nine years were also more likely to report a decrease in the maximum available loan size and maturity in the past six months. For example, while 18% of managers of the aforementioned companies answered that their bank had decreased the maximum available loan maturity, only slightly more than a tenth of other companies shared this opinion (11% of companies active for more than nine years and 13% of those active for less than five years).

Managers of companies with less than 10 employees, start-up companies (active for less than two years) and those with an annual turnover above €50 million, on the other hand, were least likely to answer that their bank had increased interest rates or non-interest related costs of financing in the past six months. For example, while 17% of managers of start-up companies answered that interest rates had been increased by their bank in the past six months, this proportion increased to a third for managers of longer-established companies.

Managers of companies active in the construction sector were the most likely to answer that terms and conditions of bank financing had deteriorated in the past six months. For example, 46% of managers in the construction sector answered that collateral requirements had been increased by their bank in the past six months, compared to 19% in the industry sector. Managers of innovative and autonomous companies shared the pessimism of managers in the construction sector.

Businesses characterised by stable or decreasing turnover figures were more likely than those characterised by increasing turnover figures to report a decrease in the maximum available loan size and maturity in the past six months. Furthermore, looking at changes in companies' financial situation in the past six months (rather than in the past three years), it was noted that managers of companies that had seen their financial situation deteriorate were not only the most negative about changes in various non-price terms and conditions of bank financing, but were also more negative in their evaluation of interest rates and non-interest related costs of financing. For example, while 42% of managers who had seen their company's financial situation deteriorate in the past six months answered that non-interest related costs of financing were increased by their bank in the same period, this proportion was 24% for managers of companies that had experienced an improvement in their financial situation.

For more details, see annex tables 51b-c through 56b-c.

4. Outlook for the future

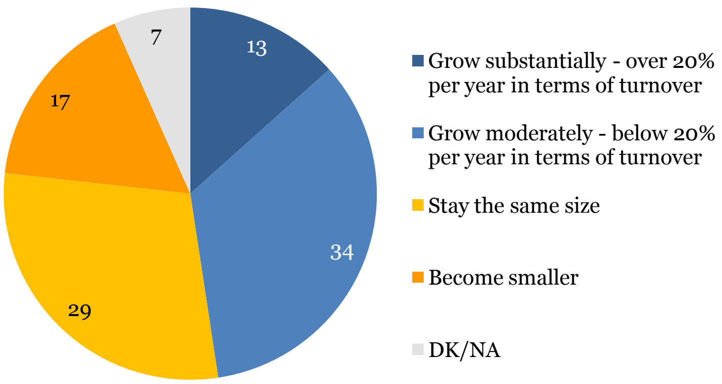
In this last chapter, we look at companies' expectations for the future. The first section of this chapter takes a look at managers' projections for their company's annual turnover in the coming years. The second section presents results for managers' confidence to talk about future financing with banks and equity investors, while the third and fourth sections take a closer look at companies' preferences and expectations for such future financing. In the last section, an analysis is conducted of non-listed companies' views about getting listed on the stock market.

4.1 Expected growth in terms of turnover

In chapter 1, we saw that one in two managers in the EU said that their company had grown in terms of annual turnover in the past three years. When asked about future prospects, a similar proportion of managers answered that they expected their company to grow in terms of annual turnover in the next two to three years: slightly more than a tenth (13%) expected a growth rate of over 20% and roughly a third (34%) expected their company to grow moderately – i.e. less than 20% per year.

Approximately 3 in 10 (29%) managers thought that their company's annual turnover would remain the same in the next two to three years and one-sixth expected turnover to decrease during that period.

Expected growth in turnover over the next 2-3 years



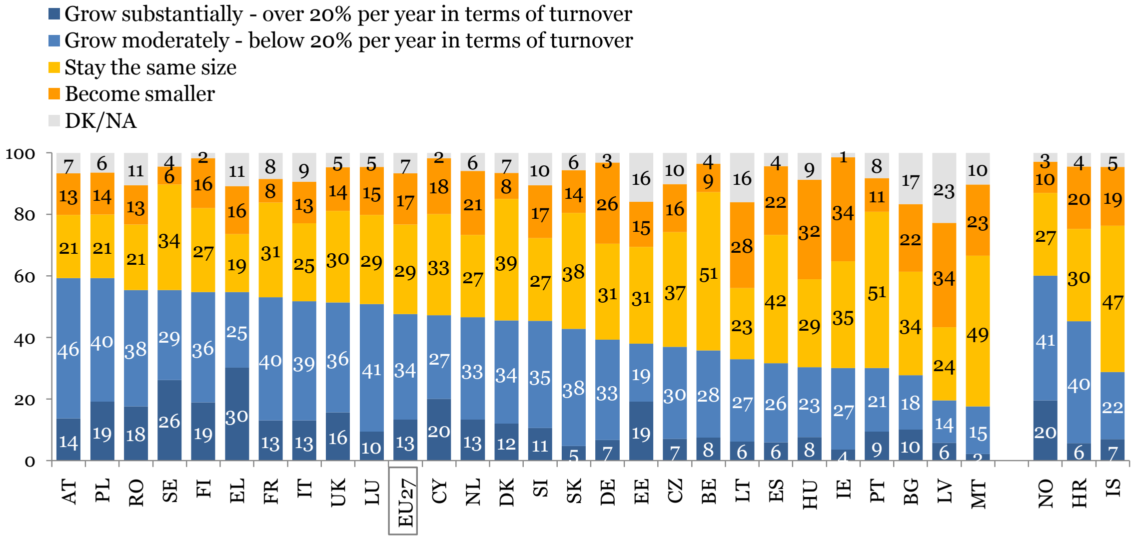
Q17. Considering the turnover over the next two to three years, how much does your company expect to grow?
Base: all companies, % EU27

Country variations

The proportion of managers who expected their annual turnover to increase in the next two to three years ranged from 17% in Malta and 20% in Latvia to approximately 60% in Poland, Austria and Norway (59%-61%). The proportion of managers who expected their company to grow substantially (i.e. more than 20% per year), however, was the highest in Greece (30%).

Malta and Latvia were found at the bottom of the country ranking, and although they did not differ much in the proportion of managers who expected an increase in turnover (see above), Latvian interviewees appeared to be more pessimistic than the Maltese. While 23% of managers in Malta expected their company's annual turnover to decrease, more than twice as many – 49% – thought there would be no change in the next two to three years. The corresponding proportions for Latvian companies were, respectively, 34% and 24%. The proportion of companies that expected a decrease in turnover was, nevertheless, just as high in Ireland (34%) and Hungary (32%).

Expected growth in turnover over the next 2-3 years

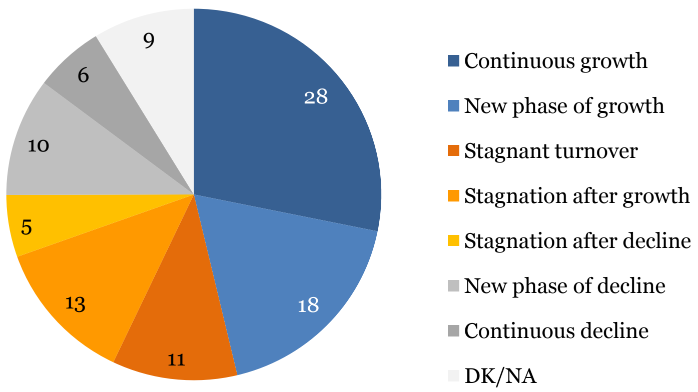


Q17. Considering the turnover over the next two to three years, how much does your company expect to grow?
Base: all companies, % by country

Past and expected growth

If we combine the answers to the question about the recent trend and the one about projections for the coming years, we find that 28% of companies reported a consistent growth, and 18% of managers forecast that their previously stagnant or decreasing turnover would increase in the next two to three years.

Past and expected growth in turnover



Q16. Over the last three years, how much did your firm grow on average year in terms of turnover?
Q17. Considering the turnover over the next two to three years, how much does your company expect to grow?
Base: all companies, % EU27

One-tenth of managers anticipated that their company's turnover would decrease in the next two to three years after a period of stagnant or increasing turnover. Slightly more than 1 in 20 (6%) expected that the decrease in turnover of the past three years would continue in the coming years.

Approximately one-tenth of companies forecast continued stability in turnover, while 13% of managers expected that their previously decreasing turnover would remain the same in the next two to three years. Finally, 5% of managers expected a stabilisation of their company's annual turnover after a period of decline.

Company characteristics

Managers of micro companies (with less than 10 employees) were twice as likely as managers of large companies (with at least 250 employees) to answer that they expected their company to grow substantially – i.e. more than 20% per year – in terms of annual turnover in the next two to three years (14% vs. 7%). Managers of large and medium-sized companies (with between 50 and 249 employees), however, were substantially more likely to forecast "moderate growth" in the coming years (52% and 44%, respectively, vs. 34% of managers of micro companies).

When focusing on the proportion of companies that expected stability or, alternatively, a decrease in turnover, it was noted that managers of small companies (with between 10 and 49 employees) were the most likely to think that their company's annual turnover would remain the same in the next two to three years (32% compared to 23% for medium-sized companies), while managers of medium-sized companies more frequently expected turnover to decrease during that period (21% compared to 14%-17% for other companies). A similar pattern of differences emerged when comparing subsidiaries or branches with autonomous companies, with the former being more likely to forecast "stability" (34% vs. 29%) and the latter being more likely to expect a decrease in turnover (17% vs. 10%).

Companies with an annual turnover above €50 million were the most likely to expect a growth rate of over 20% (20% vs. 4% of companies with a turnover between €10 million and €50 million and 14% of those with a turnover below €10 million). Companies with an annual turnover between €10 million and €50 million, on the other hand, were the most likely to expect moderate growth (50% vs. 32%-37% for other companies) – but they were also the most likely to anticipate that their company's turnover would decrease in the next two to three years (25% vs. 16%-17% for other companies). Finally, almost 3 in 10 companies with a turnover below €10 million expected that their annual turnover would remain the same in the next two to three years.

A slim majority (55%) of managers of innovative companies expected their company to grow in terms of annual turnover in the next two to three years, compared to 40% of managers of non-innovative companies. Managers of the latter were more likely to expect a decrease or, alternatively, no change in their company's turnover. A similar pattern emerged when comparing younger and older companies.

Although no differences were observed by sector of activity when looking at the proportion of companies that expected to grow substantially in the next two to three years, companies in the trade and services sectors were more likely to forecast "moderate" growth in that period (35% and 37%, respectively, vs. 24% in the construction sector and 31% in industry). Businesses in the industry and construction sectors appeared more pessimistic and were more likely to expect a decrease in turnover (22% and 20%, respectively, vs. 14% in the services sector and 17% in trade).

Finally, managers of companies receiving money from a venture capital firm were not only among the most likely to answer that they had achieved an annualised average growth in turnover of more than 20% in the past three years, they were also among the most likely to expect that their company's turnover would continue to grow in the next two to three years (68% vs. less than 50% for most other types of companies).

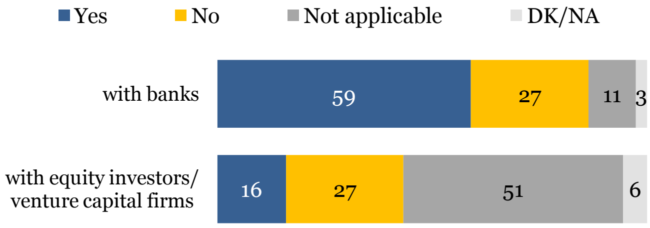
For more details, see annex tables 70b-c.

4.2 Confidence in being able to get future financing

Roughly 6 in 10 (59%) managers surveyed felt confident that they would be able to obtain the desired result after talking to banks about financing, while slightly more than a quarter (27%) admitted they would not feel confident in this situation. Finally, 11% of respondents answered that this question was not relevant to their company's situation.

Less than half of respondents answered the question about their level of confidence in talking to equity investors or venture capital firms and being able to obtain the desired result – most respondents considered that this question was not relevant to their situation (51%) or did not know how to respond (6%). Among those who did provide an answer, respondents who did not feel confident in such a situation outnumbered those who were sure of obtaining the desired result (27% vs. 16%).

Managers' confidence to talk about financing



Q19. Do you feel confident to talk about financing with banks and to obtain the desired result? And how about equity investors/venture capital firms?
Base: all companies, % EU27

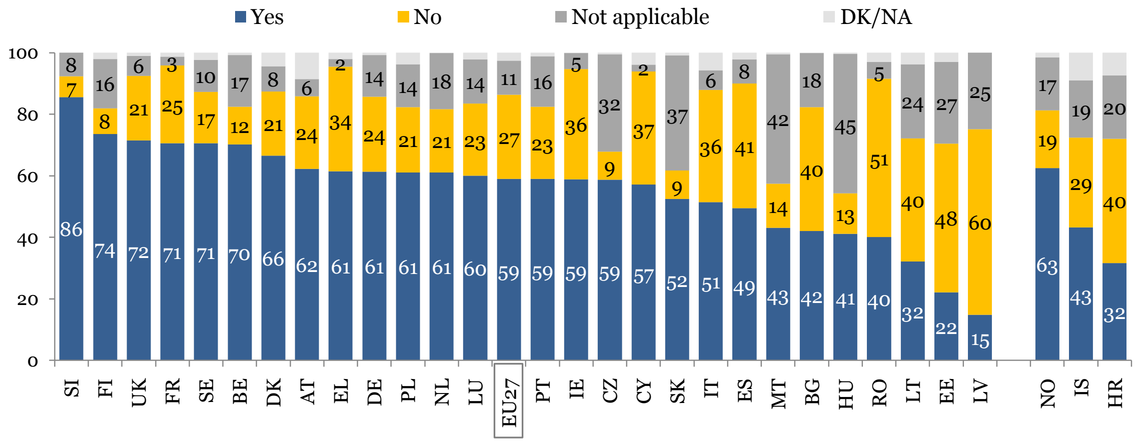
Country variations

Managers in the Czech Republic, Slovakia, Malta and Hungary most frequently said that the question about confidence to talk about financing with **banks** was not relevant to their company's situation (between 32% and 45%). In sharp contrast, in Greece, Cyprus and France, less than 5% of respondents selected this answer.

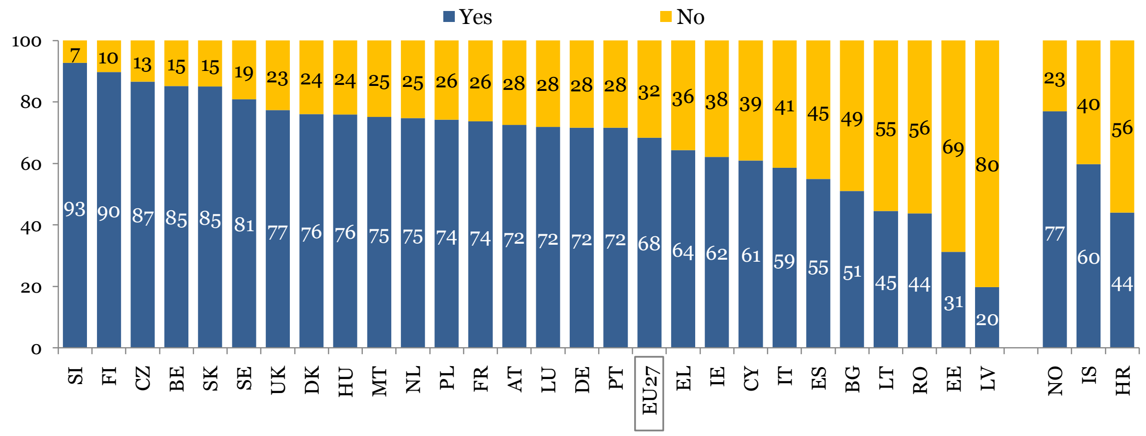
Focusing solely on respondents who formulated an opinion, it was noted that confidence to talk about future financing with banks was the highest in Slovenia (93%). In Belgium, Slovakia, the Czech Republic and Finland, between 85% and 90% of respondents felt confident that they would obtain the desired result when talking to banks about financing. Respondents in Latvia were the most likely to admit not feeling confident to talk about financing with banks (80%). Lithuania, Romania, Croatia and Estonia followed, with more than half of managers not feeling confident in this situation (between 56% and 69%).

Managers' confidence to talk about financing with **banks**

Base: All companies



Base: Companies that provided an answer



Q19. Do you feel confident to talk about financing with banks and to obtain the desired result? And how about equity investors/venture capital firms?
% by country

Similar to the results obtained for the EU overall, in a majority of countries in this study, less than half of respondents answered the question about their level of confidence to talk to **equity investors or venture capital firms**. The proportion of managers who considered that this question was not relevant to their situation ranged from 19% in Romania to 76% in Belgium, Slovakia and Malta.

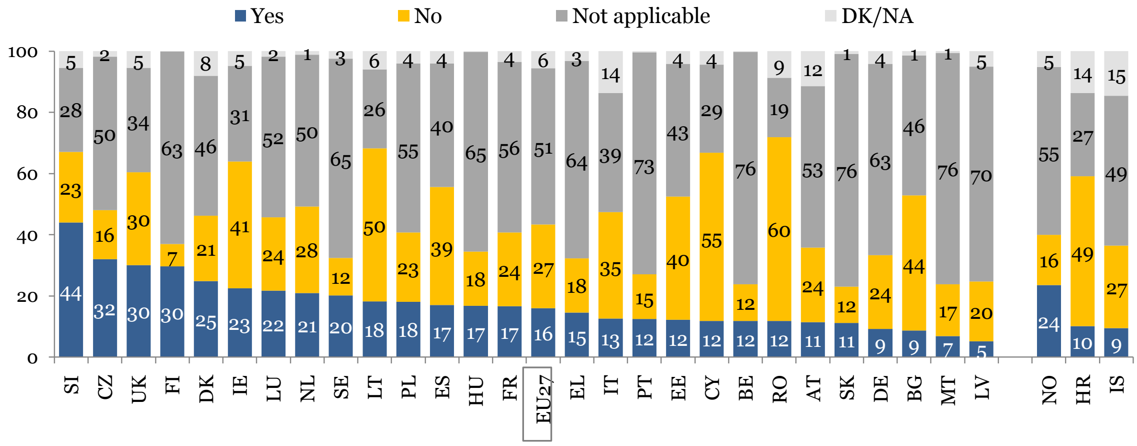
Focusing solely on the respondents who formulated an opinion, confidence to talk to equity investors or venture capital firms about future developments appeared to be highest in Finland[32]: there, 80% of interviewees felt confident to talk about financing. In Sweden, Slovenia and the Czech Republic, between 62% and 67% of managers expressed confidence.

Lack of confidence to talk to equity investors or venture capital firms, on the other hand, appeared to be highest in Romania, Bulgaria, Croatia and Cyprus. There, more than 8 in 10 respondents admitted that they did not feel they would be able to obtain the desired result (between 82% and 84%).

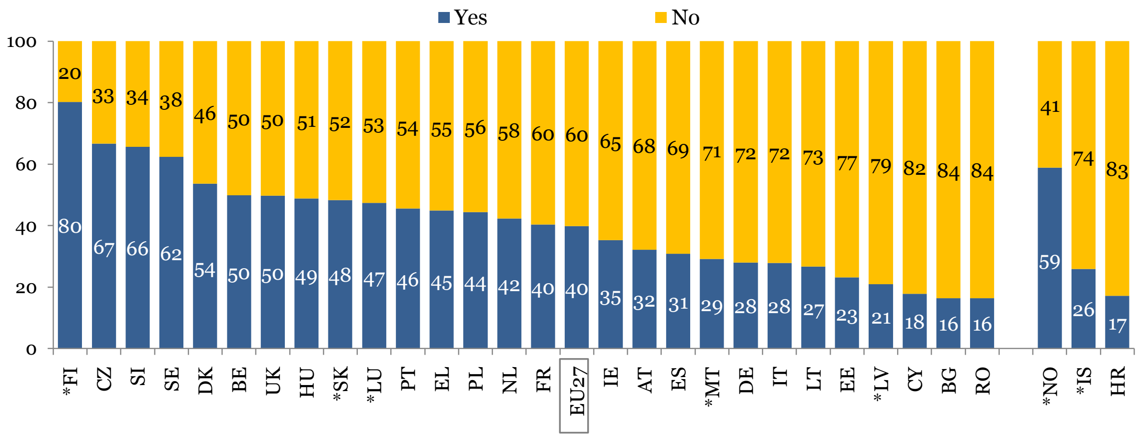
[32] Caution should be exercised when interpreting the result for Finland as only 46 of its interviewed companies formulated an opinion on this topic.

Managers' confidence to talk about financing with **equity investors / venture capital firms**

Base: All companies



Base: Companies that provided an answer



Q19. Do you feel confident to talk about financing with banks and to obtain the desired result? And how about equity investors/venture capital firms?
Note: * n < 50
% by country

Company characteristics

Similar to results obtained for the EU overall, across most types of companies, roughly 6 in 10 managers felt confident that they would be able to obtain the desired result after talking to **banks** about financing.

Confidence to talk about future financing with banks was highest among managers of companies:

- with at least 10 employees (from 65% for small companies to 78% for large companies)
- with a turnover between €2 million and €50 million (63%-64%),
- listed on the stock market (69%),
- that had combined internal and external financing in the past six months (65%),
- that reported growth in turnover in the past three years (64%-65%), or
- that had seen their financial situation improve in the past six months (72%).

Unsurprisingly, lack of confidence to talk about future financing with banks was the highest among managers of companies that had seen their financial situation deteriorate in the past six months (32% vs. 23% for "stagnant" companies) or that had experienced a decline in turnover in the past three years (36% vs. 26% for *high-growth* companies). What was perhaps unexpected was that an equally large proportion (35%) of managers of companies with an annual turnover of more than €50 million, and of companies active between five and nine years, did not feel confident that they would be able to obtain the desired result after talking to banks about financing.

Confidence to talk to **equity investors or venture capital firms** about future developments was highest among managers of companies with at least 250 employees or with an annual turnover of more than €50 million – i.e. companies that were the most likely to have issued equity to investors in the past six months or to have received money from a venture capital firm during that period (see annex table 28a).

For more details, see annex tables 71b-c and 72b-c.

4.3 External financing in the future

Managers who expected their company to grow in the coming years were presented with some questions about potential external financing that would be needed to realise these growth ambitions:

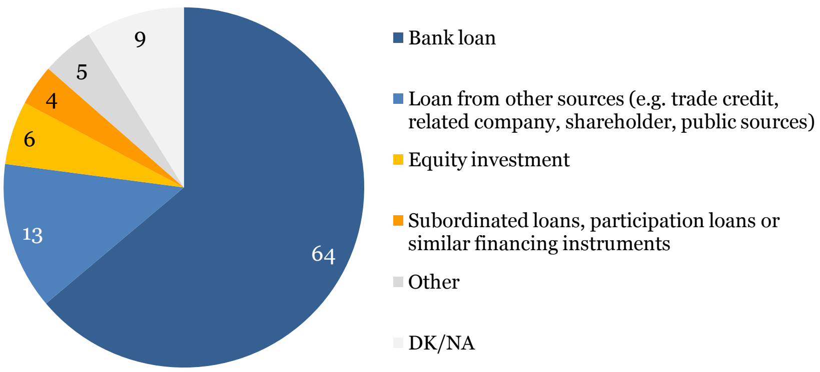
- What would be the preferred type of external financing?
- Which amount of financing would they aim to obtain?
- What were the most important limiting factors to get such financing?

4.3.1 Preferred type of financing for future development

Bank loans were not only the most frequently used type of external financing (see section 2.2.1), they were also – by far – the most preferred type of financing for future use: 64% of managers who expected their company to grow in the coming years answered that they would prefer to apply for a bank loan to realise this growth. Other types of loans – for example, trade credit, a loan from shareholders or public sources – were selected as the most preferred type of financing by 13% of managers.

Similar to the results for actual use of external financing, equity investments and subordinated loans or participation loans – i.e. "mezzanine" financing – were mentioned by the smallest proportions of managers with growth ambitions (6% and 4%, respectively).

Most preferred type of external financing to realise growth ambitions



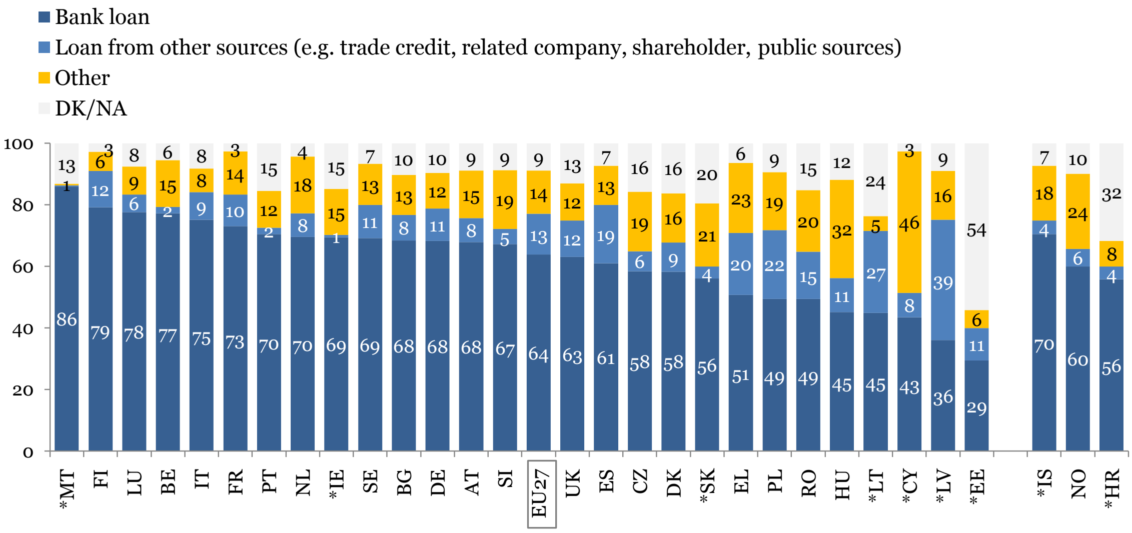
Q20. If you need external financing to realise your growth ambitions, what type of external financing would you prefer most?
Base: companies that expect to grow in the next two to three years, % EU27

Country variations

In Belgium, Luxembourg, Finland and Malta[33], more than three-quarters of managers who expected their company to grow in the coming years said they would prefer to apply for a bank loan to realise these ambitions (between 77% and 86%).

Bank loans were also the most popular type of financing in most other countries in the study – in only seven countries did less than half of respondents select this type of financing: Poland and Romania (both 49%), Hungary (45%) and Estonia, Latvia, Cyprus and Lithuania (between 29% and 45%). Some caution should, nevertheless, be exercised when interpreting the results of those last four countries as fewer than 50 managers answered this question.

The most preferred type of external financing to realise growth ambitions



Q20. If you need external financing to realise your growth ambitions, what type of external financing would you prefer most?
Note: * n < 50
Base: companies that expect to grow in the next two to three years, % by country

Company characteristics

Across most types of companies with growth ambitions, between 6 and 7 out of 10 managers would prefer to apply for a bank loan to realise this growth. Companies with at least 250 employees, those with an annual turnover of more than €50 million and subsidiaries or branches were less likely to select bank loans as the most preferred type of financing in the future (between 25% and 48%).

Managers of subsidiaries or branches were more likely to mention loans from related companies, shareholders or public sources (21% vs. 13% for autonomous companies), while companies with at least 250 employees were also more likely to mention equity investments or "mezzanine" financing (18% vs. 9%-10% for companies with fewer employees). Finally, more than 4 out of 10 (43%) managers of companies with a turnover of more than €50 million could not – or would not – say what type of financing they would prefer to apply for.

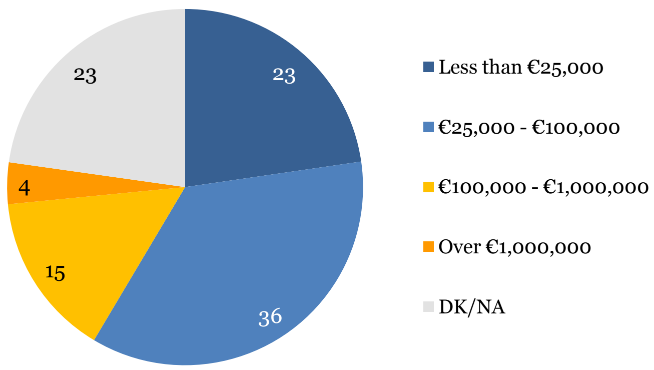
For more details, see annex table 73b-c.

[33] Caution should be exercised when interpreting the result for Malta as only 31 of its interviewed companies expected their company to grow in the coming years.

4.3.2 Amount of financing companies will aim to obtain in the future

Almost a quarter (23%) of managers in the EU could not – or would not – say (yet) what amount of financing they would try to obtain in order to realise their growth ambitions. A relative majority (36%) of managers would aim to obtain between €25,000 and €100,000 of financing – and this was also the size of loan that companies had most frequently obtained in the past two years (see section 2.3.2). Approximately a quarter (23%) of managers would aim to obtain financing for less than €25,000, while a slightly lower proportion – 19% – would aim for financing of more than €100,000.

Amount of financing aiming to obtain



Q21. And what amount of financing would you aim to obtain?
Base: companies that expect to grow in the next two to three years, % EU27

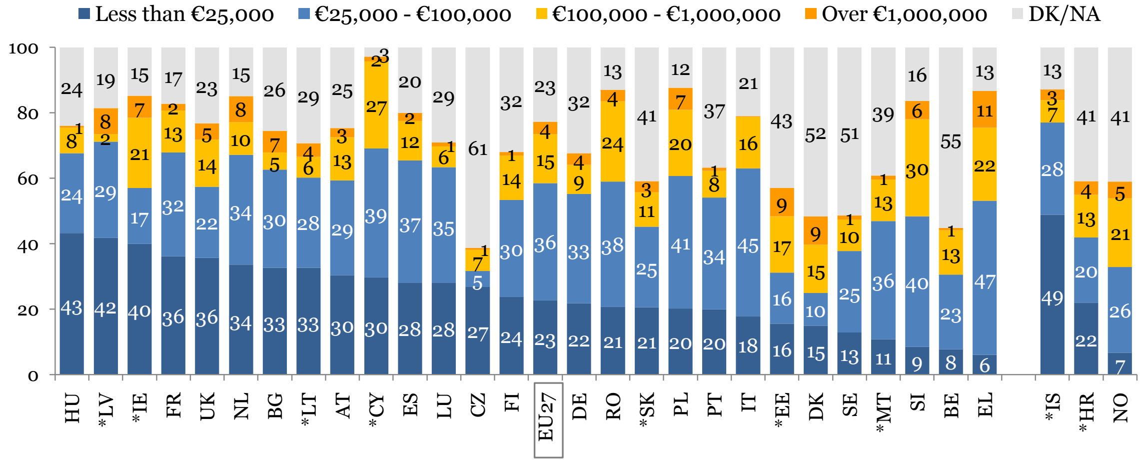
Country variations

Similar to the results obtained for the EU overall, a considerable proportion of managers could not – or would not – say (yet) what amount of financing they would aim to obtain in order to realise their growth ambitions. Respondents in Sweden, Denmark, Belgium and the Czech Republic were the most likely to give a "don't know" response (between 51% and 61%).

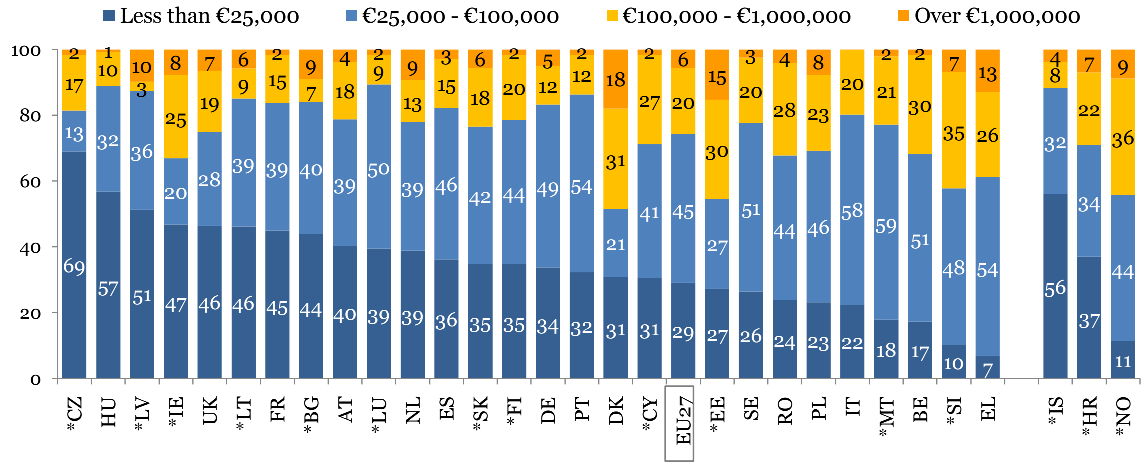
Focusing solely on the respondents who were able – or willing – to answer this question, it was noted that at least half of managers in Latvia, Iceland, Hungary and the Czech Republic answered that they would try to obtain financing of less than €25,000 (between 51% and 69%). In Slovenia, Estonia, Norway and Denmark, on the other hand, more than 4 in 10 managers would try to raise financing of more than €100,000 (between 42% and 49%). Some caution should, nevertheless, be exercised when interpreting these findings as the number of managers who answered this question was less than 50 in most of the above-mentioned countries.

Amount of financing aiming to obtain

Base: Companies that expect to grow in the next two to three years



Base: Companies that expect to grow and that were able/willing to answer this question



Q21. And what amount of financing would you aim to obtain?
Note: * n < 50
% by country

Preferred type of financing and size of the loan

Roughly a quarter of managers who would prefer to get a loan from a bank or another source to realise their growth ambitions reported that they would aim to obtain financing of less than €25,000 (25%-26%). For an investment of that size, this proportion decreased to less than a fifth among managers who would prefer equity investments or "mezzanine" financing (18%-19%). The latter type of managers were, nevertheless, more likely to say that they would try to raise financing of between €100,000 and €1,000,000.

Amount of financing aiming to obtain

	Less than €25,000	€25,000 - €100,000	€100,000 - €1,000,000	Over €1,000,000	*DK/NA*
EU27	23	36	15	4	23
PREFERRED TYPE OF FINANCING					
Bank loan	25	37	14	3	21
Loan from other sources	26	39	19	6	11
Equity investment	18	43	25	3	11
Subordinated loans etc.	19	39	25	9	7
Other	17	29	10	11	33

Q21. And what amount of financing would you aim to obtain?
Q20. If you need external financing to realise your growth ambitions, what type of external financing would you prefer most?
Base: companies that expect to grow in the next two to three years, Row % EU27

Company characteristics

Managers of companies with at least 250 employees were the most likely to answer that they would aim to get a loan of more than €1,000,000 in order to realise their growth ambitions (53%) – they were followed by managers of medium-sized companies and those of companies with an annual turnover above €10 million (between 22% and 29%). Across almost all other types of companies, not more than 5% of managers answered that they would try to obtain a loan of this size.

Micro-financing – i.e. financing for less than €25,000 – in order to realise growth was most popular among businesses in the services sector, those established less than five years ago, companies with one female owner, companies that had experienced a decrease in turnover in the past three years and those that had not used any source of financing in the past six months.

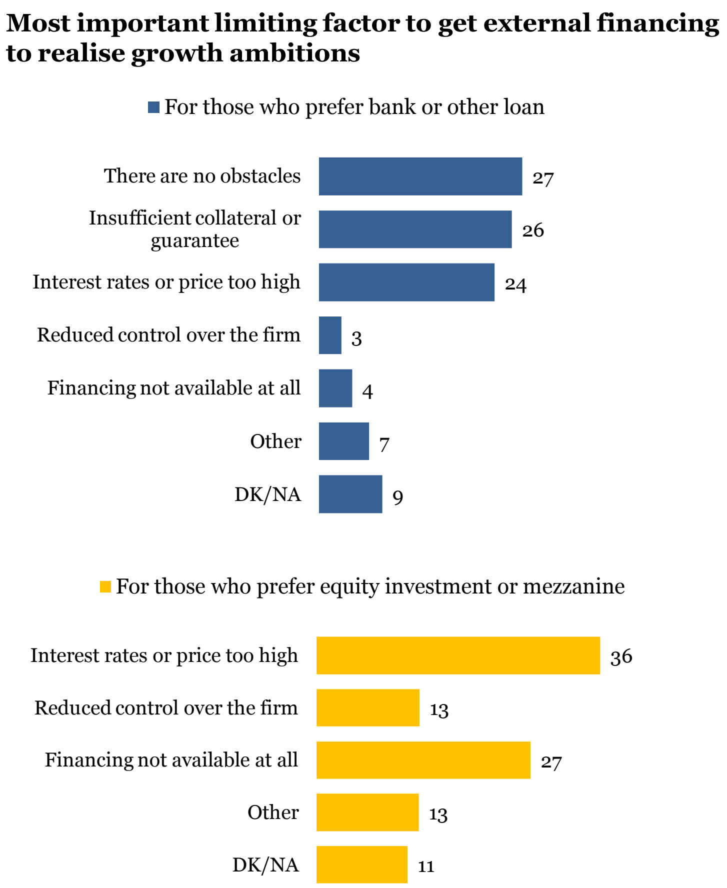
For example, while 21% of companies active for at least five years would aim to obtain financing of less than €25,000 to realise their growth ambitions, 30% of companies active for less than two years would try to obtain this amount of financing. Note: although it was these most recently-established companies that had most frequently received a loan of between €100,000 and €1,000,000 in the past two years (see section 2.3.2), their expectations for future financing were a lot lower.

For more details, see annex table 74b-c.

4.3.3 Obstacles to get external financing

Managers who would prefer a loan from a bank or another source to realise their growth ambitions were asked if there would be any limiting factors that might stop them receiving such financing. Slightly more than a quarter (27%) of these managers said there would be no obstacles. A similar proportion (26%), however, thought that insufficient collateral (or guarantee) would be the main limiting factor to stop them receiving the required financing, while 24% mentioned interest rates and a price that would be seen as being “too high”. A minority (3%) of managers with growth ambitions saw reduced control over their firm as the main obstacle in getting the required external financing, while 7% mentioned “other obstacles”. Finally, 4% mentioned the fact that financing would not be available as the most limiting factor.

Managers who would prefer equity investment or “mezzanine” financing to realise their growth ambitions were also asked if there would be any limiting factors in getting such financing. While a small minority of managers (4%) who preferred a loan thought that financing would not be available, this proportion was considerably higher for managers who preferred equity investments or “mezzanine” financing (27%). Furthermore, none of the latter managers (spontaneously) said there would be no obstacles in getting such financing. Slightly more than a third (36%) saw interest rates and a price that would be seen as “too high” as the main limiting factors and 13% feared that they would lose control over their firm.



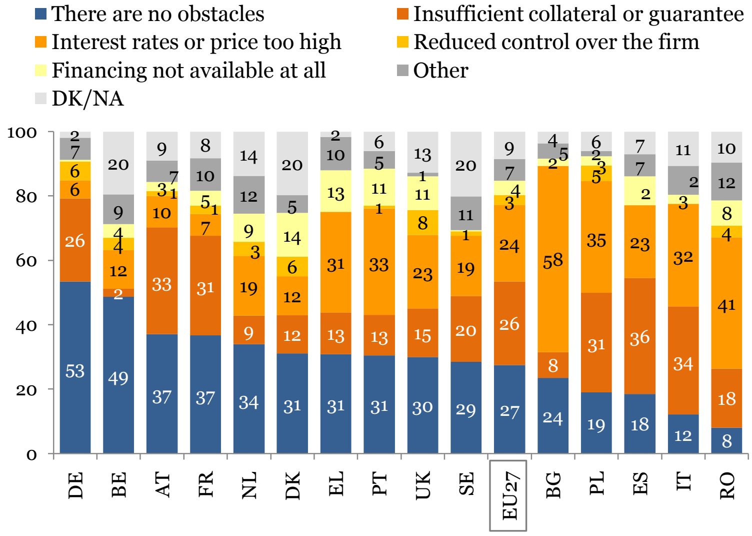
Q22. What do you see as the most important limiting factor to get this financing?
Base: companies that expect to grow in the next two to three years, % EU27

Country variations

The questions about limiting factors that might stop managers receiving the required external financing were only presented to respondents who said that their company would grow in the coming years. In addition, respondents who would prefer a loan to realise their growth ambitions were presented with a different question than those who would prefer equity investments or "mezzanine" financing – as such, the sample size per country was relatively small and caution should be exercised when interpreting the results at the individual country level. The following chart shows the limiting factors identified by respondents who said they would prefer a loan to realise their growth ambitions in countries with a sample size larger than 50 (for more details, see annex tables 75a and 76a).

A slim majority (53%) of respondents in Germany said that there would be no obstacles in getting the loan needed to realise their growth ambitions. This proportion, however, fell to 8% in Romania – there, 41% of respondents identified interest rates and a price that would be seen as "too high" as the most important limiting factors to obtaining a future loan. Managers in Bulgaria shared Romanians' concern about interest rates, with 58% selecting this obstacle. Respondents in Poland, France, Austria, Italy and Spain, on the other hand, worried more about having insufficient collateral (or guarantee) to get a loan (between 31% and 36%).

Most important limiting factor to get a loan



Q22. What do you see as the most important limiting factor to get this financing?
Only countries with n > 50 are shown
Base: companies that expect to grow in the next two to three years, % by country

Company characteristics

The proportion of managers with growth ambitions who said that there would be no obstacles in getting the loan needed to realise these ambitions was lower among managers of companies:

- with less than 10 employees (27% vs. 40% for medium-sized companies),
- with a turnover below €2 million or, alternatively, between €10 and €50 million (26% and 17%, respectively, vs. 51% for companies with a turnover above €50 million),
- that are subsidiaries or branches (24% vs. 28% of autonomous companies),
- in the services sector (24% vs. 27%-33% in other sectors of activity),
- active for between two and nine years (21% vs. 31% for companies active for at least 10 years),
- receiving money from a venture capital firm or business angel[34] (10% vs. 28% of family-owned companies or companies owned by several entrepreneurs),
- that had introduced at least one type of innovation in the past 12 months (26% vs. 30% for non-innovative companies),
- that had used external financing in the past six months (24% vs. 35% for companies that had only used internal funds or that had not used any source of financing),
- that had reported a decline in turnover in the past three years (22% vs. 28%-30% for growing and "stagnant" businesses), or
- that had seen their financial situation deteriorate in the past six months (25% vs. 37% for those that had seen their financial situation improve).

This is in line with the finding, in section 2.2.2, that managers of many of the above-mentioned types of companies who had applied for a bank loan in the past two years were less likely to have received all the financing they requested, and were more likely to have had their application rejected.

For more details, see annex tables 75b-c and 76b-c.

[34] Only 31 companies receiving money from a venture capital firm or business angel expected to grow in the coming years.

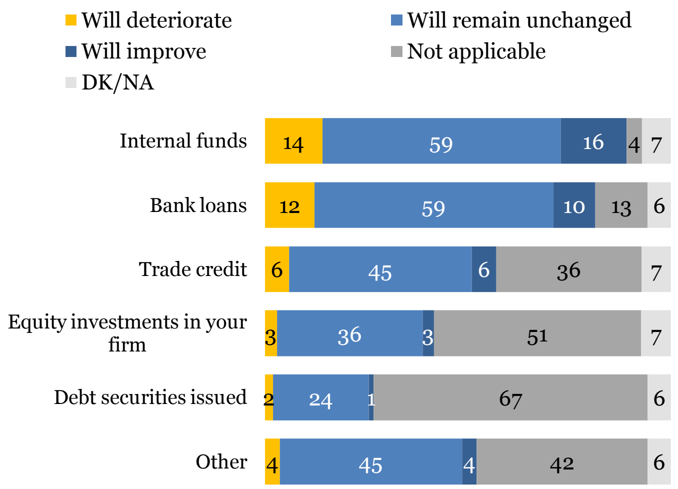
4.4 Expected availability of internal funds and external financing

When asked about their company's prospects for acquisition of internal funds (for example, by selling assets), about 6 in 10 (59%) managers expected that nothing would change in the next six months. One in seven (14%) interviewees thought that their company's situation in terms of internal funds would deteriorate in the next six months, while 16% answered the opposite – i.e. they expected their company's situation to improve during that period.

About 6 in 10 (59%) managers surveyed also did not expect any changes in the availability of bank loans in the coming months – however, the proportion who thought that it would become more difficult to get a bank loan in the next six months was somewhat larger than the proportion who answered that access to this source of finance would improve (12% vs. 10%).

Similar to the results for changes in companies' need for external financing, a large proportion of managers said that the question about trade credit, equity investments, debt securities or "other" sources of financing was not relevant to their company's situation (between 36% and 67%). Among respondents who did provide an answer, those who thought that nothing would change in the availability of these instruments largely outnumbered those who expected that access would improve or, alternatively, deteriorate in the next six months.

Expected availability of external financing



Q23. For each of the following types of financing available to your firm, could you please indicate whether you think they will improve, deteriorate, or remain unchanged over the next 6 months?
Base (left): all companies, % EU27

Country variations

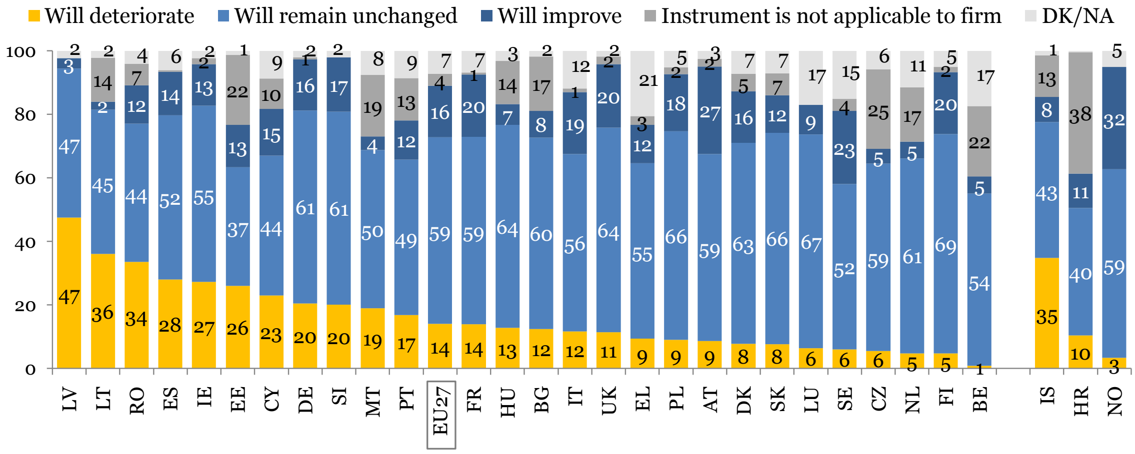
In this section, we focus solely on the responses of managers who provided an answer – i.e. who considered the question to be relevant to their company's situation. Results in terms of differences across countries in the proportion of respondents who said that a question was not relevant to them were discussed in earlier sections – see, for example, section 3.1.1.

More than 4 in 10 managers in Latvia (49%), Lithuania (43%) and Iceland (41%) thought that their company's situation in terms of **internal funds** would deteriorate in the next six months. In the countries at the lower end of the distribution, however, less than 10% of managers shared this pessimistic view about the future.

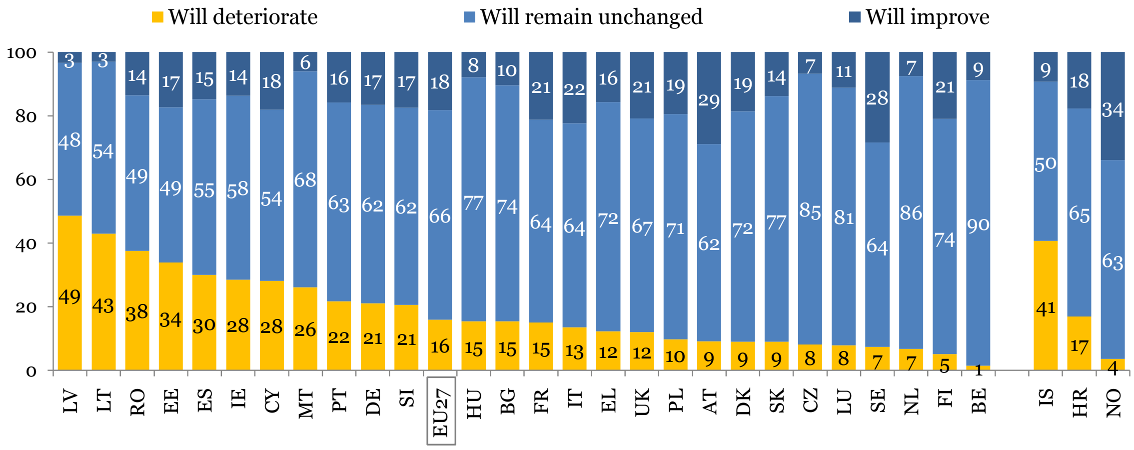
Managers in Sweden, Austria and Norway most frequently answered that it would become easier for their company to acquire internal funds in the next six months (28%, 29% and 34%, respectively), while managers in Luxembourg, the Czech Republic, the Netherland and Belgium were the most likely to anticipate no change in their company's situation (between 81% and 91%).

Expected availability of internal funds (for example, from retained earnings and sale of assets)

Base: All companies



Base: Companies that provided an answer



Q23. For each of the following types of financing available to your firm, could you please indicate whether you think they will improve, deteriorate, or remain unchanged over the next 6 months?
% by country

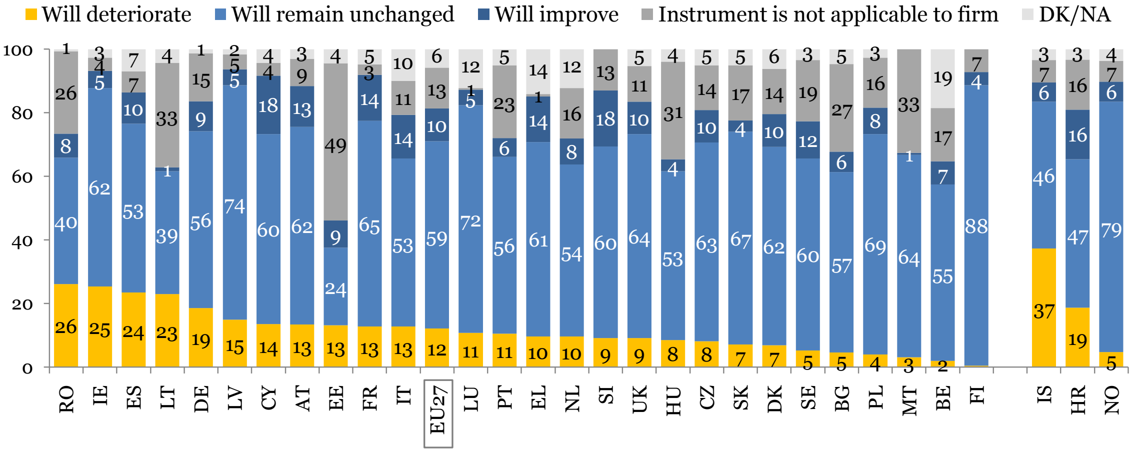
Managers in Iceland[35] were also more pessimistic about the availability of **bank loans** in the next six months (42% thought that it would decrease). In this case, however, they were joined by managers in Lithuania and Romania – more than a third (36%-37%) thought that it would become more difficult to get a bank loan in the next six months.

Nonetheless, the dominant opinion in each country was that the willingness of banks to provide financing would remain the same in the next six months – ranging from a slim majority in Iceland (51%), Estonia (53%) and Romania (54%) to more than 90% in Malta and Finland (94%-95%). Furthermore, in all countries surveyed, not more than a fifth of managers expected that access to bank loans would improve in the next six months – ranging from 1% in Malta to 20% in Cyprus and Slovenia.

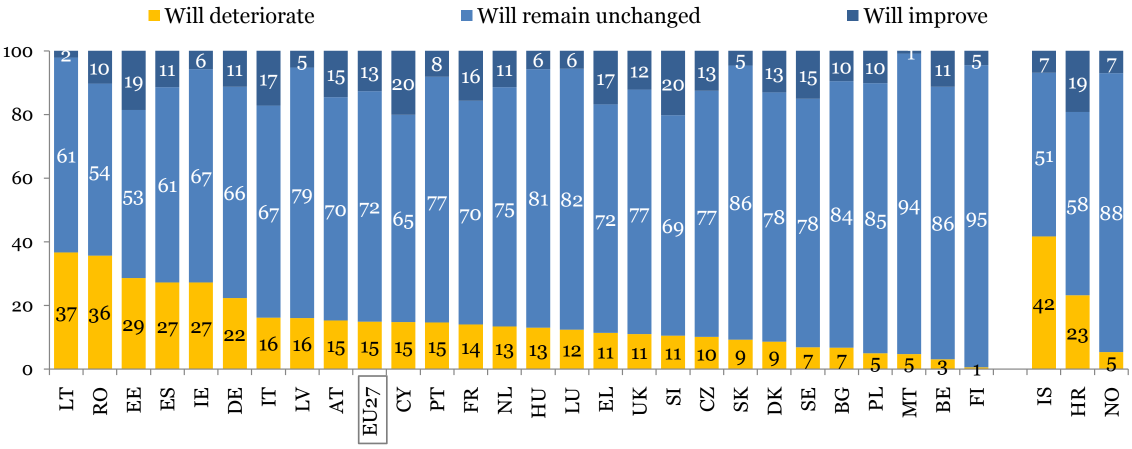
[35] In this section, we focus solely on the responses of managers who considered the question relevant to their company's situation.

Expected availability of bank loans

Base: All companies



Base: Companies that provided an answer



Q23. For each of the following types of financing available to your firm, could you please indicate whether you think they will improve, deteriorate, or remain unchanged over the next 6 months?

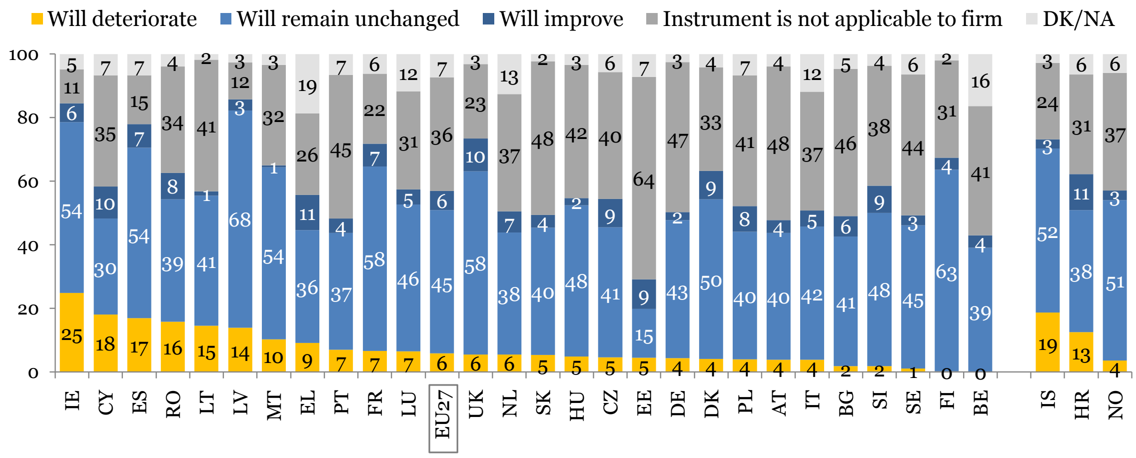
% by country

Looking at expected changes in the availability of **trade credit**, similarities could again be seen: for example, among the respondents who provided an answer, managers in Iceland, Romania and Lithuania were again among the most likely to think that it would become more difficult to get trade credit from other businesses in the next six months (between 25% and 26%) and managers in Belgium and those in the Nordic countries – Finland, Sweden and Norway – were the least likely to report such a decrease (between 0.2% and 6%).

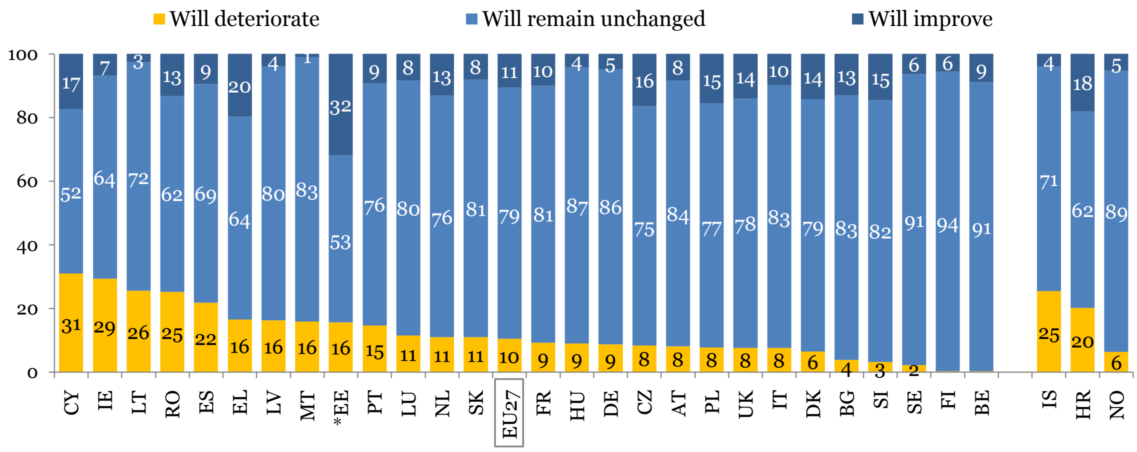
Furthermore, in each country, the proportion expecting "stability" in terms of access to trade credit was higher than 50%. Managers in Sweden, Belgium and Finland were the most likely to think that the willingness of business partners to provide trade credit would remain the same in the next six months (between 91% and 94%).

Expected availabitiy of trade credit

Base: All companies



Base: Companies that provided an answer



Q23. For each of the following types of financing available to your firm, could you please indicate whether you think they will improve, deteriorate, or remain unchanged over the next 6 months?

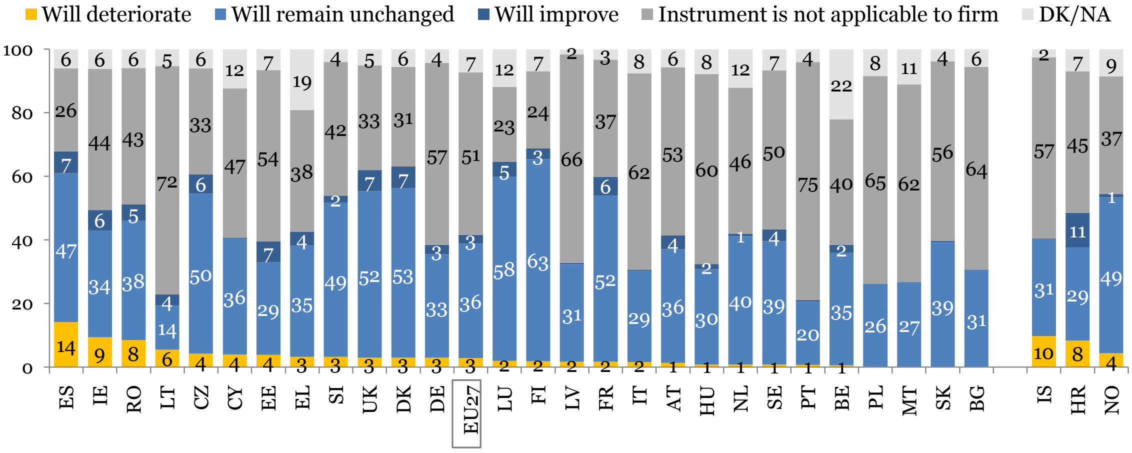
Note: * n<50

% by country

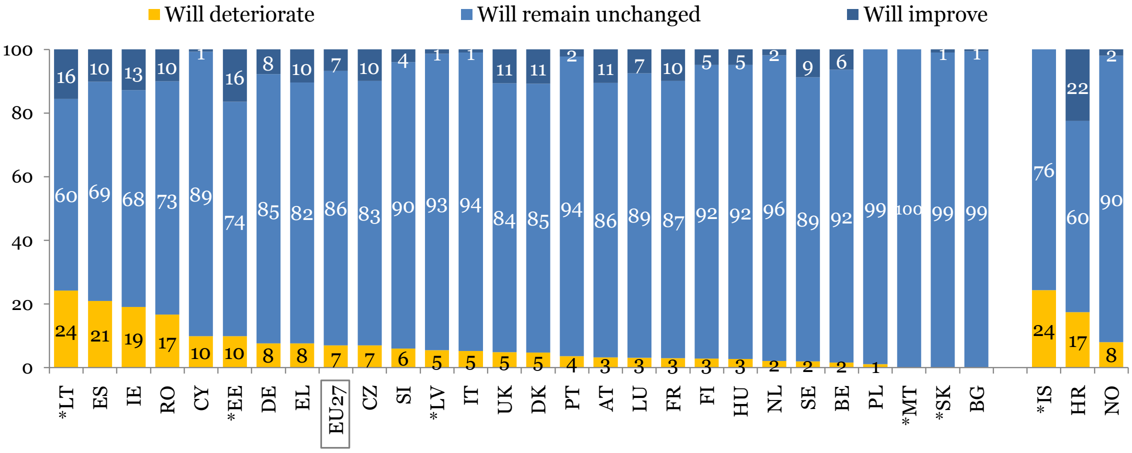
In a majority of the countries in this study, the proportion of managers who answered the questions about **equity investments** and **debt securities** was lower than 50%. The following charts present the results for the question about equity investments – results for debt securities are not shown (for more details, see annex table 81a). Although caution should be exercised when interpreting individual country results for these questions, a similar picture emerged with expectations of "stability" making up the dominant opinion. In other words, companies did not only see no change in their need for issuing equity or debt securities in the past six months (see section 3.2.1), but they also thought that there would be no change in their access to these instruments in the next six months.

Expected availability of equity investments

Base: All companies



Base: Companies that provided an answer



Q23. For each of the following types of financing available to your firm, could you please indicate whether you think they will improve, deteriorate, or remain unchanged over the next 6 months?

Note: * n<50

% by country

Finally, when asked about the availability of **"other" sources of finance**, such as a loan from a related company, from family or friends, and factoring or leasing, managers – once again – expected no change in availability in the coming months: this proportion ranged from 6 in 10 managers in Estonia[36] to virtually all managers in Finland and Malta[37].

In accordance with the results for the expected availability of bank loans, trade credit, equity investments and debt securities (see above), managers in Iceland[38], Lithuania and Romania were somewhat more likely to answer that the availability of "other" financial instruments would decrease in the coming months (between 16% and 20%).

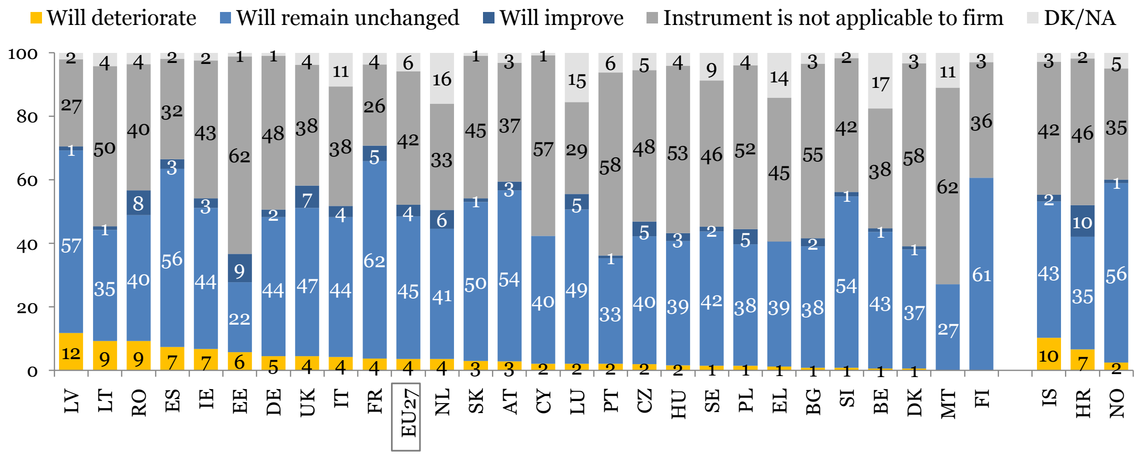
[36] Only 46 companies interviewed in Estonia provided an answer.

[37] Only 35 companies interviewed in Malta provided an answer.

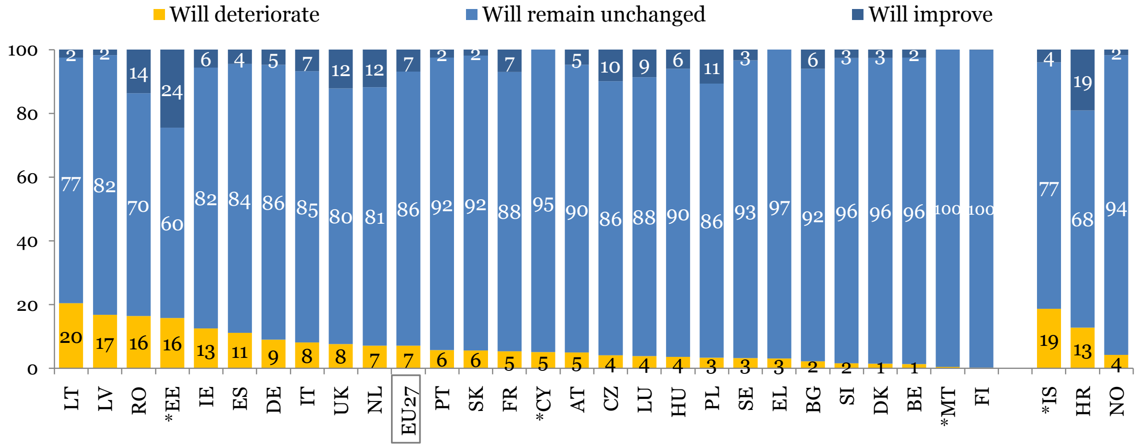
[38] Only 48 companies interviewed in Iceland provided an answer.

Expected availability of other source of financing
(for example, a loan from a related company or shareholders, loan from family and friends, leasing and factoring)

Base: All companies



Base: Companies that provided an answer



Q23. For each of the following types of financing available to your firm, could you please indicate whether you think they will improve, deteriorate, or remain unchanged over the next 6 months?
Note: * n<50
% by country

Company characteristics

Internal funds

One in seven (14%) companies with an annual turnover below €50 million expected that it would become more difficult to acquire internal funds in the next six months. In sharp contrast, 7% of companies with a turnover above €50 million shared this pessimistic view about the future, while 28% thought that their situation would in fact improve in the coming months.

Looking at a company's age, it could be noted that longer-established companies worried more about their prospects for acquiring internal funds: while 15% of companies active for at least five years expected that their situation in terms of internal funds would deteriorate in the next six months, only 8% of start-up companies (active for less than two years) shared this view.

Compared to those in the services sector, companies in the industry and construction sectors were also more likely to expect the availability of internal funds to deteriorate (12% vs. 17%-18%). The corresponding proportion for companies in the trade sector was 14%.

Not surprisingly, companies reporting a deterioration of their financial situation in the past six months were the most likely to expect that this trend would continue in the next six months – 20% expected a deterioration in the availability of internal funds. The results for companies that had experienced an improvement in their financial situation were almost a mirror image, with 27% forecasting an improvement in access to internal funds.

Bank loans

Smaller companies in terms of turnover were more frequently worried about the availability of bank loans in the next six months. While 12%-13% of companies with an annual turnover below €10 million and 17% of those with a turnover between €10 million and €50 million expected that the willingness of banks to provide a loan would decrease in the next six months, just 7% of companies with a turnover above €50 million shared this concern.

It was noted again that companies reporting a deterioration of their financial situation in the past six months were more concerned about the availability of financing: 15% expected that it would become more difficult to obtain a bank loan in the next six months, compared to 8% of companies that had experienced an improvement in their financial situation.

Finally, companies that had not used any external financing in the past six months were considerably more likely to answer that the question about bank loans' availability in the next six months was not relevant to them. However, after controlling for differences in "non applicable" responses, it appeared that companies that had used external financing in the past six months were somewhat more optimistic about the future willingness of banks to provide loans.

Trade credit, equity investments, debt securities and "other" sources of finance

The proportion of interviewees who did not answer the question about trade credit or about "other" sources of finance was higher than 30% across almost all types of companies, and this proportion increased to more than 50% for questions about equity investments and issuances of debt securities. As such, perceptions about changes in the availability of these instruments were difficult to compare. Nevertheless, after controlling for the proportions of "non applicable" responses, it appeared that there were mostly minor differences across companies in the proportions expecting an improvement or, alternatively, a deterioration in the availability of external financing in the coming six months.

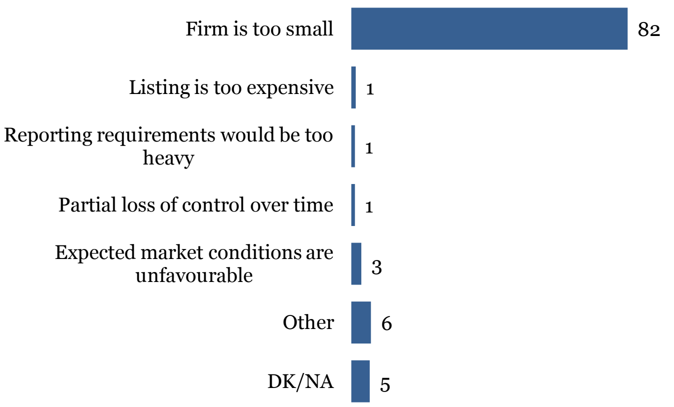
For more details, see annex table 77b-c through 82b-c.

4.5 Planning a future listing on the stock market

Very few (1%) non-listed companies in the EU were aiming to get listed on the main list or an alternative, growth-oriented list of the stock exchange in the next two years. The proportion of companies with such plans was low across all countries in this study, and ranged from virtually none in approximately half of the countries in this study to 6% in Lithuania (for more details, see annex table 83a).

An overwhelming majority (82%) of managers said that their firm was too small to consider being listed on the stock market. For 3% of companies, unfavourable market conditions were seen as the main obstacle to getting listed. Other reasons, such as a listing being too expensive or a partial loss of control as a consequence of being listed on the stock market, were each mentioned by 1% of respondents.

Main obstacle to being listed on a stock market

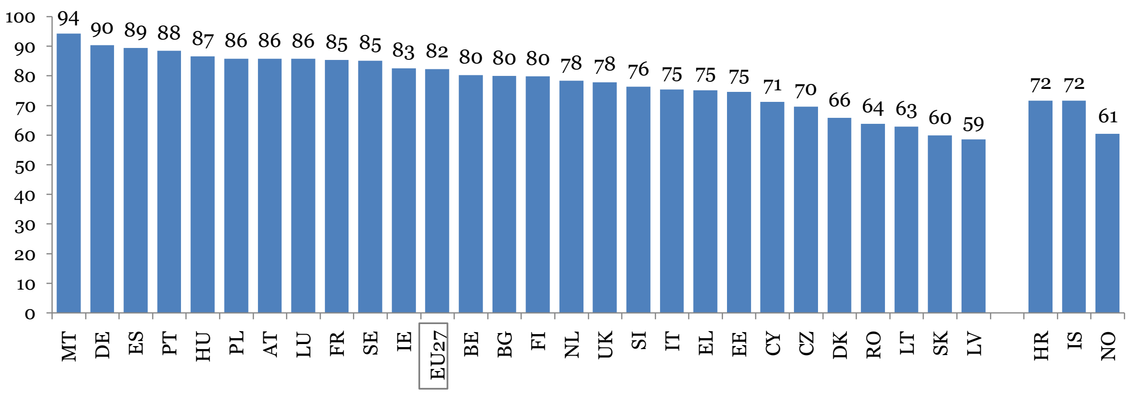


Q25. What do you see as the main obstacle for your company being listed on a stock market?
Base: non-listed companies, % EU27

Country variations

Across all countries in this study, a majority of managers mentioned the size of their company as the main obstacle to getting a listing on the stock market – the proportion selecting this answer ranged from 59% in Latvia to 94% in Malta.

Main obstacle to being listed on a stock market: **Company is too small**



Q25. What do you see as the main obstacle for your company being listed on a stock market?
Base: non-listed companies, % by country

In countries where company size was more rarely mentioned as the main obstacle to being listed on the stock market, respondents more frequently referred to unfavourable market conditions (10% in Latvia and 13% in Romania) or other reasons than the ones listed in the survey – e.g. procedures to obtain a listing in the stock market were too complex (13% in Lithuania, 16% in Denmark and Latvia, 21% in Slovakia and 17% in Norway – for more details, see annex table 84a).

Company characteristics

Companies with at least 250 employees were more likely to aim to get a listing on the main list or an alternative, growth-oriented list of the stock exchange in the next two years (5% vs. an EU average of 1%).

Unsurprisingly, large companies were less likely to mention the size of their company as the main obstacle to getting listed on the stock market. For example, while 18% of managers of companies with at least 250 employees said that their company was too small to get a listing on the stock market, almost as many answered that the main obstacle for them was a partial loss of control over their company (15%) or unfavourable market conditions (16%).

For more details, see annex table 83b-c and 84b-c.