Survey on the access to finance of enterprises (SAFE)

Analytical Report 2014

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Table of contents

Summary

Introduction

Having access to finance is an important determinant for enterprises' development. SMEs face difference challenges when accessing finance than large scale enterprises (LSEs), for instance because LSEs have direct access to capital markets whereas SMEs often do not. The specific financing needs of SMEs warrant specific policy actions. In view of this, in 2008, the ECB and DG Enterprises and Industry of the European Commission established the Survey on the Access to Finance of Enterprises (SAFE). These surveys, conducted across the EU Member States and some additional countries have been held in June-July 2009, in August-October 2011, in August-October 2013, and in September 2014. The latter survey round covers the EU-28 Member States, Iceland and Montenegro. The current report discusses the results of the September 2014 survey round and presents significant developments over time.

The problems European SMEs face

In 2014, but also in 2013, finding customers was the most pressing problem amongst SMEs in EU-28. From the items in the questionnaire, SMEs on average rated access to finance as the fifth most pressing problem they faced; still 14% of the SMEs mention access to finance as the most pressing problem. SMEs experience this problem the most pressing in Cyprus, Greece and Slovenia; and the least pressing in Sweden, the Czech Republic and Denmark.

Comparing across different types of enterprises, SMEs in construction considered the problem of access to finance the most pressing. Micro enterprises consider the problem of access to finance the most pressing, whereas large enterprises find it least pressing. More innovative enterprises experience more access to finance problems than less innovative enterprises.

Recent needs for external financing

The prime business factors that determine the needs of EU-28 SMEs' for external financing are fixed investments and inventory and working capital.

SMEs prefer to use debt instruments such as bank overdraft and credit lines, bank loans and trade credit most often. Both equity and especially debt securities are needed by substantially fewer SMEs. This translates to two out of five SMEs, that consider the specific type of finance relevant to their enterprise, actually applying for bank loans, trade credit and overdraft and credit lines. Acceptation rates for such applications were highest for trade credit. The larger the enterprises, the higher the proportions of enterprises applying for these types of financing. The proportion of actual acceptations also increases with size class. Acceptation rates are highest in industry and lowest in construction. Innovative SMEs apply more often for such types of financing than non-innovative SMEs do, however the rejection rate is also higher among innovative enterprises.

Various factors affect the external financing available to SMEs in the European Union. SMEs believe that their own credit history, their own capital and their firm-specific outlook have changed in such a way as to improve their access to external finance. SMEs consider the general economic outlook and its impact on their access to finance negative. Hence, SMEs are more positive about their own business performance and its impact on the availability of external financing than about outside factors influencing this business performance.

Characteristics of recently obtained finance

For acquiring funds, debt financing is the most frequently used method by European SMEs between April and September 2014. Internal funds are used by 14% of the SMEs, whereas equity financing is used by only a very small number. SMEs in the industry sector tend to be more involved in financing activities than SMEs active in construction, trade and services. Also, there is a positive correlation between enterprise size and financing: larger enterprises more often apply for external finance than smaller ones. The same holds for innovative enterprises in comparison with non-innovative enterprises.

Future needs for external finance

Expected growth

In 2014, more than half of SMEs in EU-28 expected their company's turnover to grow over the next two or three years. Almost one third of the SMEs expected their company to remain the same size, while one out of ten SMEs was expecting turnover to decrease. Over the last few years SMEs in EU-28 became more positive about expected growth.

There were large differences between European countries. In 2014, SMEs were the most optimistic about their prospect in Lithuania and were the most pessimistic in Spain and Greece.

In 2014, the prospects regarding growth in turnover varied slightly between sectors. SMEs in industry were most optimistic and SMEs in construction were least optimistic.

In 2014, the proportion of enterprises expecting to grow over the next two or three years increased with enterprise size. However, the proportion of enterprises that expected to grow *substantially* decreased with enterprise size.

In 2014, innovative SMEs were more optimistic about their future growth than non-innovative enterprises.

Type of future funding

Among SMEs in EU-28 that expected to grow in the next two or three years, bank loans were the most preferred type of external financing in 2014. The second most preferred type of funding were other sources such as trade credit or loans from related companies, shareholders or public sources. Equity investment was the least preferred type of funding among SMEs with the ambition to grow.

In 2014, in all countries except in Hungary, half or more than half of the SMEs preferred bank loans, making bank loans the most preferred type of external financing in all countries. In most European countries, equity investments was not a very popular source of external financing among SMEs.

In 2014, preferences did not differ significantly across sectors, size classes and levels of innovativeness.

Amount of future funding

In 2014, most SMEs expecting growth would like to acquire financing between 25,000 Euro and 99,999 Euro (25%). Around 13% of SMEs would aim at obtaining less than 25,000 Euro, 19% would like to obtain 100,000 Euro to 249,999 Euro, 18% would aim at obtaining 250,000 Euro to 1 million Euro and 14% would aim at obtaining more than 1 million Euro to finance their growth ambitions.

There were large differences between countries regarding the amount of finance needed. SMEs in Luxembourg would like to obtain the highest levels of funding whereas SMEs in Portugal aimed to obtain the lowest amount of funding. In 2014, the required amount of finance SMEs varies between sectors. SMEs in industry aimed to acquire higher levels of external financing. Within the category of SMEs, the amount of funding aimed to obtain increased with enterprise size. In 2014, innovative SMEs indicated slightly higher amounts of required funding than non-innovative SMEs did.

Drivers of future funding
In all countries, making existing public measures easier to obtain finance or tax incentives, was indicated as the most important driver for improving the access to future financing. The only two exceptions were Sweden and Czech Republic where SMEs perceived making existing public measures easier to obtain finance and the provision of guaranteed loans as the most important drivers. In all countries except in Croatia and Greece, measures to facilitate equity investments and export credits or guarantees, were perceived as the least important drivers.

The ranking of the six drivers affecting future funding was similar for each sector and enterprise sizes. The ranking was also stable over time.

Funding climate

Changes in the availability of funding
For all types of funding a substantial number of SMEs reported that they could not give their opinion on recent changes in the availability of funding, because this simply did not apply to them. Most SMEs that did give their opinion indicated that they did not experience changes in the availability of equity, bank loans, bank overdraft, trade credit and other sources.

In 2014, the greatest positive balance between SMEs that experienced improvement and SMEs that experienced deterioration was for equity and trade credit (7%) and other types of financing (6%).

Changes in external aspects affecting the availability of funding
Also for all external aspects affecting the availability of funding a substantial number of SMEs reported that they could not give an opinion about changes in the availability, specifically on the effect of investors investing in equity or securities and the effect of public financing support. Those SMEs that were able to report changes in the availability of funding mostly experienced no changes in the willingness of business partners and banks to provide finance and the access to public financial support.

In 2014, positive balances existed for the willingness of business partners to provide trade credit(8%), the willingness of investors to invest (3%) and the willingness of banks to provide loans (3%). SMEs were strongly negative about public financial support, with a negative balance of -16%. Also about the access to public financial support (-13%) and the willingness of banks to provide loans (-11%), SMEs were negative.

Confidence in talking with banks and investors
In 2014, about two third of SMEs in the EU-28 felt confident enough to talk with banks about financing and obtaining desired results. However, a quarter of the SMEs did not.

In the same year, 20% of SMEs felt confident in discussing financing and obtaining the desired results with equity investors and venture capital enterprises, while 32% did not feel confident. Half of the SMEs indicated this was not applicable to them.

SMEs in Slovenia were most confident in talking about financing and obtaining desired goals with banks and SMEs in Denmark were most confident in talking with investors. SMEs in Greece were the least confident to talk with banks, while SMEs in Slovakia and the Czech Republic were the least confident to talk with investors about these things

Expected changes in availability of funding

SMEs in the EU-28 were mostly positive regarding future changes in external financing available to them. For each of the various types internal funds, equity, bank loans, bank overdraft or credit line, trade credit, debt security and other funding sources, the number of SMEs predicting improvement exceeded the number of SMEs predicting deterioration of the availability. The highest balances among SMEs in the EU-28 were for internal funds (16%), equity (11%) and trade credit (10%).

Changes in the terms and conditions

In 2014, EU SMEs on balance experienced increased non-interest costs of financing as well as increased collateral requirements. Conversely, on balance they experienced decreased interest costs, which is a reverse of trends in 2009 -2013. Generally speaking, developments have been more positive for larger enterprises than for smaller ones.

1 Introduction

The extent to which enterprises have access to finance is an important determinant for their development. It is known that SMEs[1] face difference challenges when accessing finance than large scale enterprises (LSEs), for instance because LSEs have direct access to capital markets whereas SMEs do not - or to a lesser extent. The specific financing needs of SMEs warrant specific policy actions.

In 2008, the ECB end DG Enterprises and Industry of the European Commission established the Survey on the Access to Finance of Enterprises (SAFE). These surveys, conducted across the EU Member States and some additional countries have been held in June-July 2009, in August-October 2011, in August-October 2013, and in September 2014. The latter survey round covers the EU-28 Member States and Iceland and Montenegro. The current report discusses the results of the September 2014 survey round and presents significant developments over time.

This report is structured as follows. Chapter 2 presents information on SMEs recent needs for external financing. In chapter 3 the characteristics of recently obtained finance are discussed. Chapter 4 describes the expectations of SMEs on future financing needs. In chapter 5 the funding climate for SMEs is discussed. Chapter 6 first presents how SMEs evaluate eight potential problems they may face when accessing finance and then focuses on the importance of ‘access to finance’ as perceived by European SMEs. The appendices present the relevant technical information on the 2014 SAFE survey round.

In principle results are presented for SMEs as a group. However, in most cases also a distinction by enterprise category is presented, *i.e.*:

- By sector of industry (industry, construction, trade, services);
- By enterprise size class (micro, small, mediums-sized and large enterprises; hence this is the only occasion that large enterprises enter the picture);
- Innovative *versus* non-innovative SMEs[2].

[1] In this report SMEs are defined as enterprises with 1-249 employees (hence, enterprises with no paid staff are excluded); large scale enterprises (LSEs) are enterprises with at least 250+ employees. Within SMEs, a distinction is made between micro enterprises (1 -9 employees), small enterprises (10 -49 employees) and medium-sized enterprises (50 -249 employees)

[2] Innovative SMEs are defined as reportedly having introduced innovation in at least one area, such as products, services, marketing, production or management.

2 Recent needs for external financing

This first chapter describes the need for external financing of SMEs in EU-28 in the period between April and September 2014. The chapter is structured chronologically. First, it analyses the determinants of the need for external financing by detailing how business factors affecting this need have changed. Second, it focuses on the various types of external financing that are relevant. Third, the changes in the need of these various types of external financing are described. Fourth, it describes the types of external financing SMEs actually applied for and their success rates. Finally, the chapter ends with a description of the factors that according to the SMEs have determined the availability of external financing.

Each issue is discussed in a separate section. The sections are - when relevant - set-up as follows. The needs for finance in the period April -September 2014 for SMEs at the EU-28 level are first compared to financing needs reported in the previous survey rounds. Subsequently focus is on differences between the individual Member States and Iceland and Montenegro. Finally, level differences among enterprises based on sector, size class and innovativeness are analysed at EU-28 level.

2.1 Key findings

The three prime business factors that determine the needs of EU-28 SMEs' for external financing are fixed investments and inventory and working capital.

SMEs prefer to use debt instruments such as bank overdraft and credit lines, bank loans and trade credit most often. Both equity and especially debt securities are needed by substantially fewer SMEs. This translates to two out of five SMEs, that consider the specific type of finance relevant to their enterprise, actually applying for bank loans, trade credit and overdraft and credit lines. Acceptation rates for such applications were highest for trade credit. The larger the enterprises become, the higher the proportions of enterprises that apply for these types of financing. The proportion of actual acceptations also increases with size class. Acceptation rates are highest in industry and lowest in construction. Innovative SMEs apply more often for such types of financing than non-innovative SMEs do, however the rejection rate is also higher among innovative enterprises.

Various factors affect the external financing available to SMEs in the European Union. SMEs believe that their own credit history, their own capital and their firm-specific outlook have changed in such a way as to improve their access to external finance. SMEs were less positive on the general economic outlook and its impact on their access to finance, considering it to be negative. Hence, SMEs are more positive about their own business performance and its impact on the availability of external financing than about outside factors influencing this business performance.

2.2 Why is external financing needed?

Corporate finance refers to the choices businesses make regarding the manner in which they try to obtain the funds required for the day-to-day business operation and to invest in diverse assets such as the necessary machinery, inventories and in the company brand. The capital structure of an enterprise reflects the financing choices made and is typically characterised by the dichotomy between equity and debt. Equity consists of retained earnings from profits the business generates and of proportions of the business that are issued to investors. Debt refers to funds that are borrowed from a creditor and which need to be repaid at a future point in time.

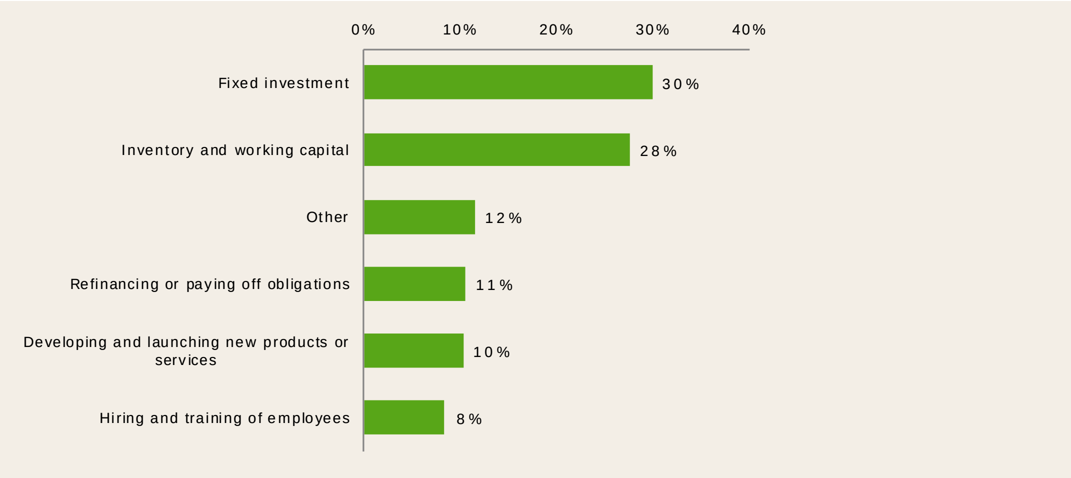
Internal versus external financing

The choice of funding can also be divided by source: internal and external financing. Internal funding consists of the part of equity finance that is generated by internal cash flows and that results in retained earnings. External funding consists of the remainder of equity finance and of debt finance and is supplied by financiers outside of the enterprise. Most enterprises will prefer the financial slack that allows them to finance their investments internally as external financing is often based on the financiers' terms and conditions and more expensive[3]. The European Survey on the Access to Finance of Enterprises focuses on external financing.

Purpose of the external financing to be attracted

In figure 1, six purposes of external financing for small and medium-sized enterprises (SMEs) in the 28 countries of the European Union (EU-28)[4] are presented. These six purposes are comprised of fixed investments; inventory and working capital; refinancing or paying off obligations; innovation; human resource management; and a final category of unidentified remaining purposes.

figure 1 purpose for which external financing has been used by SMEs in EU-28 in 2014



Q6A: For what purpose was external financing used by your enterprise during the past 6 months?

Source: SAFE, 2014; edited by Panteia.

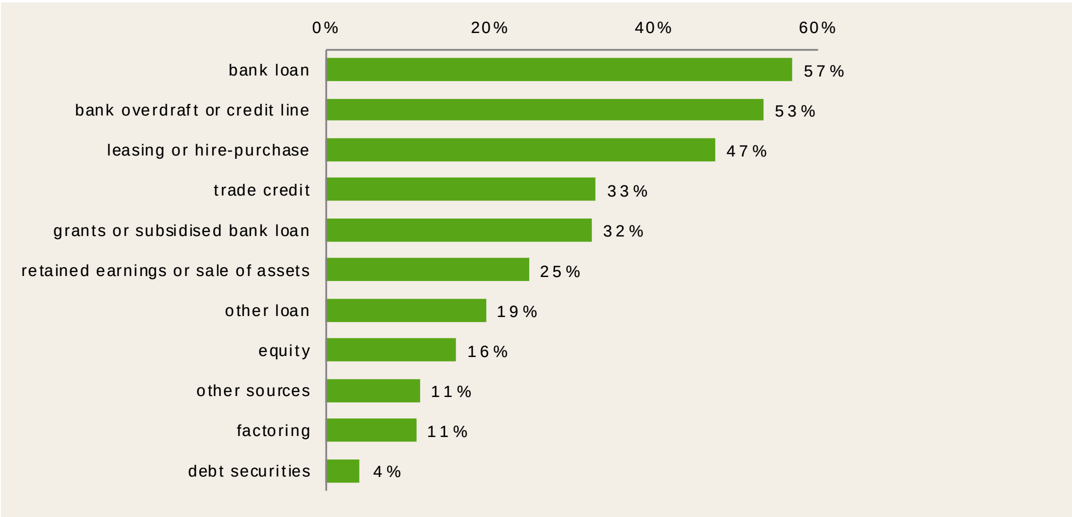
[3] This is in accordance with the *pecking-order theory* expanded upon by Myers (1984). Its theoretical framework suggests a decision-rule in which enterprises will prefer to finance their investments using internal finance above all. When they cannot and need to attract external funding, they will prefer debt over issuing equity.

[4] Note that in the preceding survey wave held in the autumn of 2013, this question has only been posed to the countries that together comprise the Eurozone. This may explain part of the observed variations from year to year and is the reason why more detailed analyses (on country- or business characteristic-level) have been omitted.

2.3 What sources of external finance are relevant?

The extent to which SMEs in EU-28 consider various funding sources relevant to them is presented in figure 2. Bank loans and bank overdraft or credit line are mentioned by more than half of the respondents; also leasing and hire purchase rank high. These three categories also rank in the top-4 of sources actually used (section 0); retained earnings or sale of assets ranked third in the sources actually used, but is deemed relevant by only 25% of the SMEs. Other loans, equity , factoring, debt securities and other sources is mentioned as relevant by less than 20% of the SMEs; this result is roughly consistent with the actual use of sources.

figure 2 Relevance of financing types for SMEs in EU-28, in 2014



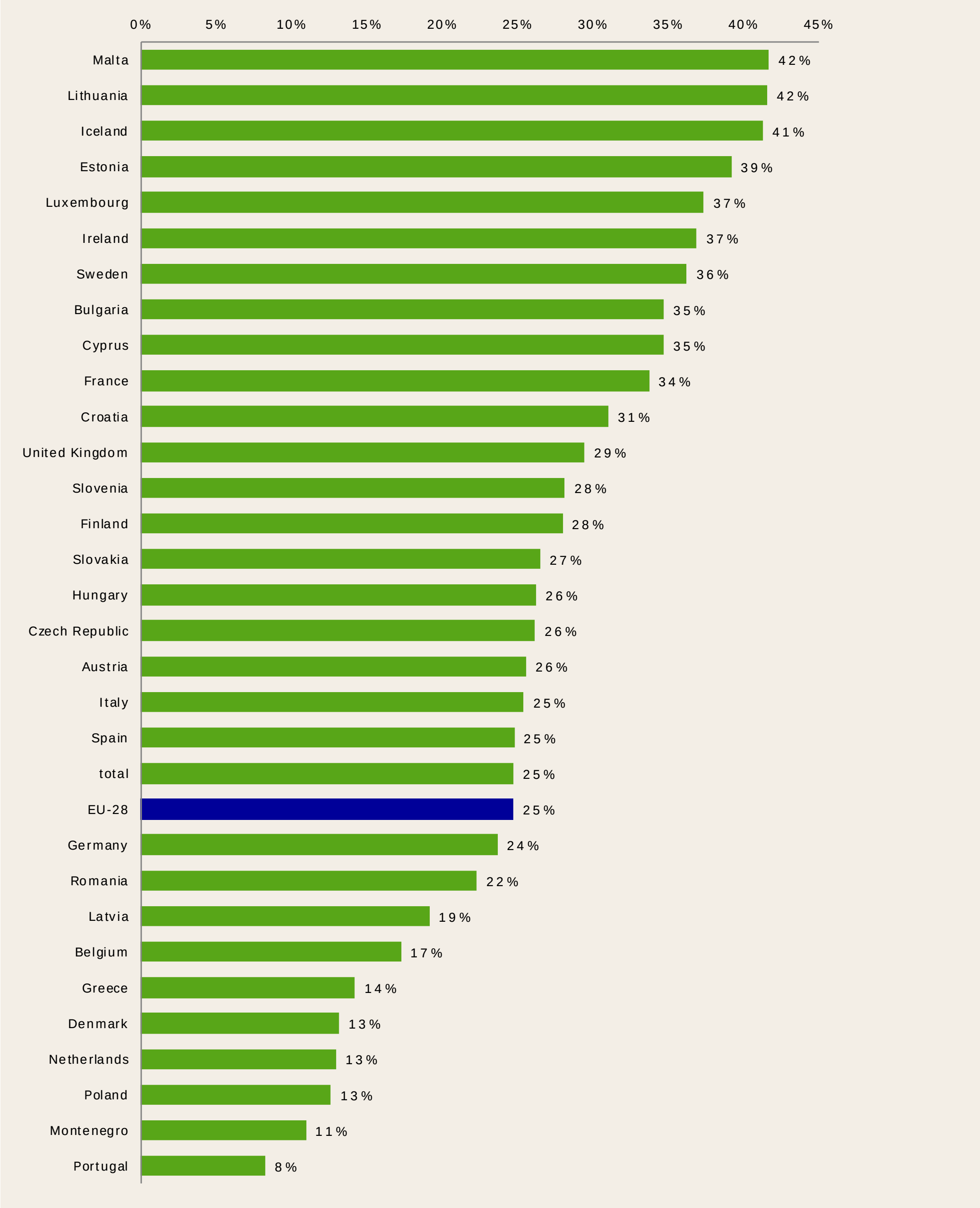
Q4: Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future?

Source: SAFE, 2014; edited by Panteia.

2.3.1 *Relevance of internal funds (retained earnings or sale assets)*

On average, 25% of the EU-28 consider retained earnings or sale assets a relevant source. There is however significant cross-country variation in this result (figure 3). In Malta, Lithuania and Iceland, more than 40% of the SMEs consider internal funds as a relevant source. At the other and of the scale, less than 15% of the SMEs in Greece, Denmark, Netherlands, Poland, Montenegro and Portugal consider internal funding as relevant. SMEs in industry and construction consider internal finance as more relevant to them as do SMEs in trade and services (figure 4). The relevance of internal funds is positively correlated with enterprise size; in micro enterprises it is below average, whereas 43% of the large enterprises consider internal finance relevant. Innovative enterprises consider internal finance more relevant as non-innovative enterprises. These results are broadly consistent with the actual use of internal finance (section 3.2.1).

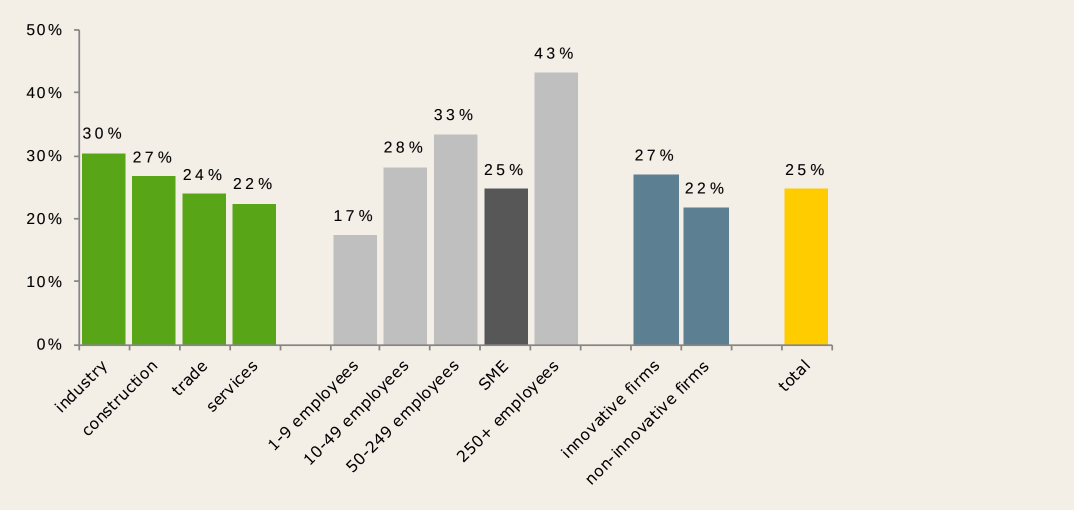
figure 3 Relevance of internal funds for SMEs in the EU-28, Iceland and Montenegro, by country in 2014



Q4. Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future? (Retained earnings or sale of assets)

Source: SAFE, 2014; edited by Panteia.

figure 4 Relevance of internal funds for enterprises in the EU-28 in 2014, by enterprise characteristic



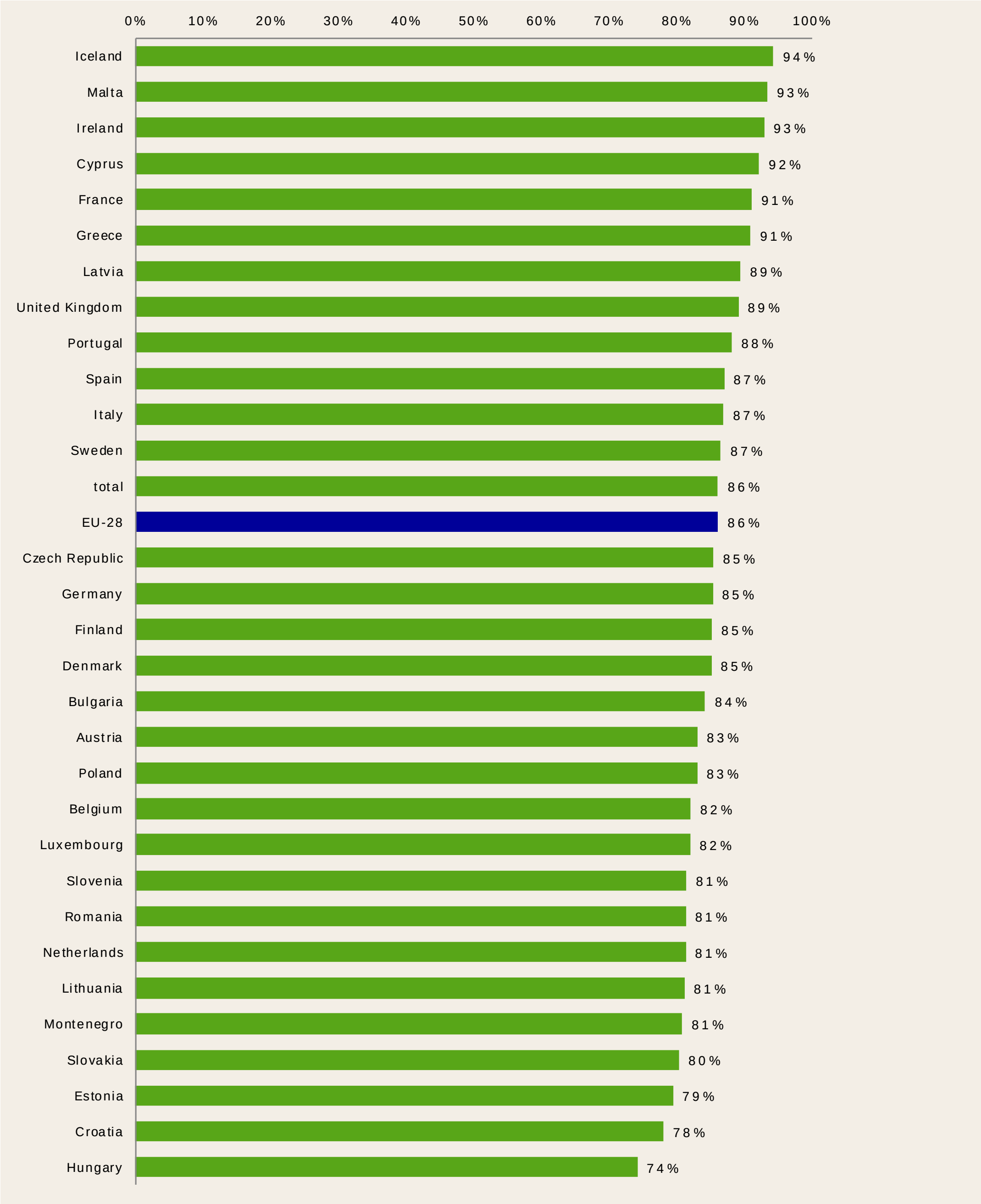
Q4. Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future? (Retained earnings or sale of assets)

Source: SAFE, 2014; edited by Panteia.

2.3.2 Relevance of debt finance

Debt(bank overdraft or credit line, leasing or hire-purchase, factoring , trade credit, bank loan , other loan, grants or subsidised bank loan and debt securities issued taken together) is considered relevant by the vast majority of European SMEs (figure 5); cross-country variation is somewhat limited as even in Hungary still 74% of the SMEs consider debt finance a relevant source. Looking at sectors of industry, SMEs in industry and construction consider debt financing more often relevant than SMEs in trade and services (figure 6).The variation across enterprise size is larger: the relevance of debt financing is considered smallest in micro enterprises, and largest in large enterprises. Also innovative SMEs consider debt financing more relevant than non-innovative SMEs. These results are roughly consistent with the actual use of debt financing (section 3.2.2).

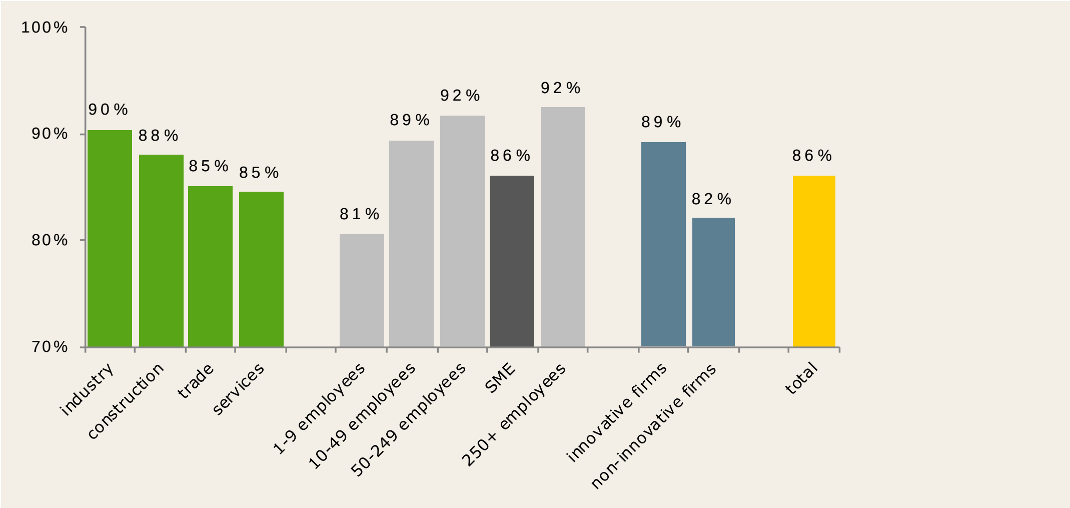
figure 5 Relevance of debt financing for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the 2014 proportion



Q4. Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future? Please provide a separate answer in each case. (Debt: bank overdraft or credit line + leasing or hire-purchase +factoring + trade credit + bank loan + other loan + grants or subsidised bank loan + debt securities issued)

Source: SAFE, 2014; edited by Panteia.

figure 6 Relevance of debt financing for enterprises in the EU-28 in 2014, by enterprise characteristic



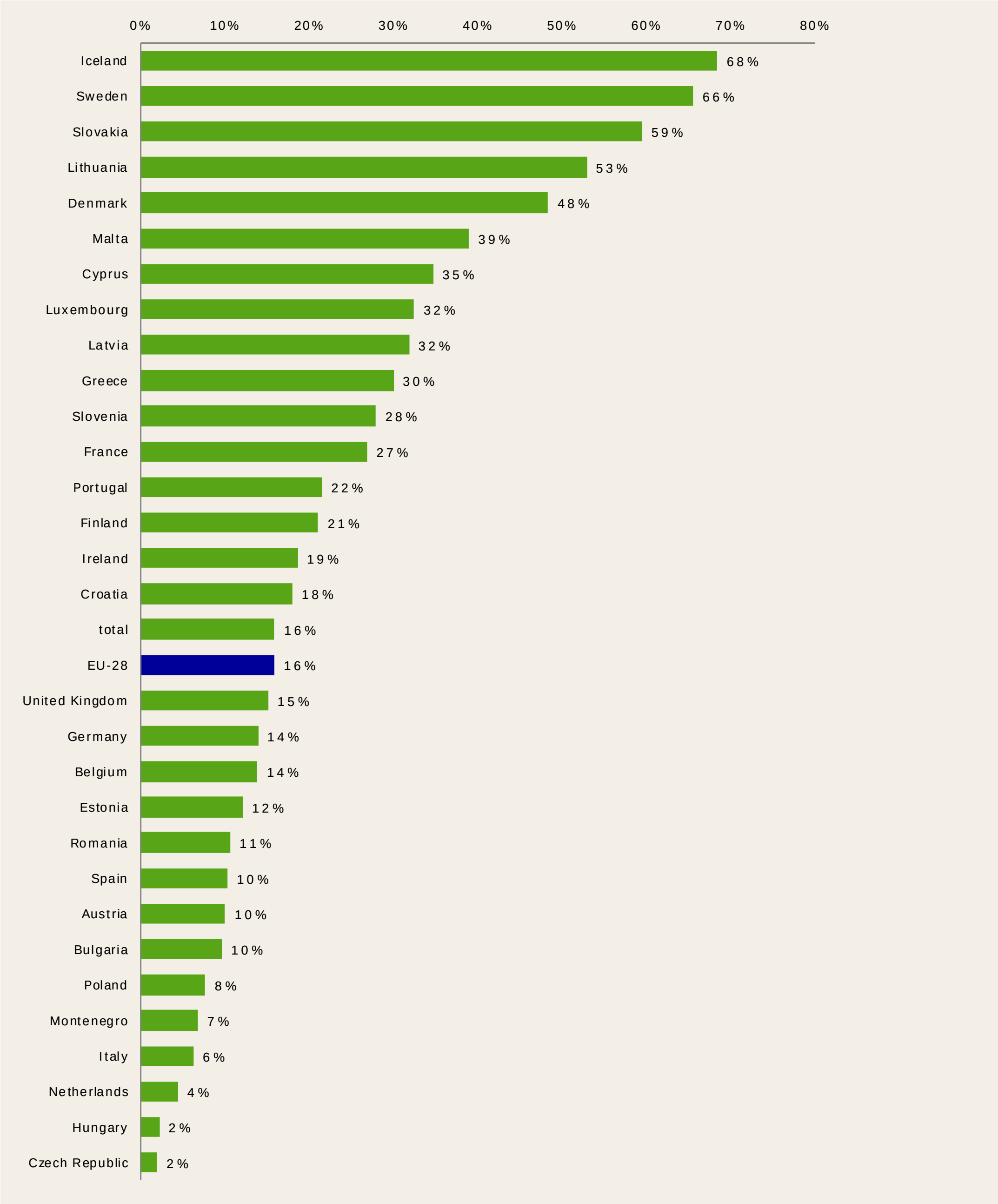
Q4. Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future? Please provide a separate answer in each case. (Debt: bank overdraft or credit line + leasing or hire-purchase +factoring + trade credit + bank loan + other loan + grants or subsidised bank loan + debt securities issued)

Source: SAFE, 2014; edited by Panteia.

2.3.3 Relevance of equity

As can be seen from figure 7, on average, 16% of the EU-28 SMEs consider equity a relevant source (whereas only 3% actually used it between April and September 2014).There is however considerable variation across countries. In Iceland, Sweden, Slovakia and Lithuania, more than 50% of the SMEs consider equity as a relevant source of funding. On the other hand, in Poland, Montenegro, Italy, the Netherlands, Hungary and the Czech republic this is only the case for less than 10% of the SMEs.

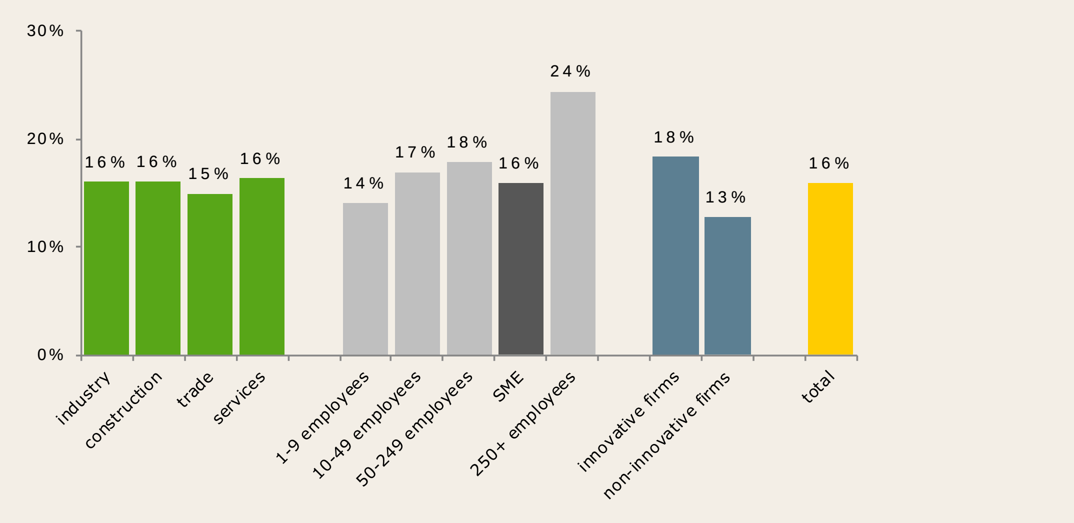
In figure 8, a breakdown by enterprise characteristic is presented. The relevance of equity does not vary much across SMEs in the various sectors of industry. Enterprise size appears to be a relevant source of variation; particularly large enterprises consider equity as a relevant funding source. Also, more innovative SMEs consider equity as relevant than non-innovative SMEs. These results are broadly consistent with the actual use of equity financing (section 3.2.3) figure 7 Relevance of equity for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the 2014 proportion



Q4. Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future? (equity)

Source: SAFE, 2014; edited by Panteia.

figure 8 Relevance of equity for enterprises in the EU-28 in 2014, by enterprise characteristic



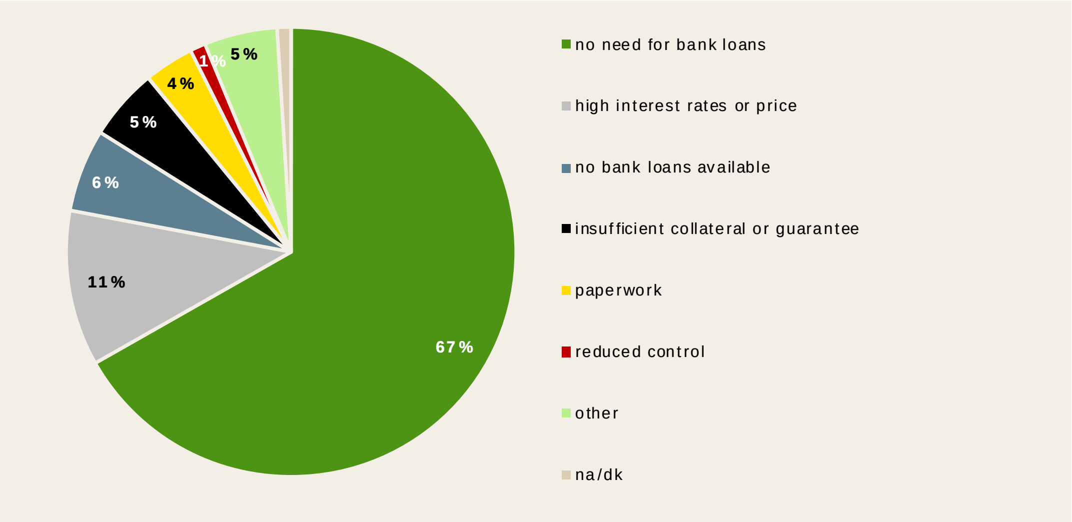
Q4. Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future? (equity)

Source: SAFE, 2014; edited by Panteia.

2.3.4 *What is the most important reason for not considering bank loans relevant?*

In addition, figure 9 provides insight in the reasons why SMEs may not consider bank loans relevant. 67% of the SMEs that do not consider bank loans relevant do so because they do not have a need for a bank loan. 11% consider the costs of loans too high, an additional 5% cannot provide sufficient collateral or guarantee, and 6% report that no loan is available. Other reasons are reduced control, while also 4% reports that too much paperwork is connected.

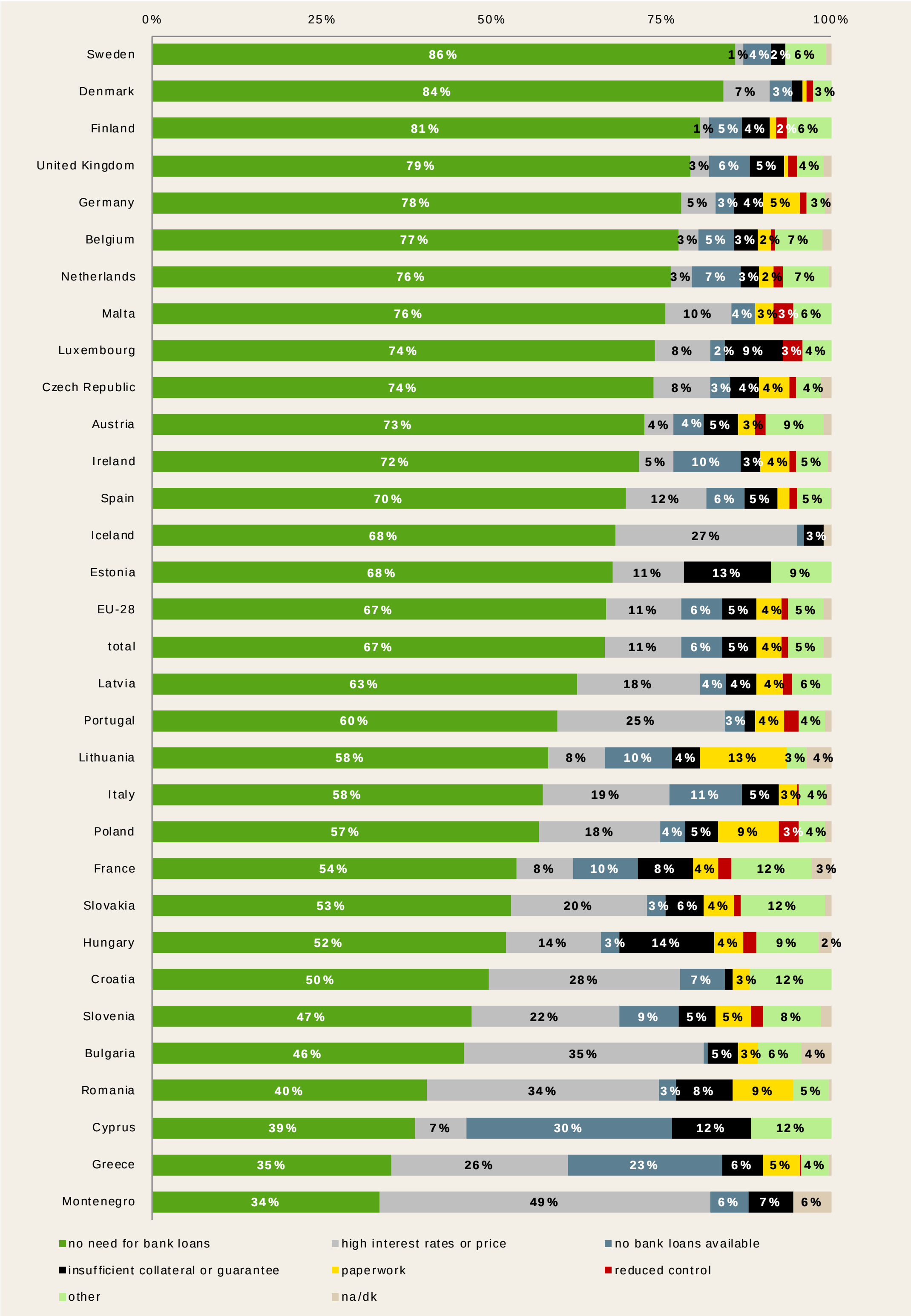
figure 9 Most important reason why bank loans are not relevant for SMEs in EU-28, in 2014



Q32. You mentioned that bank loans are not relevant for your enterprise. What is the most important reason for this?

Source: SAFE, 2014; edited by Panteia.

figure 10 Most important reason why bank loans are not relevant for SMEs in EU-28, Iceland and Montenegro, by country in 2014[5]



Q32. You mentioned that bank loans are not relevant for your enterprise. What is the most important reason for this?

Source: SAFE, 2014; edited by Panteia.

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[5] Please note that the unweighted number of observations was relatively low in Cyprus at 29 observations. These results should be interpreted with care. These results should be interpreted with care.

figure 10 present the reasons why SMEs not consider bank loans relevant in the EU-28, Montenegro and Iceland by country. In all countries, except Montenegro the most important reason is that SMEs do not need bank loans. In the Scandinavian countries even more than 80% of the SMEs indicated this to be the reason for not considering bank loans relevant. In Montenegro, high interest rates or price was the most important reason for bank loans not being relevant (for 49% of the SMEs). Also in Bulgaria (35%) and Romania (34%) this is a relatively important reason. The unavailability of bank loans is a rather important reason in Cyprus (30%) and Greece (23%). Insufficient collateral or guarantee, paperwork and reduced control are in all countries less important reason for the irrelevance of bank loans for SMEs. Insufficient collateral or guarantee was in comparison to other countries the most important in Hungary (14%), Estonia (13%) and Cyprus (12%). The paperwork was with respect to the other countries the most important in Lithuania (13%). Relative to the other countries was reduced control the most important in Cyprus, Croatia, Slovakia and France (all 12%).

2.4 What types of external financing were needed?

From the discussion in the previous section it follows that in 2014 SMEs mostly needed financing for fixed investments and working capital. This section will now focus on the *types* of external financing SMEs in the EU-28 prefer to attract, by first presenting overall preferences for the EU-28 over time and subsequently providing more detail on four types by country and characteristic.

Debt versus equity financing

The types of external funding that enterprises can obtain can roughly be divided into either equity financing or debt financing. The amount of debt financing in an enterprise's capital structure is also referred to as its leverage since it is a way of potentially generating more earnings with limited funds: attracting more debt allows a business to expand its operations beyond the equity financing it is able to bring to the table. Debt and equity financing differ substantially in their nature and it will not always be in the best interest of an enterprise to incessantly increase its debt financing.

One of the key differences between these two broad types of financing regards the resulting future payments that flow to the financiers. When an enterprise chooses to employ debt financing it commits itself to paying a future sum equal to the amount borrowed plus an interest charge. This is a fixed claim on the enterprise. When an enterprise opts to obtain equity funding, its shareholders are entitled to a residual claim: the shareholders receive what is left of earnings *after* all debt obligations have been paid. When earnings are not higher than the debt obligations, the shareholders will receive nothing. When earnings are higher than the debt obligations, the residual will flow to the shareholders, either directly in the form of dividends, or indirectly in the form of increased share prices.

When an enterprise becomes more leveraged, its debt obligations increase correspondingly and so do the associated risks. When debt obligations are not met, an enterprise may experience financial distress, potentially leading to bankruptcy. Financial distress costs include, but are not limited to: legal costs, the costs of lost business and difficulty in attracting external financing. Furthermore, when financial distress results in bankruptcy the claims from shareholders are transferred to the debtors. Too much debt may thus lead to real economic costs to the business and is likely to make it more difficult to attract external funding: both equity and debt.

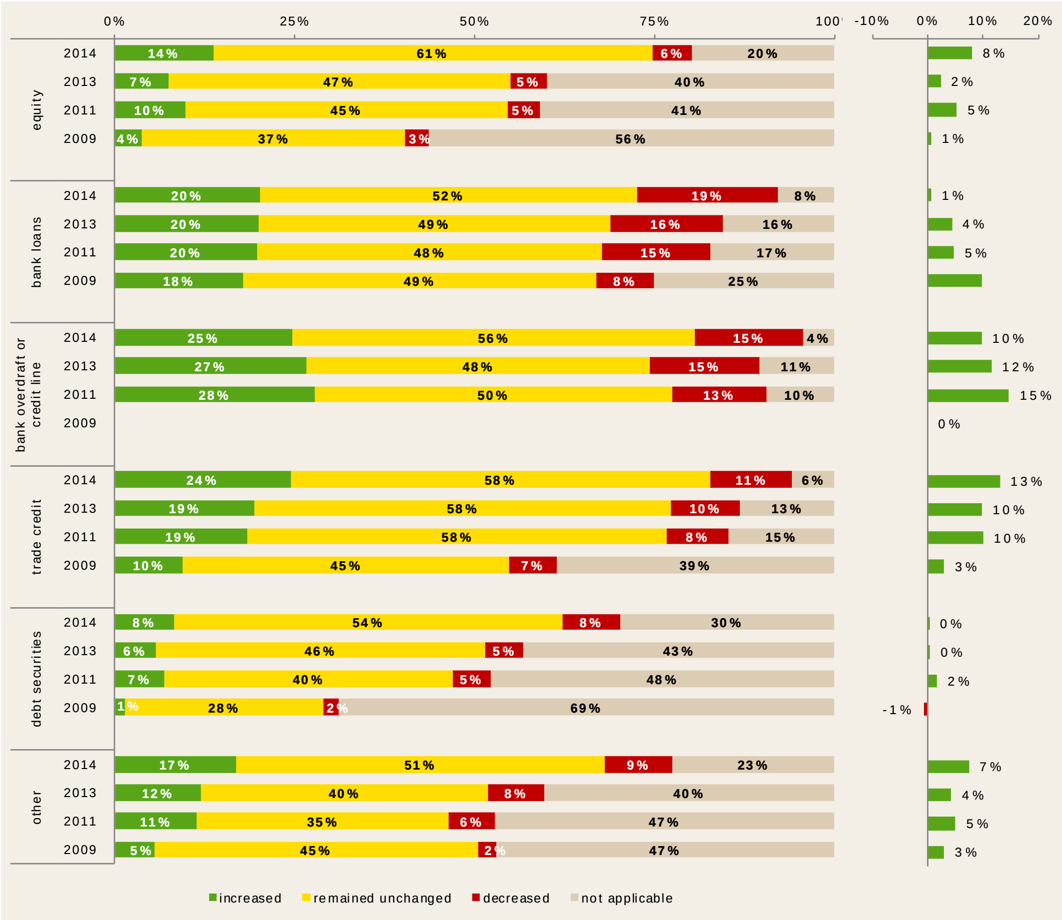
Debt financing using bank loans and overdraft are most popular

Changes in the EU-28 SMEs' needs for different types of financing are presented in figure 11, grouped by type ranging from equity, debt and other types of external financing. Please note that in 2014 a new filter was introduced in the questionnaire, which should be taken into account when making comparisons across years. The percentages in this section relate to the SMEs in the EU-28 that indicated that the corresponding source of finance is relevant to their enterprise. The figure shows that these SMEs' needs for equity financing further increased in the half year between April and September 2014 in compared to the 2013 survey round, with the net effect increasing from 2% in the preceding survey round to 8% in the current. Trade credit and bank overdraft, credit line or credit card overdraft are the two most popular types of debt financing and SMEs' needs for the two were characterised by a positive net impact of 13% and 10% respectively in 2014. For trade credit, this means a positive change when compared to the two preceding survey years, while the positive balance for bank overdraft has decreased in size.

The figure shows a clear preference for various types of external financing: bank loans, bank overdraft, credit line or credit card overdraft and trade credit are used by over 90% of the EU-28 SMEs to which this type of financing is relevant. The use of other types of external financing has increased from 53% in 2009 to 77% in 2014, partially pointing to an increased importance of non-standard financial products for enterprises looking to finance their investments and operations. Debt securities are used least often.

The results are partly in line with the pecking order theory, which suggests that when a business needs to attract external financing, it will do so by attracting the safest types first. In this sense, (issuing) debt is safer and cheaper than equity. Hence, bank loans, overdraft and trade credit take preference over equity.

figure 11 Changes in the need for various types of external financing (left) and the balance between the categories *increased* and *decreased* (right) for the period 2009-2014, sorted by equity, debt and other. The proportions relate to SMEs that indicated that the corresponding source of finance is relevant to their enterprise.



Note: In 2014 a new filter was introduced in the SAFE questionnaire. This filter was simulated in the data of the previous survey rounds, nevertheless one should be cautious when making comparisons across years.

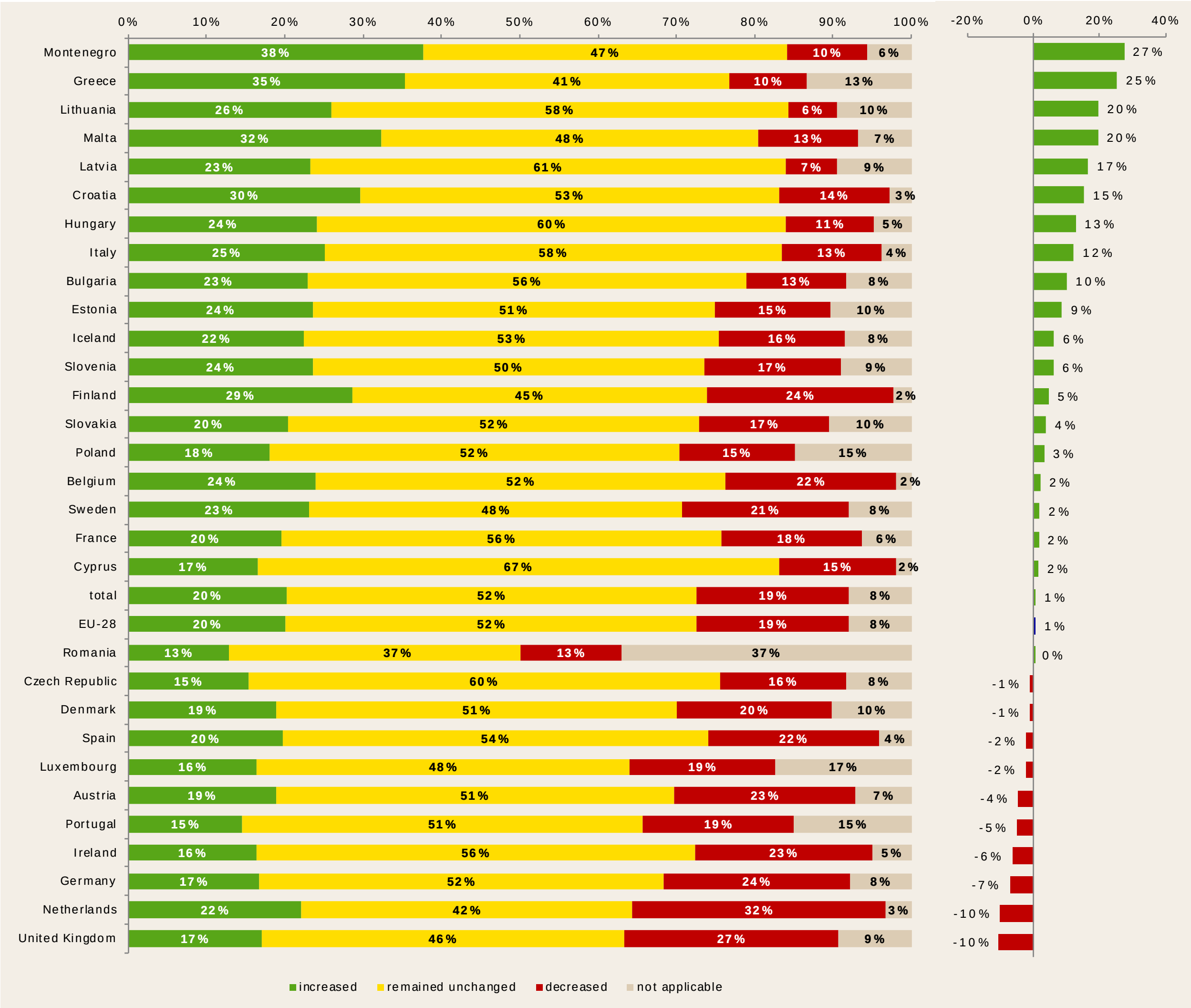
Q5: For each of the following types of external financing, please indicate if your needs increased, remained unchanged or decreased over the past 6 months?

Source: SAFE, 2009-2014; edited by Panteia.

2.4.1 Bank loans

More detail is provided on four important types of financing: bank loans, bank overdraft, equity and trade credit. Differences between SMEs in the EU-28 countries, Iceland and Montenegro are specified, followed by differences in characteristics of enterprises. Bank loans are the first type of external financing to be discussed. Changes in SMEs' needs for bank loans are presented in figure 12. The proportions in the figure relate to SMEs that considered bank loans relevant to their enterprise.

figure 12 Changes in the need for bank loans (left) and the balance between the categories *increased* and *decreased* (right) for SMEs in the EU-28, Iceland and Montenegro, by country, sorted from high to low based on the balance, in 2014. The proportions relate to SMEs that indicated that bank loans are relevant to their enterprise.

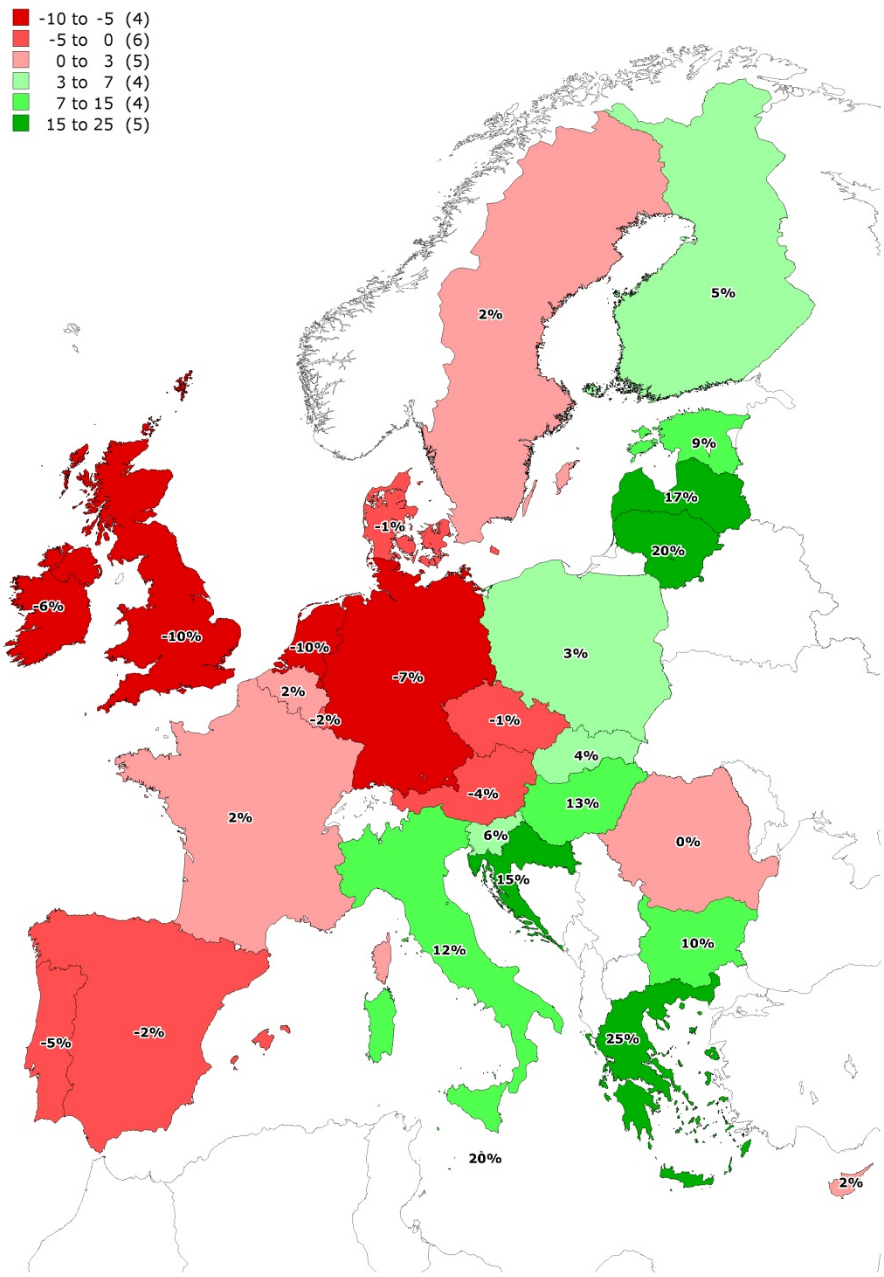


Note: The reported balance may deviate from the category percentages reported in the bars due to rounding.

Q5a: For bank loans (excluding overdraft and credit lines), please indicate if your needs increased, remained unchanged or decreased over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

figure 13 Net balance of the changes in the need for bank loans for SMEs in the EU-28, Iceland and Montenegro, by country, sorted from high to low based on the balance, in 2014. The proportions relate to SMEs that indicated that bank loans are relevant to their enterprise.



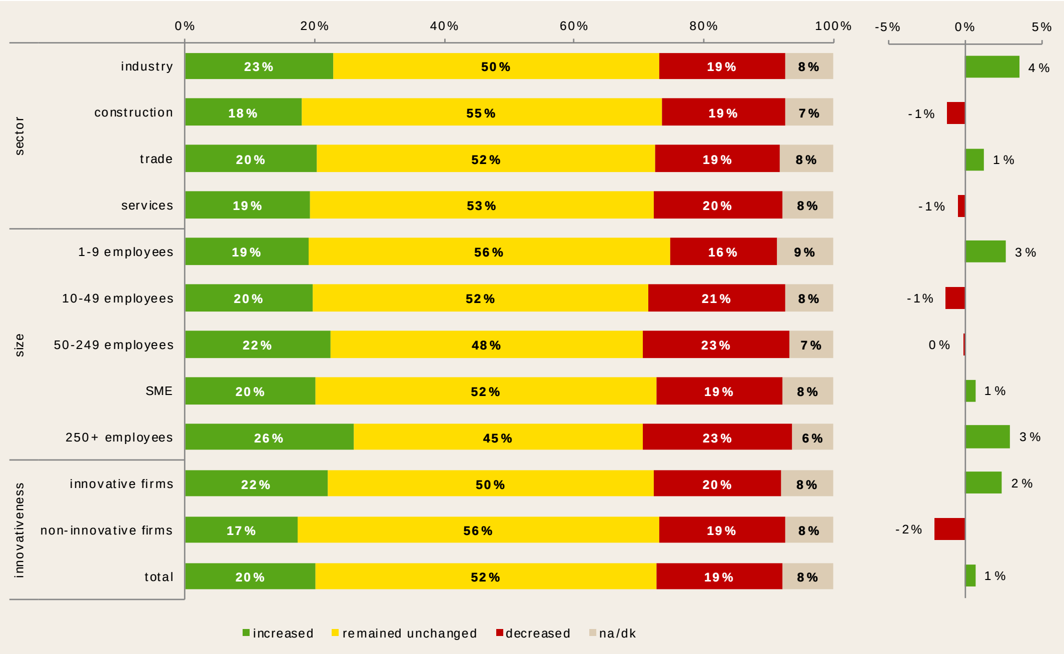
Q5a: For bank loans (excluding overdraft and credit lines), please indicate if your needs increased, remained unchanged or decreased over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

20% of all SMEs in the 28 Member States of the European Union indicated that in the half year between April and September 2014 their needs for external financing using bank loans had increased. 19% indicated that their needs for this type of financing had decreased, resulting in a 1% balance. The need for this type of financing has increased most strongly in Montenegro (net impact 27%), Greece (25%) and Lithuania (20%). A decreased need was observed in ten countries and was strongest in the

United Kingdom, the Netherlands (-10%) and Germany (-7%). This means that SMEs in more countries experienced a *net* decreased need for bank loans than for overdraft and credit lines between April and September 2014.

figure 14 Changes in the need for bank loans (left) and the balance between the categories *increased* and *decreased* (right) for enterprises in the EU-28, by enterprise characteristic, sorted from high to low based on the balance, in 2014. The proportions relate to enterprises that indicated that bank loans are relevant to their enterprise.



Q5a: For bank loans (excluding overdraft and credit lines), please indicate if your needs increased, remained unchanged or decreased over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

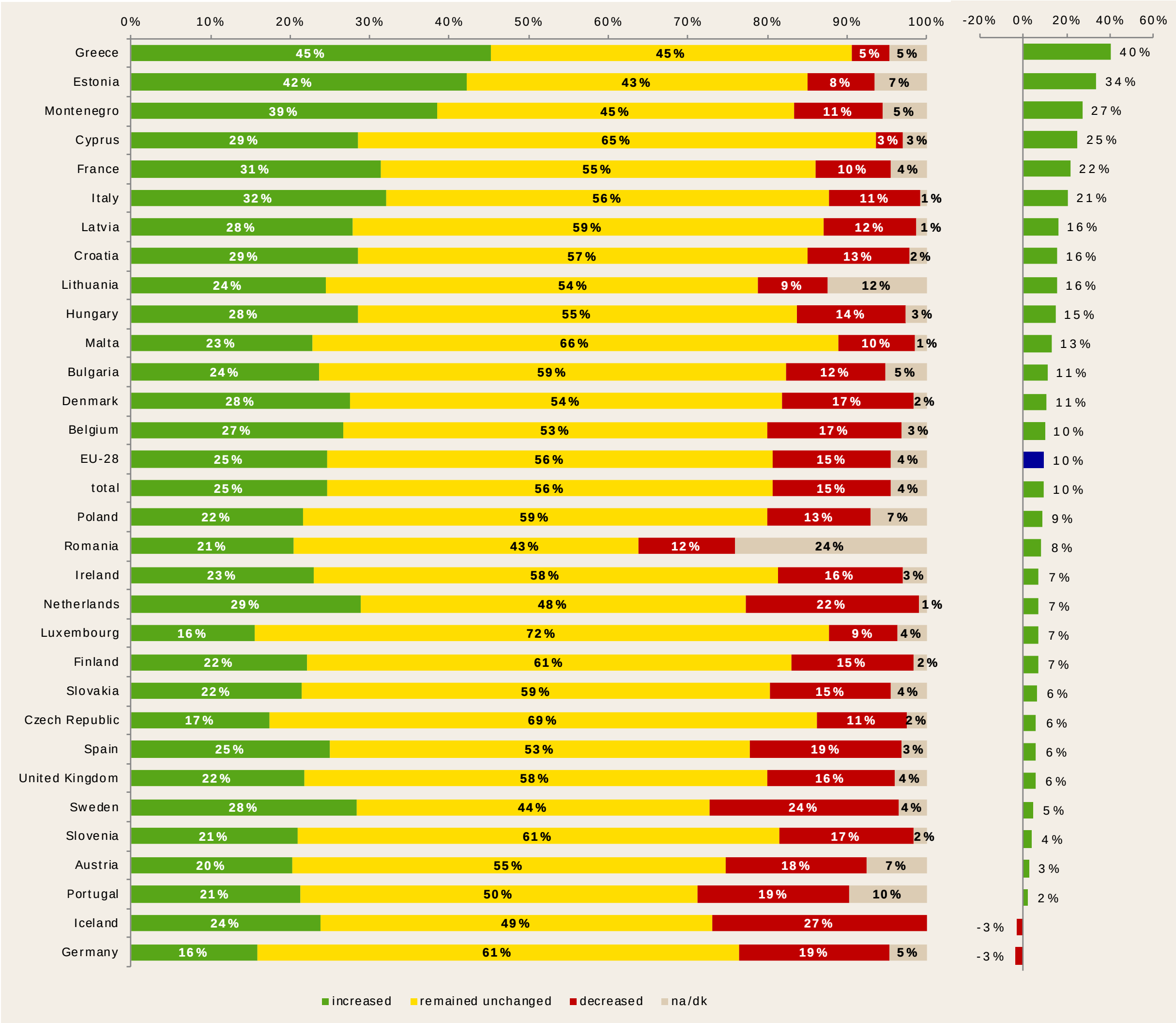
Differences in the needs of EU-28 enterprises for bank loans by enterprise characteristics are presented in figure 14. Again, the proportions relate to enterprises that considered bank loans relevant. All results refer to SMEs except for data presented by size class. Among the four sectors of the economy distinguished, the need for bank loans increased most strongly among SMEs in industry, with a balance between increased need and decreased need of 4%. The need for bank loans has increased for innovative enterprises while for non-innovative enterprises it decreased.

Micro enterprises reported the largest net increases in the need for external financing via bank loans between April and September 2014. The balance for this size class amounted to 3%, compared to 1% for large and even -1% for small enterprises.

2.4.2 *Bank overdraft, credit line or credit cards overdraft*

Bank overdraft, credit line or credit cards overdraft are the next type of external financing to be discussed: first national differences between various countries are zoomed in on, followed by differences among enterprise characteristics. Changes in SMEs' needs for bank overdraft, credit line and credit cards overdraft are presented in figure 15. The proportions in the figure relate to SMEs that considered these financing sources relevant.

figure 15 Changes in the need for bank overdraft, credit line or credit cards overdraft (left) and the balance between the categories *increased* and *decreased* (right) for SMEs in the EU-28, Iceland and Montenegro, by country, sorted from high to low based on the balance, in 2014. The proportions relate to SMEs that indicated that credit line, bank overdraft or credit cards overdraft are relevant to their enterprise.

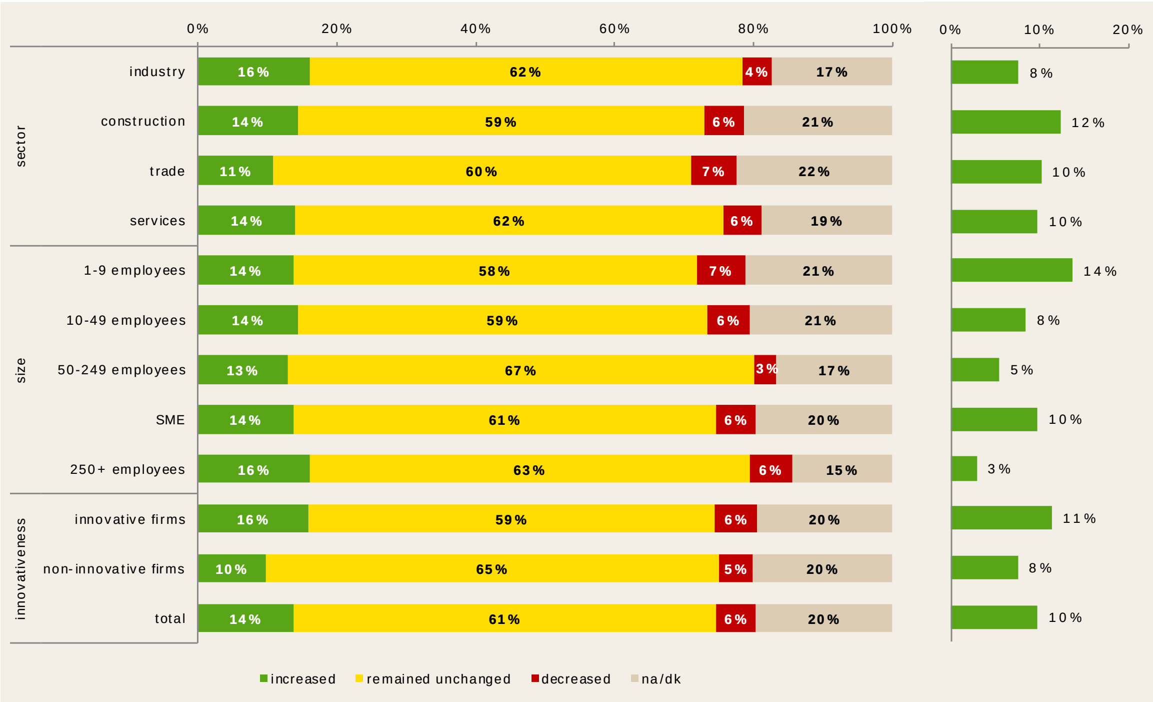


Q5f: For credit line, bank overdraft or credit cards overdraft, please indicate if your needs increased, remained unchanged or decreased over the past 6 months?

Source: SAFE, 2014; edited by Panteia. The reported balance may deviate from the category percentages reported in the bars due to rounding.

25% of those SMEs in the 28 EU Member States indicated that in the half year between April and September 2014 their needs for external financing using bank overdraft, credit line or credit cards overdraft had increased. 15% indicated that their needs for this type of financing had decreased, resulting in a positive balance of 10%. The need for this type of financing has increased most strongly in Greece (net impact 40%), Estonia (34%) and Montenegro (27%). A decreased need was observed in only two countries, namely Iceland and Germany (both -3%).

figure 16 Changes in the need for bank overdraft, credit line or credit cards overdraft (left) and the balance between the categories *increased* and *decreased* (right) for enterprises in the EU-28, by enterprise characteristics, sorted from high to low based on the balance, in 2014. The proportions relate to enterprises that indicated that credit line, bank overdraft or credit cards overdraft are relevant to their enterprise.



Q5f: For credit line, bank overdraft or credit cards overdraft, please indicate if your needs increased, remained unchanged or decreased over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

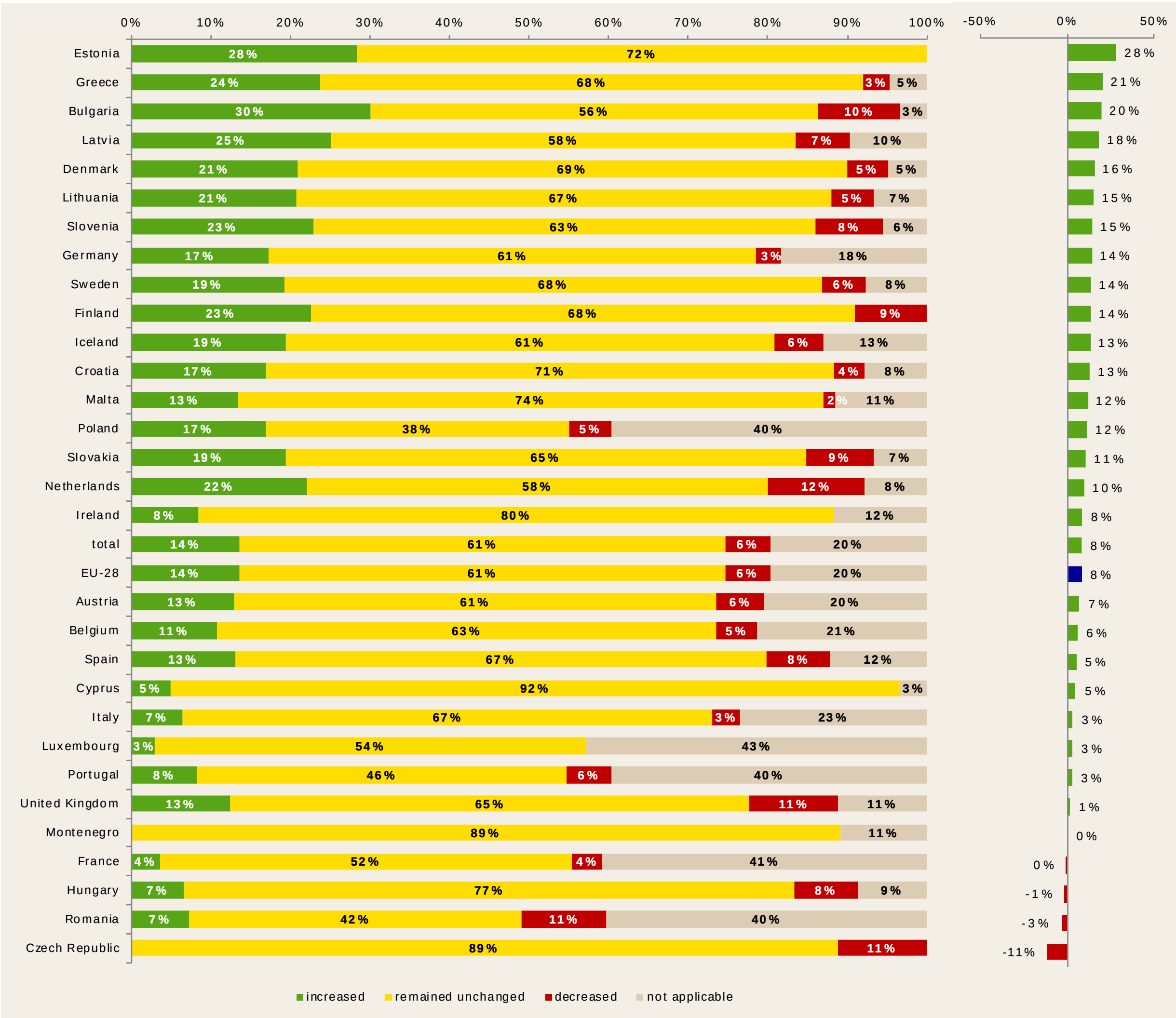
Differences in the needs of EU-28 enterprises by enterprise characteristics are presented in figure 16. The proportions in the figure relate to SMEs that considered credit line, bank overdraft or credit cards overdraft relevant. All results are for SMEs except when presented by size class. Among the four sectors of the economy distinguished, the need for bank overdraft, credit line and credit cards overdraft increased most strongly in construction, with a net positive impact at 12%. The need for overdraft and credit line has increased more strongly for innovative enterprises than for non-innovative enterprises.

Micro (1-9 employees) and small (10-49 employees) enterprises reported the strongest net increases in the need for external financing via overdraft and credit line in the half year between April and September 2014. The balance for these two size classes were 14% and 8% respectively, compared to 5% for medium-sized (50-249 employees) and 3% for large (at least 250 employees) enterprises.

2.4.3 Equity

Another type of external financing to be discussed is trade credit: first national differences are zoomed in on, followed by differences due to enterprise characteristics. Changes in SMEs' needs for equity are presented in figure 17. The proportions in the figure relate to only those SMEs that considered equity capital relevant to their enterprise.

figure 17 Changes in the need for equity (left) and the balance between the categories *increased* and *decreased* (right) for SMEs in the EU-28, Iceland and Montenegro, by country, sorted from high to low based on the balance, in 2014. The proportions relate to SMEs that indicated that equity capital is relevant to their enterprise.[6]



Q5c: For equity, please indicate if your needs increased, remained unchanged or decreased over the past 6 months?

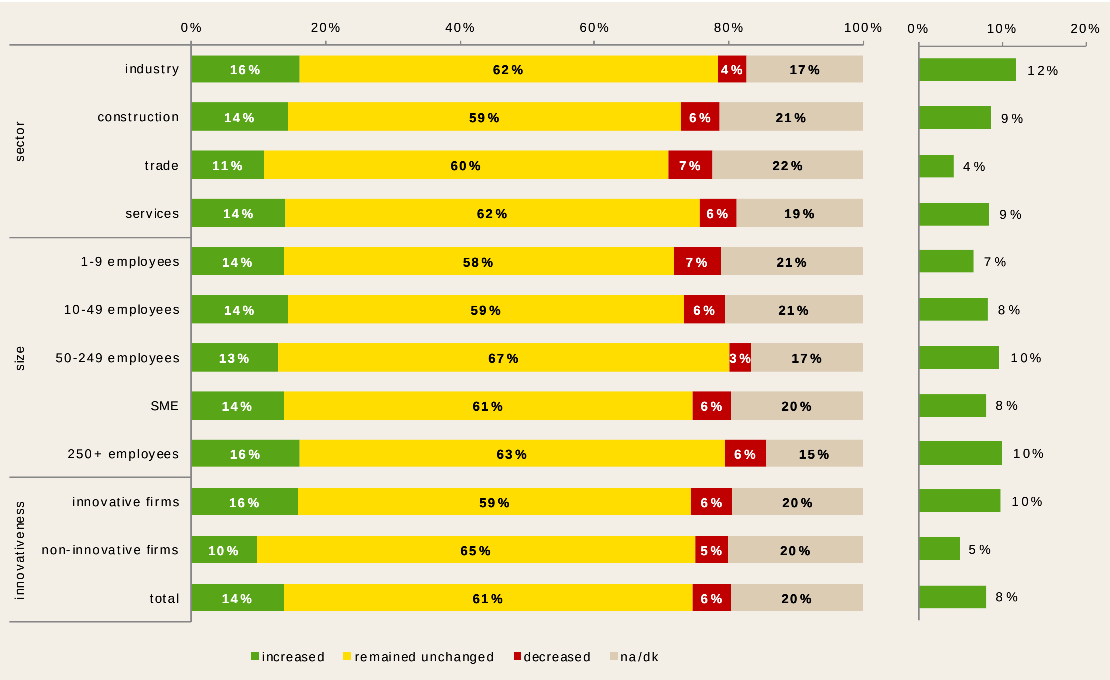
Source: SAFE, 2014; edited by Panteia. The reported balance may deviate from the category percentages reported in the bars due to rounding.

14% of all SMEs in the 28 EU Member States indicated that in the half year between April and September 2014 their needs for equity had increased. 6% indicated that their needs for this type of financing had decreased, resulting in a positive net impact of 8%. The need for this type of financing has increased most strongly in Estonia

[6] Please note that the unweighted number of observations was relatively low in Estonia, the Czech Republic, Montenegro and Hungary at around 10. These results should be interpreted with care. These results should be interpreted with care.

(balance 28%), Greece (21%) and Bulgaria (20%). A decreased need was observed in four countries and was strongest in the Czech Republic (-11%).

figure 18 Changes in the need for equity (left) and the balance between the categories *increased* and *decreased* (right) for SMEs in the EU-28, by characteristics, sorted from high to low based on the balance, in 2014. The proportions relate to enterprises that indicated equity capital is relevant to their enterprise.



Q5c: For equity, please indicate if your needs increased, remained unchanged or decreased over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

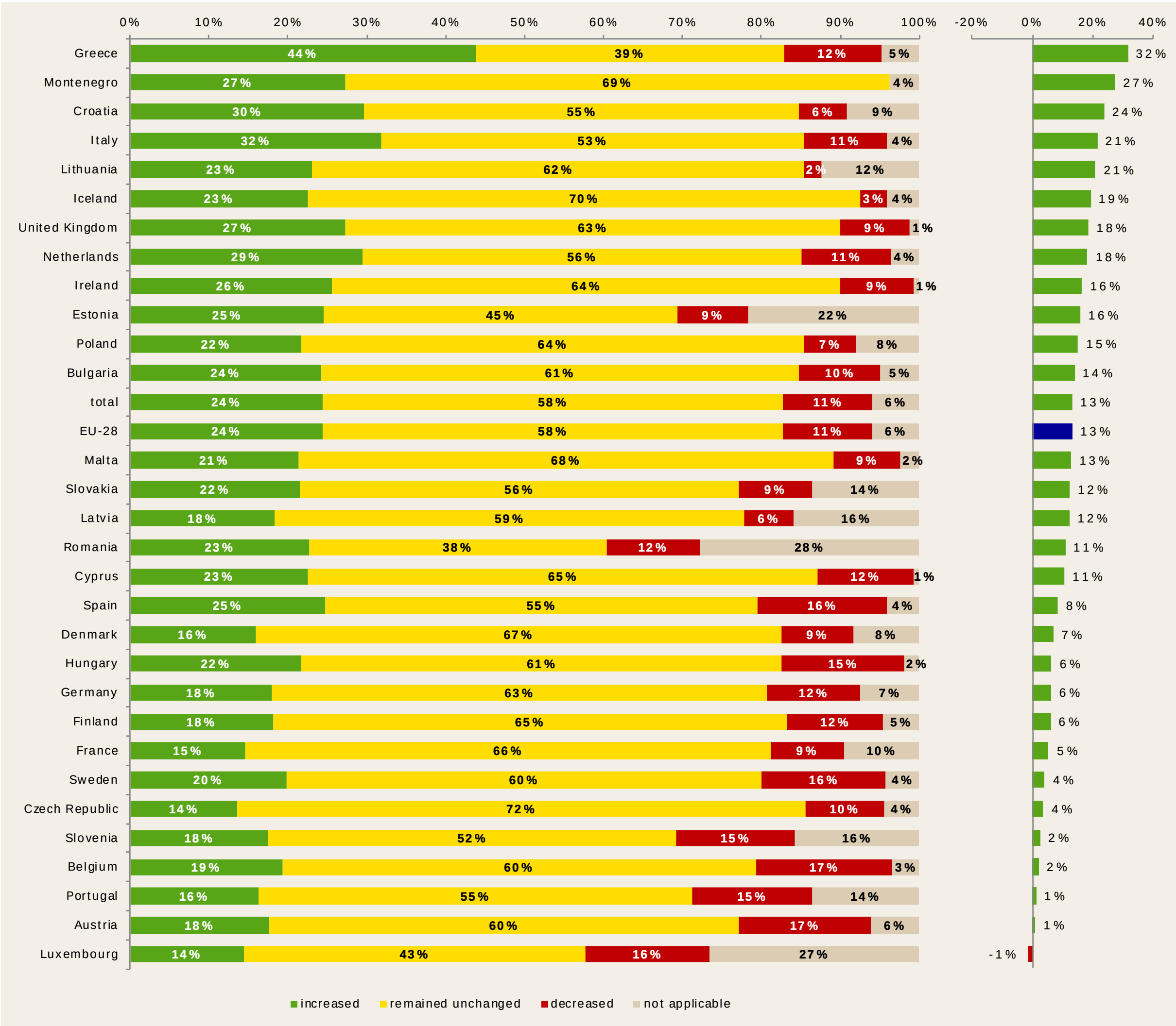
Differences in the needs of EU-28 enterprises for equity by enterprise characteristics are presented in figure 18. The proportions in the figure refer only to those enterprises that consider equity capital relevant. All results are for SMEs except when presented by size class. Among the four sectors of the economy distinguished, the need for equity increased most strongly among SMEs in industry, with a 12% balance. The balance was the lowest – though positive - for SMEs in trade (4%). The need for equity has increased considerably more for innovative enterprises than for non-innovative enterprises.

Large and medium-sized enterprises reported the largest net increases in the need for equity in the half year between April and September 2014. The balance for these categories amounted to 10%, compared to 8% for small and 7% for micro enterprises.

2.4.4 Trade credit

Trade credit is the last type of external financing to be discussed: first national differences are discussed, followed by differences due to enterprise characteristics. Changes in SMEs' needs for trade credit are presented in figure 19. The proportions in the figure relate to SMEs that considered trade credit relevant to their enterprise.

figure 19 Changes in the need for trade credit (left) and the balance between the categories *increased* and *decreased* (right) for SMEs in the EU-28, Iceland and Montenegro, by country, sorted from high to low based on the balance, in 2014. The proportions relate to SMEs that indicated that trade credit is relevant to their enterprise.[7]



Q5b: For trade credit, please indicate if your needs increased, remained unchanged or decreased over the past 6 months?

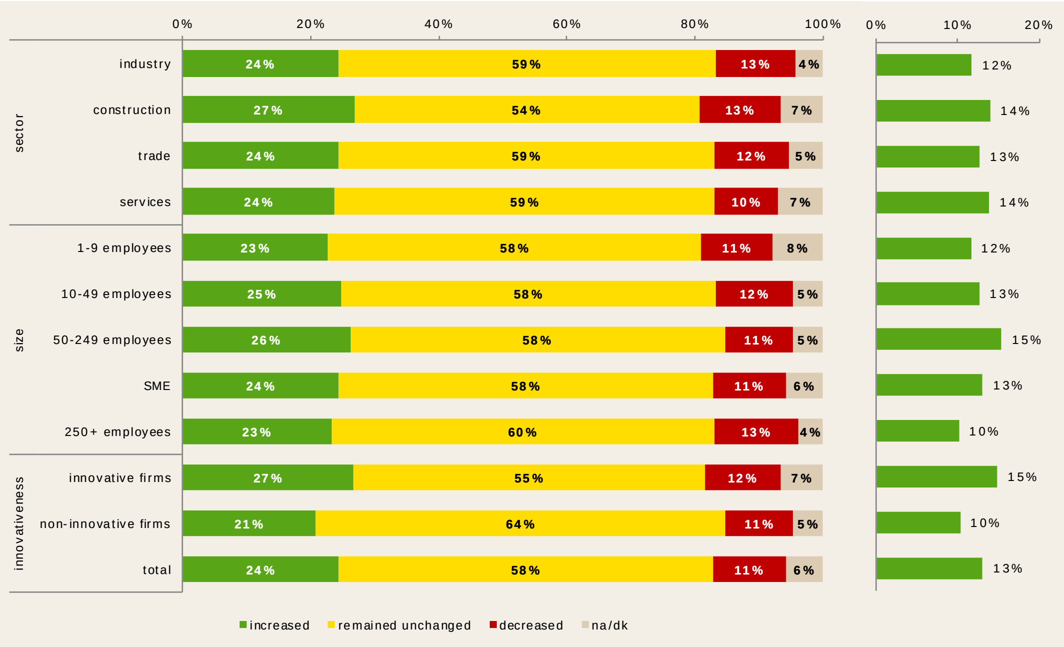
Source: SAFE, 2014; edited by Panteia. The reported balance may deviate from the category percentages reported in the bars due to rounding.

24% of all SMEs in EU-28 indicated that in the half year between April and September 2014 their needs for external financing using trade credit had increased. 11% indicated that their needs for this type of financing had decreased, resulting in a positive balance of 13%. The need for this type of financing has increased most

[7] Please note that the unweighted number of observations was relatively low in Estonia, Luxembourg and Montenegro at around 20. These results should be interpreted with care.

strongly in Greece (balance 32%), Montenegro (27%) and Croatia (24%). Only in Luxembourg a decreased need was observed(net impact -1%).

figure 20 Changes in the need for trade credit (left) and the balance between the categories *increased* and *decreased* (right) for SMEs in the EU-28, by country, sorted from high to low based on the balance, in 2014. The proportions relate to enterprises that indicated that trade credit is relevant to their enterprise.



Q5b: For trade credit, please indicate if your needs increased, remained unchanged or decreased over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

Differences in the needs of EU-28 enterprises for trade credit by enterprise characteristics are presented in figure 20. Here too, the proportions refer only those to enterprises that considered trade credit relevant. All results are for SMEs except when presented by size class. Among the four sectors of the economy distinguished, there is only little variation in the balance of increased and decreased need: between 12% for SMEs in industry and 14% for SMEs in services and construction. The need for trade credit has increased considerably strongly for innovative enterprises than for non-innovative enterprises.

Medium-sized enterprises reported the strongest net increases in the need for external financing via trade credit in the half year between April and September 2014. The net impact for this size class was 15%, compared to 12% for micro, 13% for small and 10% for large enterprises.

2.5 What type of external financing did SMEs apply for?

Whereas the preceding section detailed SMEs' *needs* for certain types of financing, this section focuses on the types of external financing that SMEs actually *applied* for. The same three types as discussed in the previous section are considered here: bank loans, overdraft and credit line, and trade credit. The proportion of SMEs applying for a type of financing and the subsequent responses these applications faced is discussed.

The discussion of each type will follow the same structure as before. First, overall results are presented for SMEs in EU-28 with the most recent results being compared to preceding survey years. This is followed by a comparison by country and enterprise characteristics.

2.5.1 Bank loans

The proportion of SMEs in the EU-28 that applied for a bank loan - or did not do so due to various reasons - as well as the corresponding success rates are presented in figure 21. Due to the introduction of a new filter and changes in the question, there must be carefully dealt with comparisons across years. The proportions presented refer to SMEs that indicated bank loans to be relevant for their enterprise. In 2014, 28% of these SMEs in the 28 EU Member States applied for a bank loan, which was slightly lower than in 2013. Most of them were successful in doing so: 66% of all applications were granted in full and another 7% were granted most of the amount applied for. Rejection rates have been quite stable over time, 14% in 2009 to 10% in 2011, 11% in 2013 and 13% in 2014.

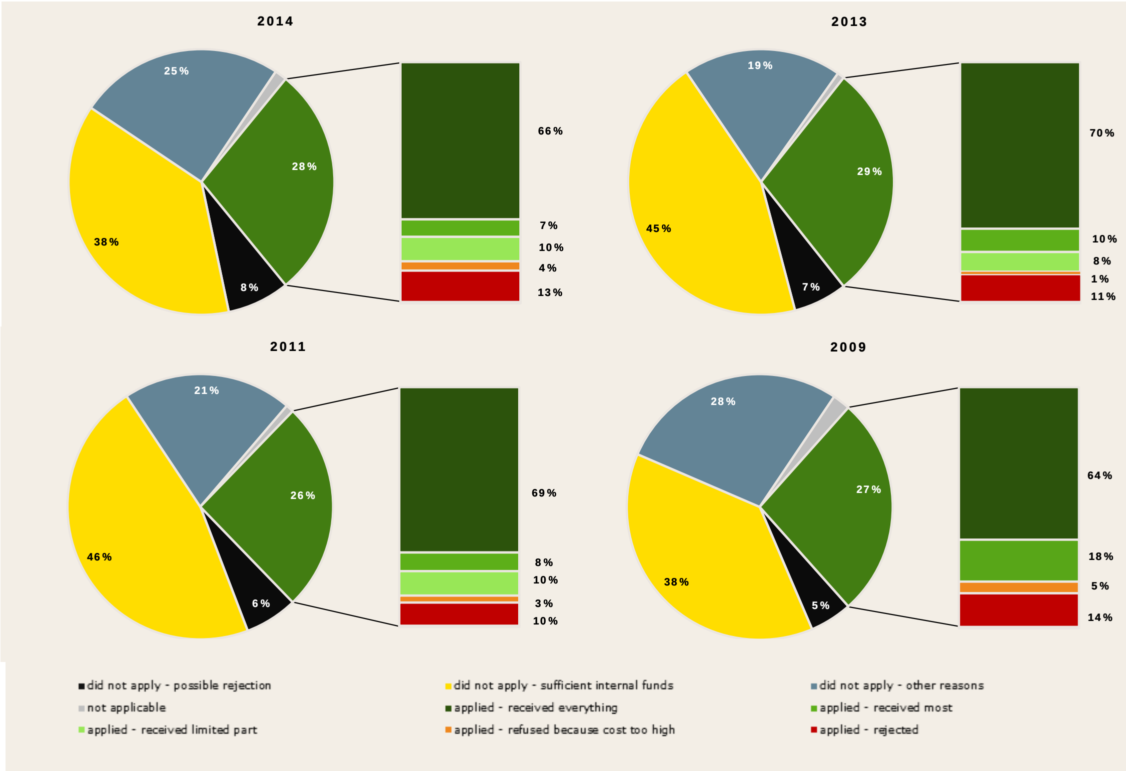
Most SMEs that did not apply for a loan, did so with the availability of sufficient internal funds cited as the most important reason for not doing so. This argument has become increasingly important in SMEs' decision not to apply for a loan between 2009 and 2013, but this dropped after 2014. In 2014, 38% indicated this to be the reason for not applying.

Applications and success rates for bank loans by country

The proportions of SMEs in the EU-28, Iceland and Montenegro that considered bank loans to be relevant to their enterprise and applied for a bank loan between April and September 2014 and their subsequent success rates vary strongly between countries. In figure 22 the difference regarding the proportion of SMEs that did and did not apply are presented. The figure shows for example that 43% of the SMEs in Montenegro that consider bank loans to be relevant applied for a bank loan. Other countries where a relatively large proportion of SMEs applied for a bank loan were Belgium (38%) and Slovenia, Croatia and France (all 37%). Comparatively few SMEs applied for this type of external financing in Cyprus (14%) and Luxembourg (16%).

In 21 countries, SMEs mostly indicated not applying for a bank loans because their internal funds were sufficient. Sweden and Latvia had the highest proportions of SMEs citing this reason for not applying for a bank loan. Only in Greece, the proportion of SMEs that did not apply for a bank loan because of possible rejection was the highest. In seven countries, the highest proportion of SMEs indicated they did not apply due to other reasons. Lithuania has by far the highest proportion of SMEs that cited "other reasons" for not applying for a bank loan.

figure 21 Proportion of EU-28 SMEs that applied for bank loans and the results they obtained, where "most" means that at least 75% of the requested amount was obtained and "limited part" means that less than 75% of the requested amount was obtained, for the period 2009-2014. The proportions relate to SMEs that indicated bank loans are relevant to their enterprise.



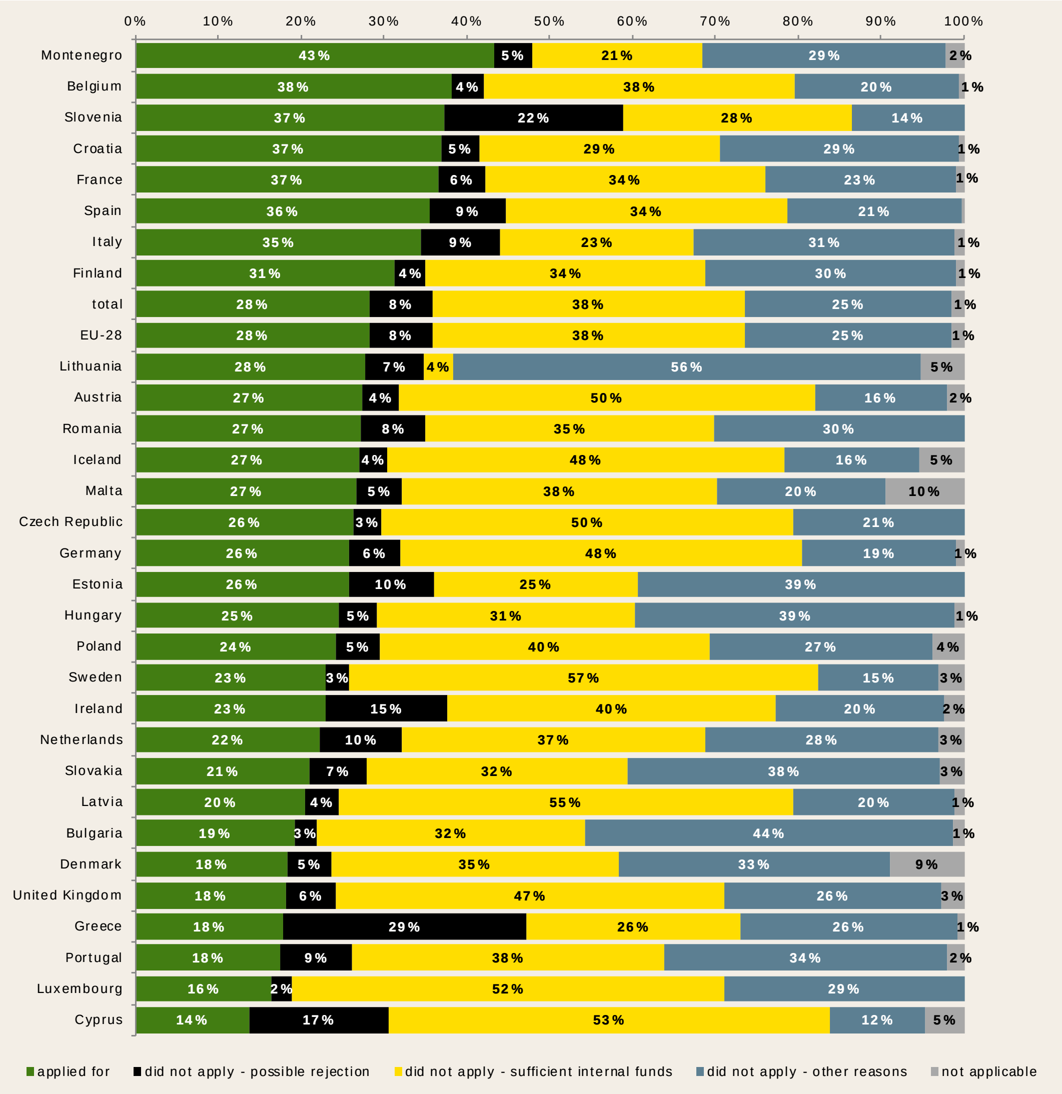
Note: In 2014 a new filter was introduced in the SAFE questionnaire and changes were made in the questions. The filter was simulated in the data of the previous survey rounds, nevertheless one should be cautious when making comparisons across years. In 2009 results, two categories 'applied and received most' and 'applied and received limited part' were merged.

Q7A_A: Have you applied for a bank loan (excluding overdraft and credit lines) in the past 6 months?

Q7B_A: If you applied and tried to negotiate for a bank loan (excluding overdraft and credit lines)over the past 6 months, did you: receive all the financing you requested; receive only part of the financing you requested; refuse to proceed because of unacceptable costs or terms and conditions; or have you not received anything at all?

Source: SAFE, 2009-2014; edited by Panteia.

figure 22 Proportion of EU-28, Iceland and Montenegro SMEs that applied for bank loans or did not apply for bank loans because of possible rejection, sufficient internal funds or other reasons, in the period between April and September 2014, by country. The proportions relate to SMEs that indicated bank loans are relevant to their enterprise.



Q7A_A: Have you applied for a bank loan (excluding overdraft and credit lines) in the past 6 months?

Source: SAFE, 2014; edited by Panteia.

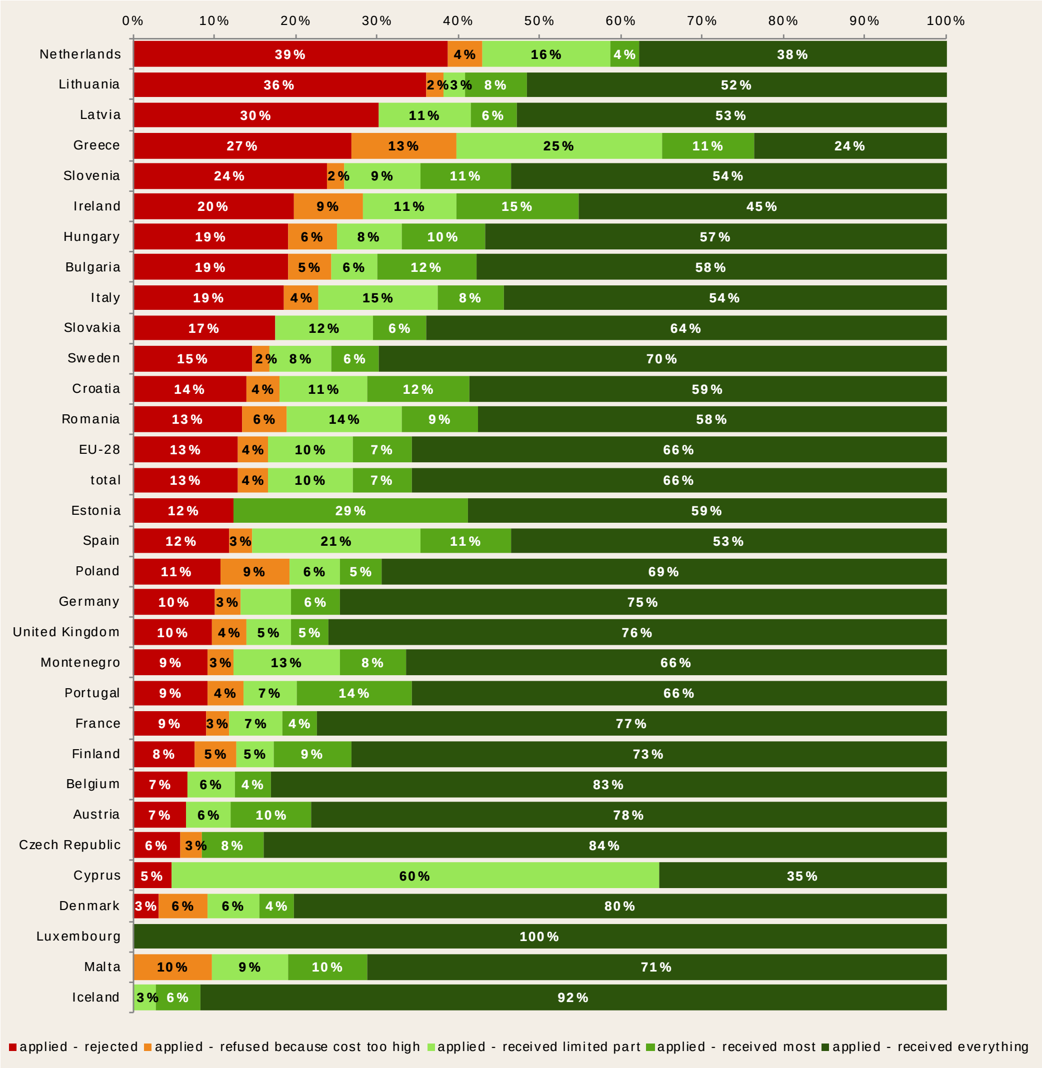
In figure 23 the success and rejection rates of the applications for a bank loan are presented. The success rate was highest in Luxembourg, where all applying SMEs received the full amount requested for. Also in Iceland not a single application was rejected, of which 92% received the total amount of financing applied for. In Greece however, only 24% of SMEs received the total amount of financing applied for. Also in Cyprus (35%) and in the Netherlands (38%), the proportion of SMEs that received the total amount requested for were relatively low.

32% of the EU-28 SMEs did not receive the full amount of finance requested for between April and September 2014. This percentage was largest in Lithuania, were 83% of the SMEs did not receive the full of requested amount of finance. Also in Greece (71%) and Cyprus (63%) a relatively high proportion of SMEs did not get the full bank loan they had applied for. In Luxembourg (0%), the United Kingdom (13%)

and Finland (17%) the lowest proportion of SMEs did not get the full requested bank loan finance.

Flat-out rejection rates were highest in the Netherlands (39% of bank loan applications were rejected completely), Lithuania (36%), Latvia (30%) and Greece (27%). See figure 22 and figure 23.

figure 23 Obtained result of EU-28, Iceland and Montenegro SMEs that applied for bank loans, where “most” means that at least 75% of the requested amount was obtained and “limited part” means that less than 75% of the requested amount was obtained, by country in 2014. The proportions relate to SMEs that indicated that bank loans are relevant to their enterprise.[8]

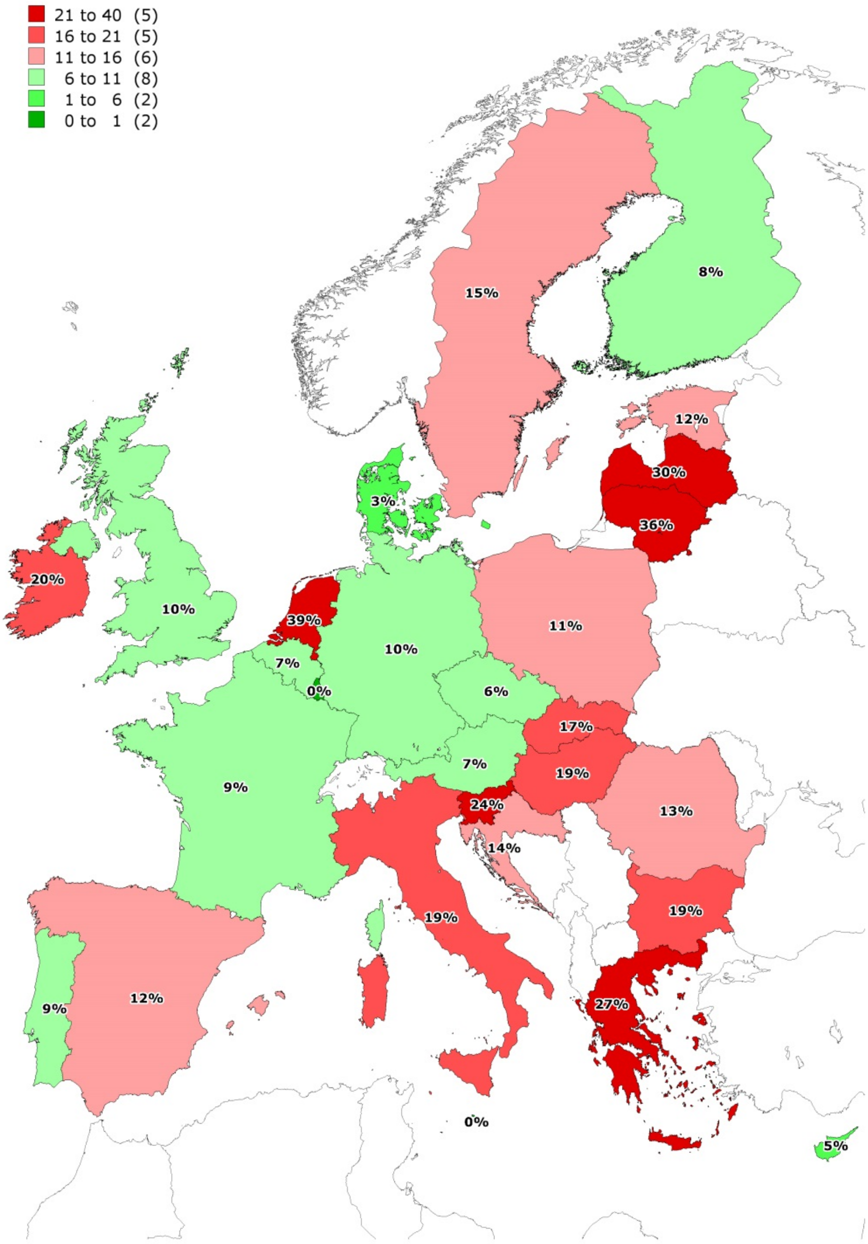


Q7B_A: If you applied and tried to negotiate for a bank loan (excluding overdraft and credit lines)over the past 6 months, did you: receive all the financing you requested; receive only part of the financing you requested; refuse to proceed because of unacceptable costs or terms and conditions; or have you not received anything at all?

Source: SAFE, 2014; edited by Panteia.

[8] Please note that the unweighted number of observations was relatively low in Cyprus, Estonia, Latvia, Luxembourg, Malta, Montenegro and Iceland at below 30. These results should be interpreted with care.

figure 24 Rejection rates for SMEs in EU-28, Iceland and Montenegro, by country in 2014[9]



Q7B_A: If you applied and tried to negotiate for a bank loan (excluding overdraft and credit lines)over the past 6 months, did you: receive all the financing you requested; receive only part of the financing you requested; refuse to proceed because of unacceptable costs or terms and conditions; or have you not received anything at all?

Source: SAFE, 2014; edited by Panteia.

[9] Please note that the unweighted number of observations was relatively low in Cyprus, Estonia, Latvia, Luxembourg, Malta, Montenegro and Iceland at below 30. These results should be interpreted with care.

Confrontation of cited needs and actual application

When confronting the *need* for bank loans (presented in figure 12) with the *actual* application rates for this type of financing, the discrepancy between these two indicators was highest for Greece. Between April and September 2014, 35% of all SMEs in Greece indicated an increased need for external financing using bank loans. In the same period, only 18% actually applied for a bank loan. The main cause not applying was the fear of rejection of the application.

Applications and success rates for bank loans by characteristics

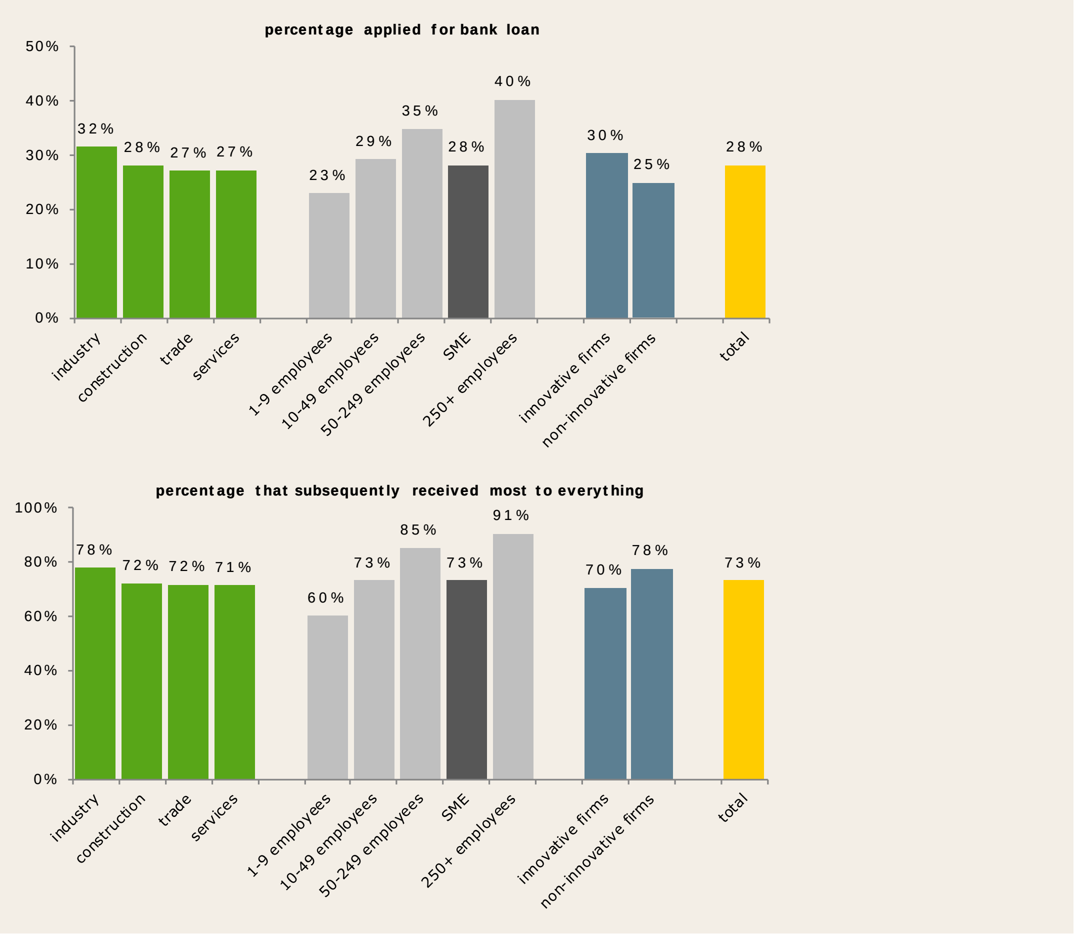
The proportion of SMEs in the EU-28 that applied for a bank loan in 2014 and their subsequent success rates vary strongly with enterprise characteristics (figure 25). Again, the proportions refer to SMEs that indicated that bank loans were relevant for their enterprise. All results refer to SMEs, except when results are presented by size class.

Of the four economic sectors distinguished, the highest proportion of SMEs that apply for a bank loan is found in industry: 32% of all SMEs in this sector applied for this type of external financing. The proportion for construction was 28 % and for trade and for services were 27%. The approval rate of applications for bank loans by SMEs in industry was also highest (78%).

The proportion of enterprises that applied for a bank loan between April and September 2014 increases with size class. Only 23% of the micro enterprises applied for a bank loan compared to 40% of the large enterprises. The proportion of SMEs that did not apply because of fear of rejection is highest among micro enterprises.

Innovative enterprises apply for a bank loan more often than non-innovative enterprises, but their requests are also more often refused. The operations of innovative SMEs are considered to be more risky, as investments in innovations are more often surrounded by a great degree of uncertainty, as are the resulting profits.

figure 25 Proportion of EU-28 SMEs that applied for bank loans and the proportion that obtained most to everything, where “most” means that at least 75% of the requested amount was obtained by enterprise characteristic, for the period 2014. The proportions relate to SMEs that indicated bank loans are relevant to their enterprise.



Q7A_A: Have you applied for a bank loan (excluding overdraft and credit lines) in the past 6 months?

Q7B_A: If you applied and tried to negotiate for a bank loan (excluding overdraft and credit lines)over the past 6 months, did you: receive all the financing you requested; receive only part of the financing you requested; refuse to proceed because of unacceptable costs or terms and conditions; or have you not received anything at all?

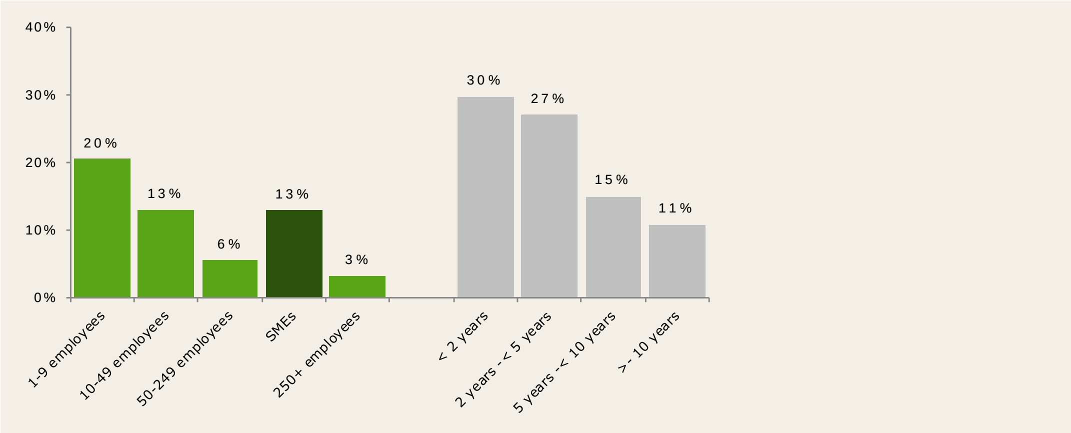
Source: SAFE, 2014; edited by Panteia.

Rejection rates for bank loans by size and age of the enterprise

figure 26 reports the proportion of enterprises for which bank loan applications were rejected completely from April to September 2014. Also here, the results refer to SMEs, except when results are presented by size class.

The rejection rate decreases with size. Among micro enterprises 20% of the applications for bank loans were rejected versus only 3% of the application among large enterprises. The rejection rate also decreases with age. Among SMEs that were established less than 2 years ago, 30% of the applications for bank loans were rejected versus 11% of the application among SMEs that already exist for more than 10 years.

figure 26 Rejection rates by size and age of the enterprise, for the period 2014. The proportions relate to SMEs that indicated bank loans are relevant to their enterprise.



Q7B_A: If you applied and tried to negotiate for a bank loan (excluding overdraft and credit lines)over the past 6 months, did you: receive all the financing you requested; receive only part of the financing you requested; refuse to proceed because of unacceptable costs or terms and conditions; or have you not received anything at all?

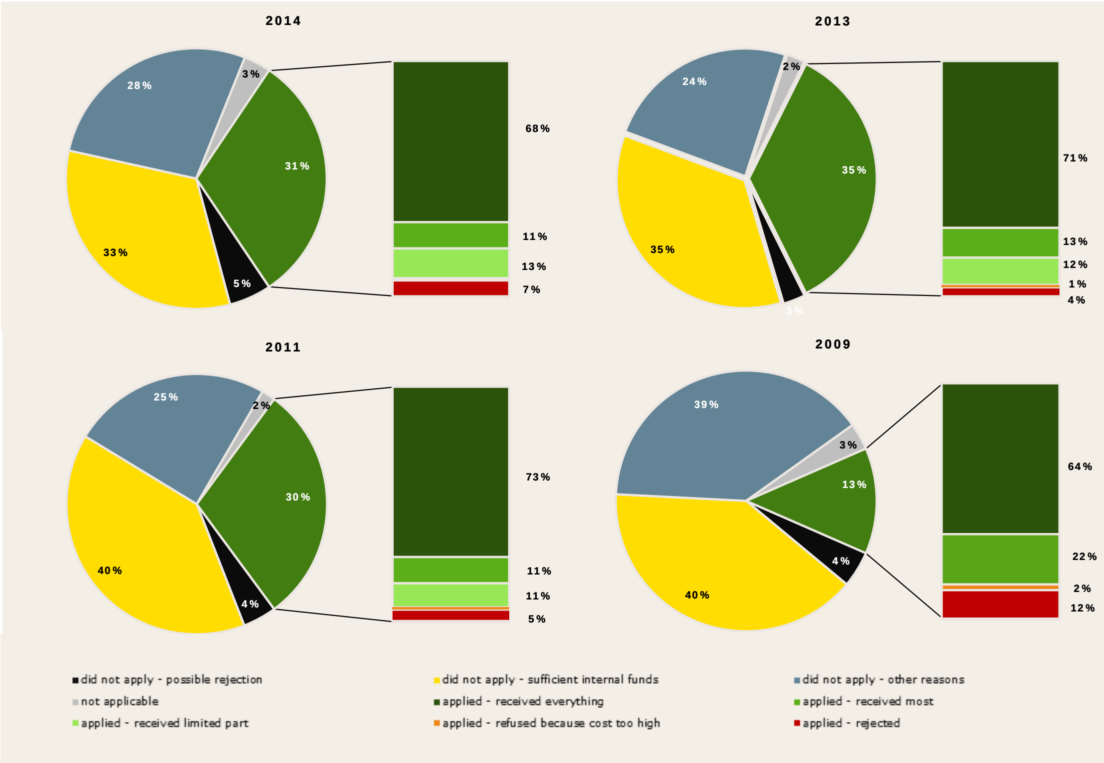
Source: SAFE, 2014; edited by Panteia.

2.5.2 Trade credit

The proportion of EU-28 SMEs that applied for trade credit - or did not do so due to various reasons - as well as the corresponding success rates are presented in figure 27. The proportions refer to SMEs that indicated trade credit to be relevant to their enterprise. Due to the introduction of a new filter and changes in the question, there must be carefully dealt with comparisons across years. In 2014, 31% of these SMEs in the 28 Member States of the EU applied for trade credit, which was lower than in 2013 (35%). Most of them were successful in doing so: 68% of all applications were granted in full and another 11% were granted most of the amount applied for. Rejection rates have decreased from 12% in 2009 to 7% in 2014.

Most SMEs that did not apply for trade credit, mentioned the availability of sufficient internal funds as the most important reason for not doing so. The importance this argument has in SMEs' decision not to apply for trade credit decreased over the past years: from 40% of SMEs in 2009 to 33% in 2014.

figure 27 proportion of EU-28 SMEs that applied for trade credit and the results they obtained, where "most" means that at least 75% of the requested amount was obtained and "limited part" means that less than 75% of the requested amount was obtained, for the period 2009-2014. The proportions relate to SMEs that indicated that trade credit is relevant to their enterprise.



Note: In 2014 a new filter was introduced in the SAFE questionnaire and changes were made in the questions. The filter was simulated in the data of the previous survey rounds, nevertheless one should be cautious when making comparisons across years.

Q7A_B: Have you applied for trade credit in the past 6 months?

Q7B_B: If you applied and tried to negotiate for trade credit over the past 6 months, did you: receive all the financing you requested; receive only part of the financing you requested; refuse to proceed because of unacceptable costs or terms and conditions; or have you not received anything at all?

Source: SAFE, 2014; edited by Panteia.

Applications and success rates for trade credit by country

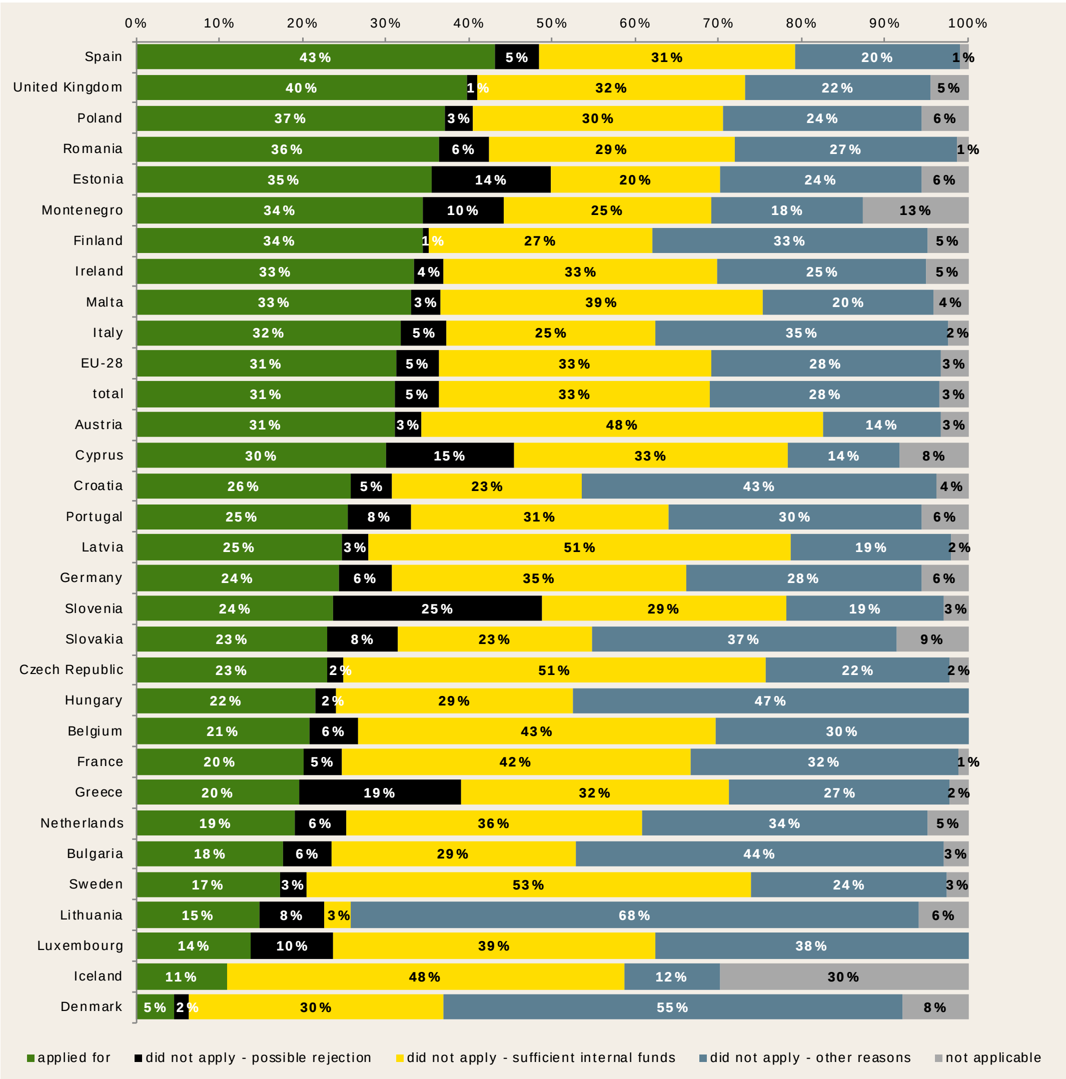
The proportion of SMEs in EU-28, Iceland and Montenegro that considered trade credit to be relevant to their enterprise and applied for trade credit between April and September 2014 and their subsequent success rates vary strongly from country to country.

In figure 28 the proportions of SMEs that did and did not apply are presented. The figure shows that 43% of the SMEs that consider trade credit to be relevant in Spain actually applied for trade credit. Other countries where a relatively large proportion of SMEs applied for trade credit were the United Kingdom (40%) and Poland (37%). Relatively few SMEs applied for this type of external financing in Denmark (5%) and Iceland (11%).

In 21 countries, the major reason for not applying for trade credit was the availability of sufficient internal funds. Sweden, the Czech Republic and Latvia had the highest proportions of SMEs citing this reason for not applying for trade credit. In Slovenia and Greece a relative high proportion of SMEs did not apply for trade credit because of possible rejection. In nine countries, most SMEs indicated they did not apply due to other reasons. Lithuania had by far the greatest proportion of SMEs citing this “other reasons” for not applying for a bank loan.

In figure 29 the results after application for trade credit are presented. The success rate was highest for Luxembourg, where all applying SMEs received the full amount requested for. Also in Finland no application was rejected, of which 83% received the total amount of financing they applied for. In Lithuania, only 15% of SMEs received the total amount of financing they applied for. Also in Greece (29%) and Cyprus (37%), the proportions of SMEs that received total amount requested for was relatively low. Flat-out rejection rates were highest in Slovenia (39% of trade credit applications were rejected completely), Cyprus (35%) and the Netherlands (31%).

figure 28 proportion of EU-28, Iceland and Montenegro SMEs that applied for trade credit or did not apply for bank loans because of possible rejection, sufficient internal funds or other reasons, in the period between April and September 2014. The proportions relate to SMEs that indicated trade credit is relevant to their enterprise.[10]

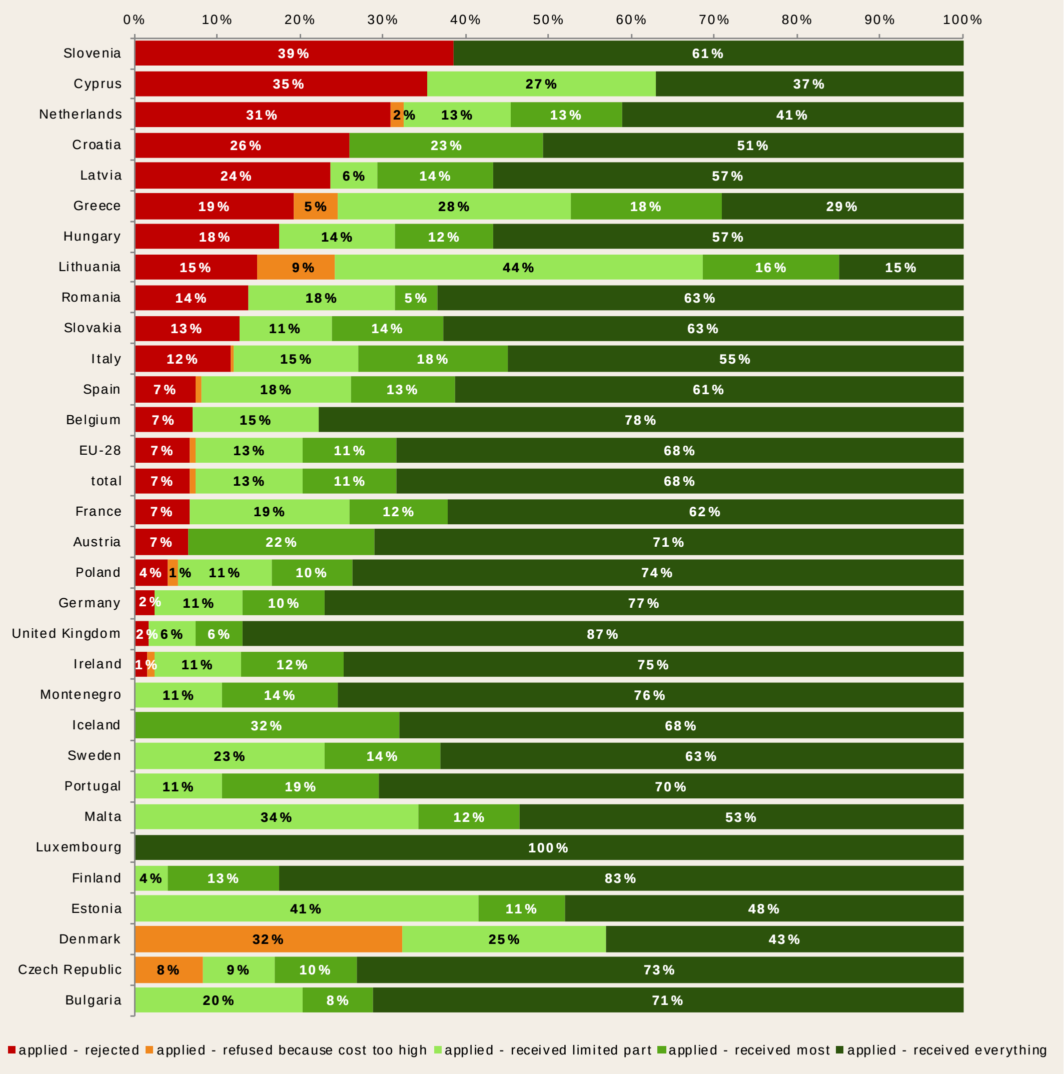


Q7A_B: Have you applied for trade credit in the past 6 months?

Source: SAFE, 2014; edited by Panteia.

[10] Please note that the unweighted number of observations was relatively low in Estonia, Luxembourg and Montenegro, at below 30. These results should be interpreted with care.

figure 29 obtained result of EU-28, Iceland and Montenegro SMEs that applied for trade credit, where "most" means that at least 75% of the requested amount was obtained and "limited part" means that less than 75% of the requested amount was obtained, for the period 2009-2014. The proportions relate to SMEs that indicated trade credit is relevant to their enterprise.[11]



Q7B_B: If you applied and tried to negotiate for trade credit over the past 6 months, did you: receive all the financing you requested; receive only part of the financing you requested; refuse to proceed because of unacceptable costs or terms and conditions; or have you not received anything at all?

Source: SAFE, 2014; edited by Panteia.

Applications and success rates for trade credit by characteristics

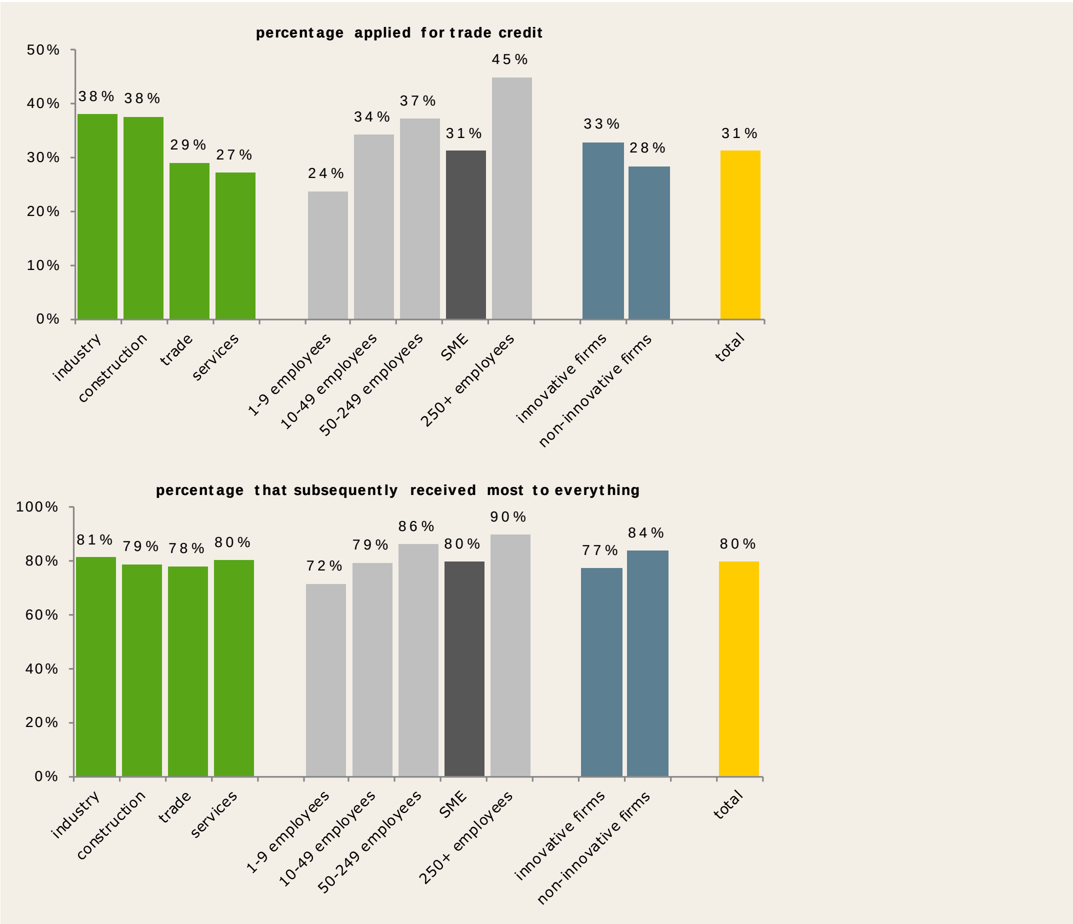
The proportion of SMEs in the EU-28 that applied for trade credit in 2014 and their subsequent success rates vary strongly with enterprise characteristics. These differences are presented in figure 30. The proportions refer to SMEs that indicated trade credit to be relevant to their enterprise. All results refer SMEs except for results presented by size-class.

[11] Please note that the unweighted number of observations was relatively low in Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Hungary, Latvia, Lithuania, Luxembourg, Malta, Slovakia, Slovenia, Sweden, Montenegro and Iceland, at below 30. These results should be interpreted with care.

Of the four economic sectors distinguished, the highest proportion of SMEs to apply for trade credit is found in industry and construction: 38% of SMEs active in these sectors applied for this type of external financing versus only 27% in the business services. The approval rate of applications varies only slightly between sectors and is *lowest* in trade at 74% versus 78% in the sector groups of industry and services.

The proportion of enterprises that applied for trade credit between April and September 2014 increases with size class. Only 24% of the micro enterprises applied for a bank loan compared to 45% of the large enterprises. Again, the proportion of SMEs that did not apply because of fear of rejection was highest among micro enterprises. Finally, it is interesting to note that innovative enterprises apply for trade credit more often than non-innovative enterprises, but they are also refused more often. The operations of innovative SMEs are considered more risky, as investments in innovations are more often surrounded by a great degree of uncertainty, as are the resulting profits.

figure 30 proportion of EU-28 SMEs that applied for trade credit and the proportion that obtained most to everything, where "most" means that at least 75% of the requested amount was obtained by enterprise characteristic, for the period 2009-2014. The proportions relate to enterprises that indicated that trade credit is relevant to their enterprise.



Q7A_B: Have you applied for trade credit in the past 6 months?

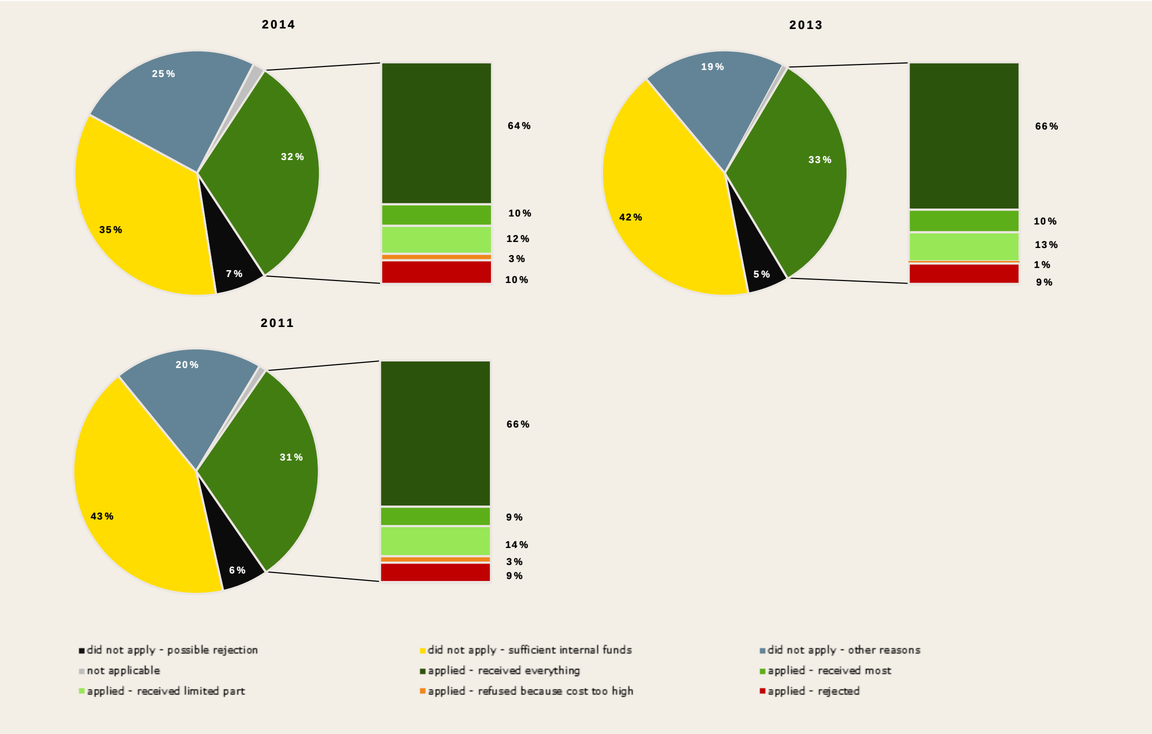
Q7B_B: If you applied and tried to negotiate for trade credit over the past 6 months, did you: receive all the financing you requested; receive only part of the financing you requested; refuse to proceed because of unacceptable costs or terms and conditions; or have you not received anything at all?

Source: SAFE, 2014; edited by Panteia.

2.5.3 Bank overdraft, credit line or credit cards overdraft

The proportion of EU-28 SMEs that applied for overdraft or credit line - or did not do so due to various reasons - as well as the corresponding success rates are presented in figure 31. The proportions refer to SMEs that indicated credit line or overdrafts to be relevant to their enterprise. Due to the introduction of a new filter and changes in the question, there must be carefully dealt with comparisons across years. In 2014, 32% of SMEs in the 28 Member States of the EU applied for overdraft or credit line. Most of them were successful in doing so: 64% of all applications were granted in full and another 10% were granted most of the amount applied for. Rejection rates slightly increased from 9% in 2011 to 10% in 2014.

figure 31 proportion of EU-28 SMEs that applied for bank overdraft, credit line or credit cards overdraft and the results they obtained, where "most" means that at least 75% of the requested amount was obtained and "limited part" means that less than 75% of the requested amount was obtained, for the period 2011-2014. The proportions relate to SMEs that indicated that credit line, bank overdraft or credit cards overdraft are relevant to their enterprise.



Note: In 2014 a new filter was introduced in the SAFE questionnaire and changes were made in the questions. The filter was simulated in the data of the previous survey rounds, nevertheless one should be cautious when making comparisons across years.

Q7A_D: Have you applied for credit line, bank overdraft or credit cards overdraft in the past 6 months?

Q7B_D: If you applied and tried to negotiate for credit line, bank overdraft or credit cards overdraft over the past 6 months, did you: receive all the financing you requested; receive only part of the financing you requested; refuse to proceed because of unacceptable costs or terms and conditions; or have you not received anything at all?

Source: SAFE, 2014; edited by Panteia.

Most SMEs that did not apply for overdraft or credit line, mentioned the availability of sufficient internal funds cited as the most important reason for not doing so (35% in 2014). The importance of this argument in SMEs' decision not to apply for trade credit has decreased over the past years. This contrasts with bank loans, where this argument has increased strongly in importance.

Applications and success rates for credit line, bank overdraft or credit cards overdraft by country

The proportion of SMEs in the EU-28, Iceland and Montenegro that considered overdraft or credit line to be relevant to their enterprise and applied for a bank loan between April and September 2014 and their subsequent success rates vary strongly between countries.

In figure 32 the difference regarding the proportion of SMEs that did and did not apply are presented. This figure shows that for example 49% of the SMEs in Slovenia that consider overdraft or credit line to be relevant applied for overdraft or credit line. Other countries where a relatively large proportion of SMEs applied for overdraft or credit line were Spain (45%) and Iceland (44%). Comparatively few SMEs applied for this type of external financing in Cyprus (11%), the Netherlands (17%) and Finland (18%).

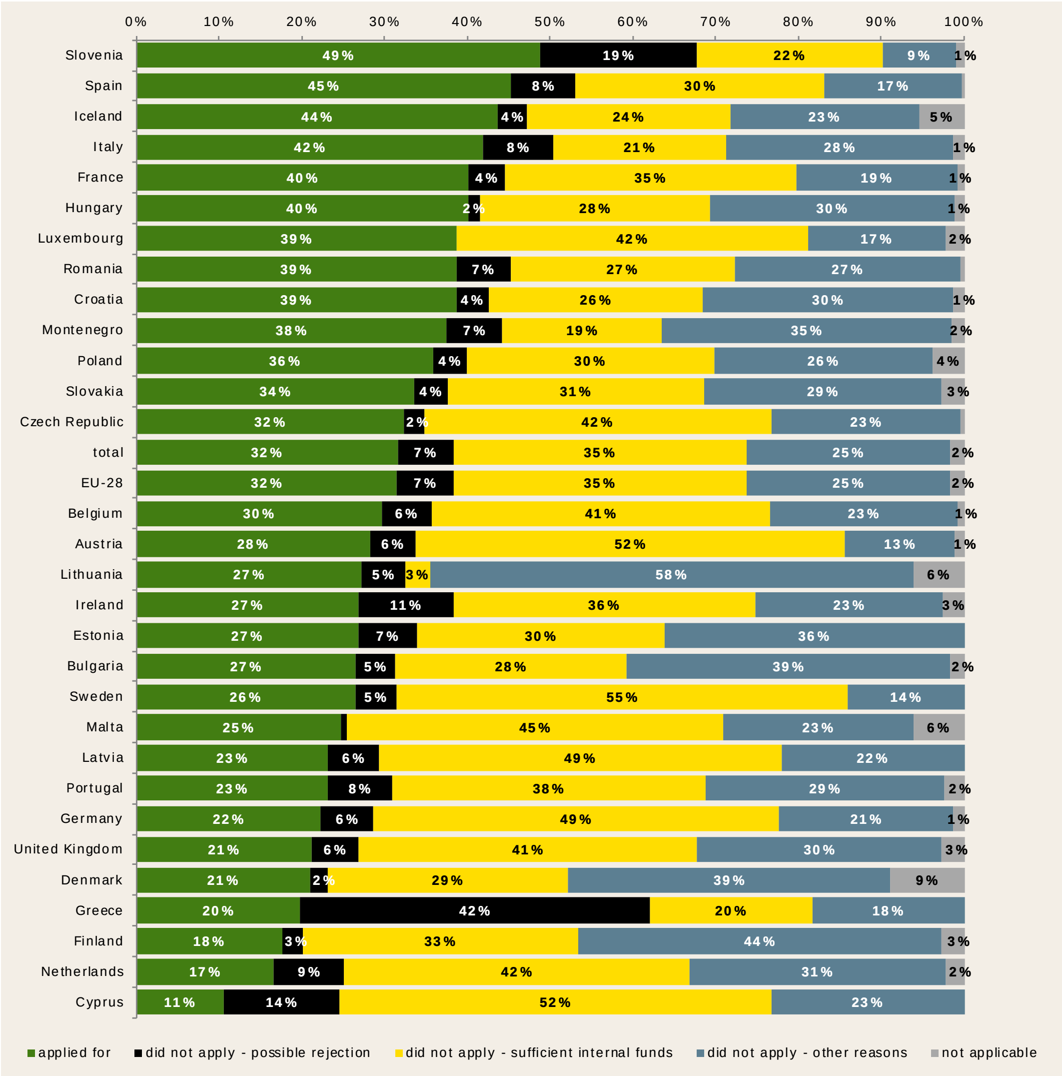
In nineteen countries, the most often indicated reason for not applying for overdraft or credit line were the sufficient availability of internal funds. Cyprus and Austria have the largest proportions of SMEs citing this reason for not applying for overdraft or credit line. Only in Greece, most SMEs did not apply for a bank loan because of possible rejection. In nine countries, most SMEs indicated they did not apply due to other reasons. Lithuania has by far the greatest proportion of SMEs citing this “other reasons” for not applying for a bank loan.

In figure 33 the results after application for overdraft or credit line are presented. The success rate is again highest in Luxembourg, where most applying SMEs received the full amount (91%). Also in the Czech Republic a high proportion of SMEs received the full amount applied for (88%). In Greece, only 22% of SMEs received the total amount of financing they applied for. Flat-out rejection rates were highest in Cyprus (36% of overdraft or credit line applications were rejected completely), Greece (33%) and the Netherlands (29%).

Confrontation of cited needs and actual application

When confronting the *need* for bank loans (presented in figure 12) with the *actual* application rates for this type of financing it out that the discrepancy between these two measures was greatest for Greece and Cyprus. Between April and September 2014, 45% of SMEs in Greece and 29% in Cyprus indicated an increased need for external financing using overdraft or credit line. In the same period, only 20% in Greece and 11% in Cyprus actually applied for overdraft or credit line.

figure 32 proportion of EU-28, Iceland and Montenegro SMEs that applied for bank overdraft, credit line or credit cards overdraft because of possible rejection, sufficient internal funds or other reasons, in the period between April and September 2014. The proportions relate to SMEs that indicated that credit line, bank overdraft or credit cards overdraft are relevant to their enterprise.



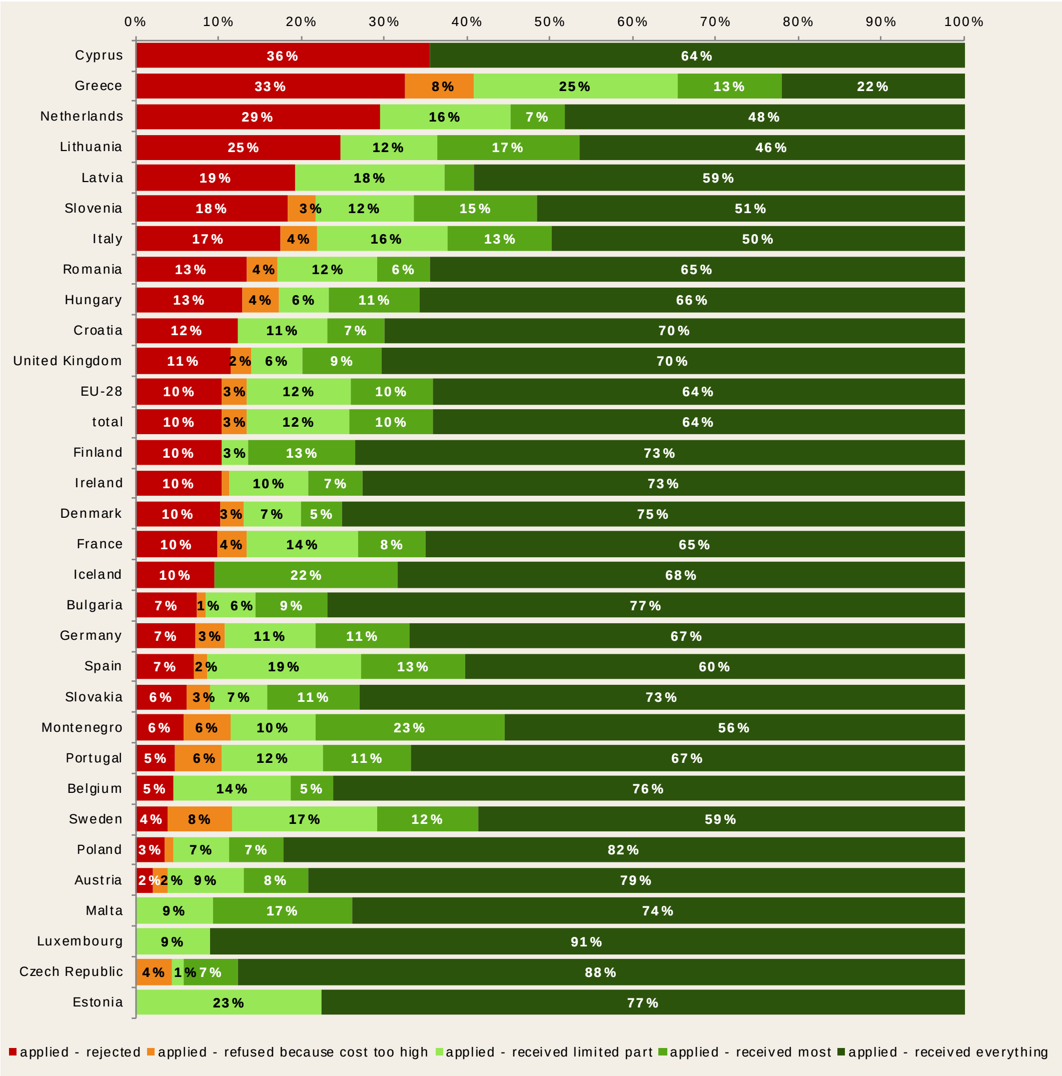
Q7A_D: Have you applied for credit line, bank overdraft or credit cards overdraft in the past 6 months?

Source: SAFE, 2014; edited by Panteia.

Applications and success rates for bank overdraft, credit line or credit cards overdraft by characteristics

The proportion of SMEs in the EU-28 that applied for bank overdraft, credit line or credit cards overdraft in 2014 and their subsequent success rates vary strongly with enterprise characteristics. These differences are presented in figure 34. The proportions refer only to those SMEs that indicated credit line or overdrafts to be relevant to their enterprise. All results refer to SMEs except for results presented by size-class.

figure 33 obtained result of EU-28, Iceland and Montenegro SMEs that applied for bank overdraft, credit line or credit cards overdraft, where “most” means that at least 75% of the requested amount was obtained and “limited part” means that less than 75% of the requested amount was obtained, for the period 2009-2014. The proportions relate to SMEs that indicated that credit line, bank overdraft or credit cards overdraft are relevant to their enterprise. [12]



Q7B_D: If you applied and tried to negotiate for credit line, bank overdraft or credit cards overdraft over the past 6 months, did you: receive all the financing you requested; receive only part of the financing you requested; refuse to proceed because of unacceptable costs or terms and conditions; or have you not received anything at all?

Source: SAFE, 2014; edited by Panteia.

Of the four economic sectors distinguished, the highest proportion of SMEs to apply for overdraft or credit line is found in construction: 35% of all SMEs in this sector applied for this type of external financing versus 30% in the business services. Surprisingly, the approval rate of applications for overdraft or credit line is *lowest* in construction at 70% versus 76% in industry.

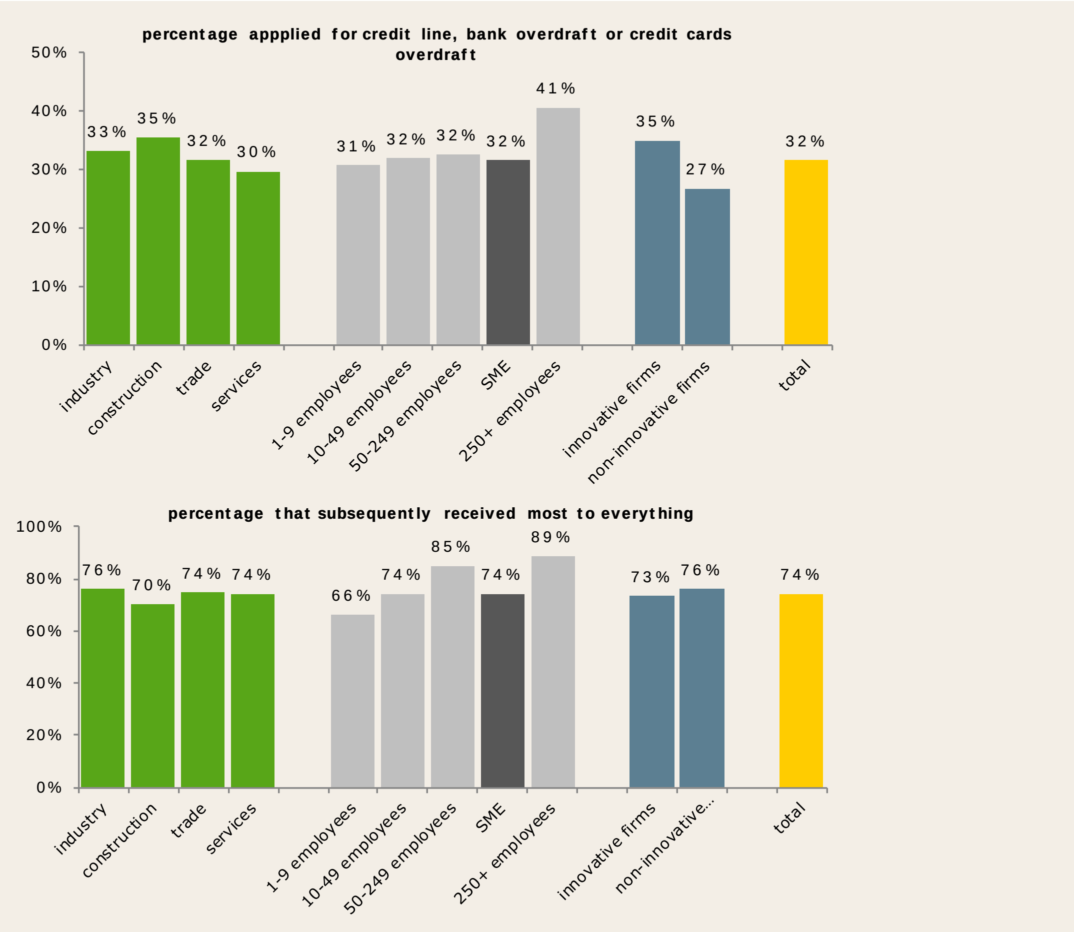
The proportion of enterprises that applied for bank overdraft, credit line or credit cards overdraft between April and September 2014 increases with size class. 32% of

[12] Please note that the unweighted number of observations was relatively low in Cyprus, Estonia, Latvia, Iceland, Luxembourg, Malta, Sweden and Montenegro at below 30. These results should be interpreted with care.

the SMEs applied for bank overdraft, credit line or credit cards overdraft compared to 41% of the large enterprises. The proportion of SMEs that did not apply because of fear of rejection is highest among micro enterprises.

Innovative enterprises apply for bank overdraft, credit line or credit cards overdraft more often than non-innovative enterprises, but they are also refused more often. The operations of innovative SMEs are considered more risky, as investments in innovations are more often surrounded by a great degree of uncertainty, as are the resulting profits.

figure 34 proportion of EU-28 SMEs that applied for bank overdraft, credit line or credit cards overdraft and the proportion that obtained most to everything, where "most" means that at least 75% of the requested amount was obtained by enterprise characteristic, for the period 2009-2014. The proportions relate to enterprises that indicated credit line, bank overdraft or credit cards overdraft are relevant to their enterprise.



Q7A_D: Have you applied for credit line, bank overdraft or credit cards overdraft in the past 6 months?

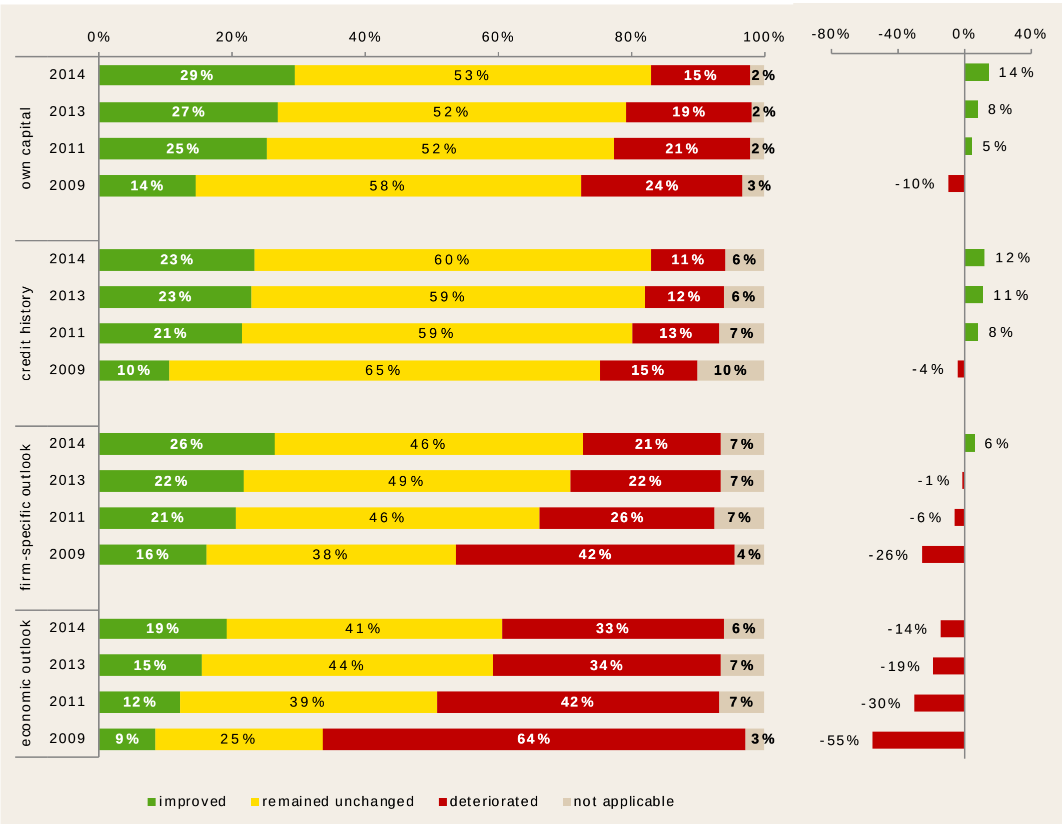
Q7B_D: If you applied and tried to negotiate for credit line, bank overdraft or credit cards overdraft over the past 6 months, did you: receive all the financing you requested; receive only part of the financing you requested; refuse to proceed because of unacceptable costs or terms and conditions; or have you not received anything at all?

Source: SAFE, 2014; edited by Panteia.

2.6 What affected the availability of funding?

SMEs' needs for certain types of external financing did not always translate to them actually applying for these types of funding and certainly did not always translate to them actually receiving the amount applied for. SMEs may find themselves discouraged in seeking out funding due to various factors that they believe reduce their chances of obtaining the amount needed. An overview of four business factors that SMEs believe had affected the funding available to them is presented in figure 35 for four survey years. The factors discussed are credit history, SMEs' own capital, their firm-specific outlook with respect to sales and profitability or business plan and their general economic outlook. Each of these factors is subsequently discussed in more detail by country and enterprise characteristic.

figure 35 Changes in firm-specific factors affecting the availability of external financing (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in EU-28 in the period 2009-2014, sorted from high to low based on the balance in 2014



Q11: The availability of external financing may depend on a number of factors, some of which are specific to your firm and others which are of more general relevance. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?

Source: SAFE, 2009-2014; edited by Panteia.

Improved capital stock, credit history and firm-specific outlook

SMEs in EU-28 are most positive about the influence of their own capital stock on the external funding available to them. In 2014, 29% of all SMEs in the Member States comprising the European Union felt that their own capital had changed in such a way that it improved their access to finance, versus 15% that felt it deteriorated their position, resulting in a net impact of 14%. This is a considerably improvement from 2009 when the net impact was negative and equalled -10%, meaning more SMEs felt that own capital position had deteriorated their access to external financing.

A similar development is observed for the own credit history of SMEs and its impact on the availability of external financing. In 2014, 23% of SMEs felt that their credit history had improved, while only 11% felt it had deteriorated. This is in line with the reasons for not applying for various type of external financing listed in the previous section, where fear of rejection is of relatively little importance compared to other arguments for not applying for external financing. SMEs have been rating their own credit history consistently better and while the net impact was negative in 2009 (at minus 4%), it has increased vastly to plus 12% in 2014.

Also, the proportion of SMEs that feel that their own firm-specific outlook improved their access to finance is higher than the proportion that feels it deteriorated their position for a net impact of 6%. In previous years SMEs had less faith in their enterprises' ability to realise the level of sales required to attract external funding.
Especially in 2009 quite a bit more SMEs felt that their business outlook negatively affected their access to external financing, making a balance of minus 26%. In 2011 the balance was minus 6% and in 2013, with a balance at minus 1%,SMEs were ambivalent on the impact of their firm-specific outlook.

SMEs became less pessimistic about the general economic outlook

The financial crises that held the economies of the European Union firmly in their grip in the past years has had considerable impact on SMEs' views on the general economic outlook. While 19% believe that it has developed in such a way as to improve the availability of external funding to them, 33% believe that it deteriorated, resulting in a negative balance of -14%.While this is still strongly negative, this does mean an improvement over 2009, when the balance was -55%. In that year, more than half of all EU-28 SMEs feared the effect of economic developments on their access to finance.

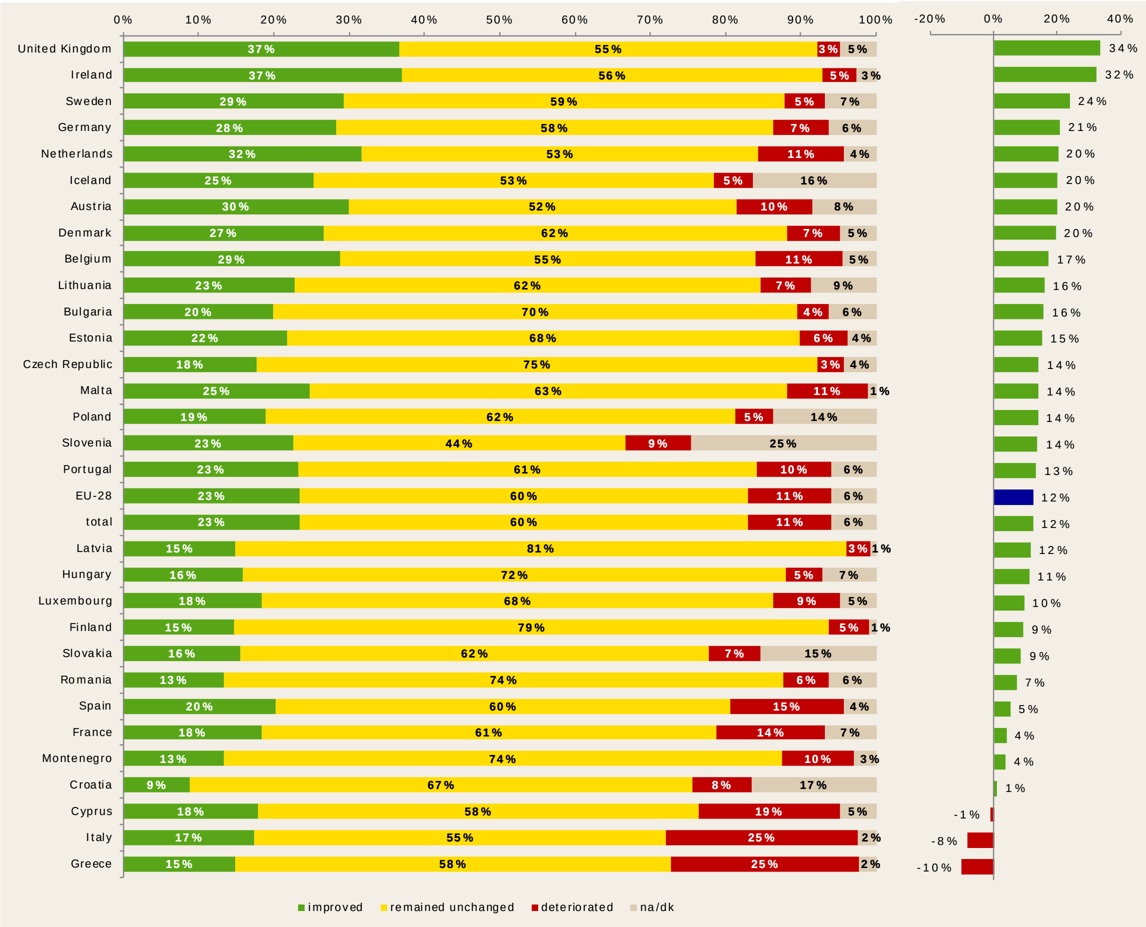
SMEs are mostly uncertain on outside effects

The preceding shows that while SMEs in EU-28 are generally positive regarding their own financial position and its impact on their access to finance - and have only become more so in recent years - they are still keen to point to outside factors when looking for factors that limit their access to external financing.

2.6.1 Credit history

The relation between the credit history of SMEs and the availability of external financing is presented by country in figure 36.

figure 36 Changes in credit history insofar that it affects availability of external financing (left) and the balance between the categories *improved* and *deteriorated* (right) for EU-28, Iceland and Montenegro SMEs, by country, sorted from high to low based on the balance, in 2014



Q11e: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For your enterprise's credit history, would you say that it has improved, remained unchanged or deteriorated over the past 6 months?

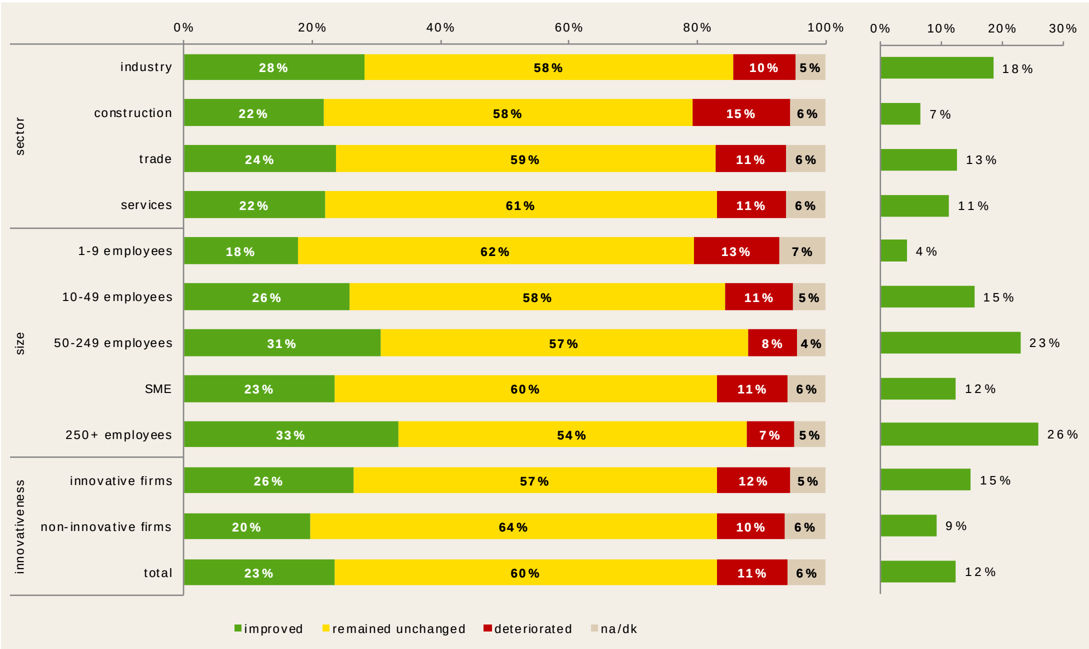
Source: SAFE, 2014; edited by Panteia.

Developments in SMEs' credit history were most beneficial in the United Kingdom, where 37% felt that it had improved their access to external financing and 3% felt that it had deteriorated their position, for a net impact of 34%. Other countries in which SMEs were particularly positive regarding developments in their credit history were Ireland (net impact of 32%) and Sweden (24%). There were only three countries in which SMEs were negative about changes in their credit history: Greece (-10%), Italy (-8%) and Cyprus (-1%). These countries were all hit hard by the European sovereign debt crisis, with Greece only recently having returned to the international capital markets between April and September 2014 and Cyprus still part of the IMF bailout program.

SMEs in almost all countries were positive regarding changes in their credit history, but most were ambivalent: the proportion that indicated that the effect of their credit history on their access to external financing remained unchanged ranged from 44% in Slovenia to 81% in Latvia.

Differences in the way enterprises view the effect of changes in their credit history on their access to external financing by their characteristics are presented. See figure 37. All results refer to SMEs except when results by size-class are presented.

figure 37 Changes in credit history insofar that it affects availability of external financing (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in EU-28, by enterprise characteristics, sorted from high to low based on the balance, in 2014



Q11e: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For your enterprise's credit history, would you say that it has improved, remained unchanged or deteriorated over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

Of the four economic sectors discerned, SMEs in the industry are most positive about developments in their credit history with a net impact of 18% versus only 7% in construction.

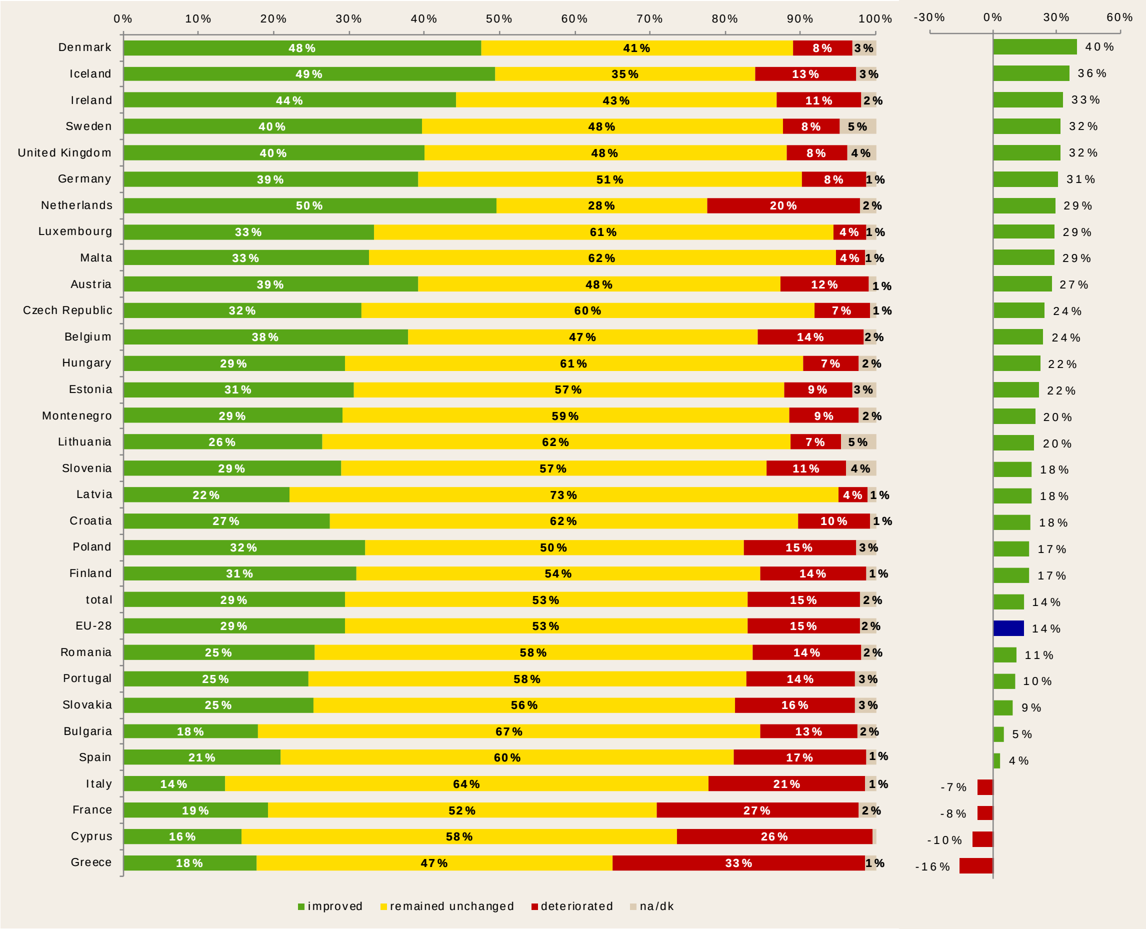
There exist substantial differences among size classes. Micro enterprises are barely positive about their credit history with a balance of positive and negative answers of 4%, meaning there are only slightly more enterprises feel that their credit history has changed in such a way that it improved their access to finance than there are enterprises that feel it worsened their position. For large enterprises on the other hand, the balance amounted to 26%: a strongly significant difference. The size of the net impact increased consistently with size. When compared to the results presented in figure 25, it can be seen that micro enterprises were the ones most often denied their application in full.

Innovative SMEs are more positive about developments in their credit history than non-innovative SMEs. Innovative SMEs report a 15% balance, while non-innovative SMEs report a 9% balance.

2.6.2 Own capital

Differences among countries regarding changes in SMEs' own capital and their impact on the availability of external financing to SMEs in the EU-28, Iceland and Montenegro are presented in figure 38 for 2014.

figure 38 Changes in enterprises' own capital insofar that it affects availability of external financing (left) and the balance between the categories *improved* and *deteriorated* (right) for EU-28, Iceland and Montenegro SMEs, by country, sorted from high to low based on the balance, in 2014



Q11d: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For your enterprise's own capital, would you say that it has improved, remained unchanged or deteriorated over the past 6 months?

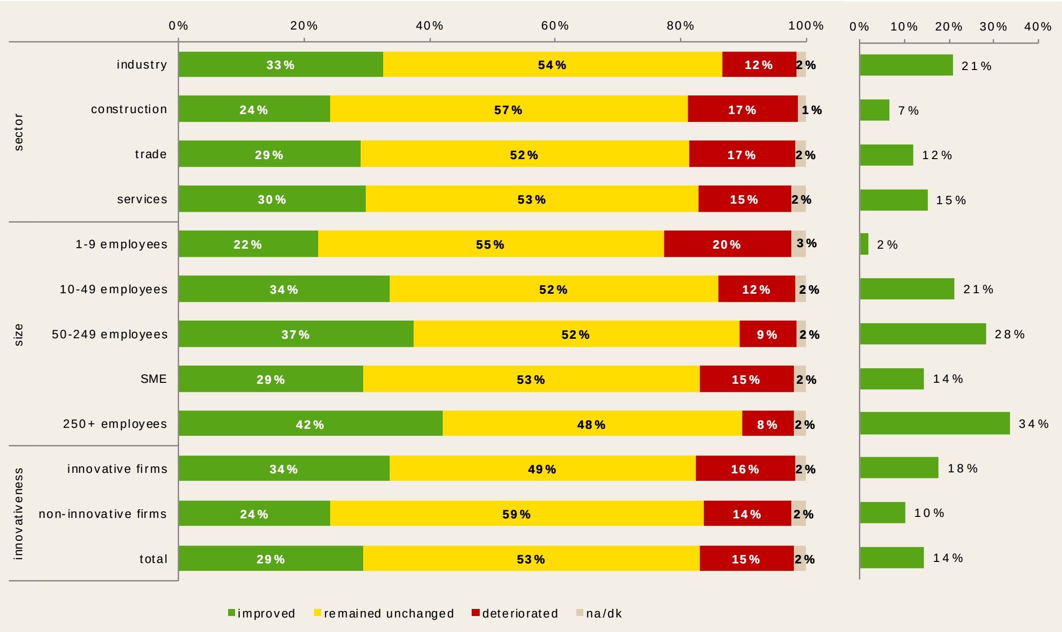
Source: SAFE, 2014; edited by Panteia.

Developments in SMEs' own capital were most beneficial in Denmark, where 48% felt that it had improved their access to external financing and 8% felt that it had deteriorated their position, for a net impact of 40%. Other countries in which SMEs were particularly positive regarding developments in their credit history were Iceland (net impact of 36%) and Ireland (33%). SMEs in only four countries reported negative impacts of changes in their own capital, with the strongest negative impacts reported in Greece (-16%) and Cyprus (-10%). These countries were all hit hard by the European sovereign debt crisis, with Greece only recently having returned to the international capital markets between April and September 2014 and Cyprus still part of the IMF bailout program.

SMEs in almost all of the countries were positive regarding changes in their own capital, but most were simply ambivalent: the proportion that indicated that the effect of their own capital on their access to external financing remained unchanged ranged from 28% in the Netherlands to 73% in Latvia.

Differences among the way enterprises view the effect of changes in their own capital on their access to external financing by their characteristics are presented in figure 39. All results refer to SMEs except when results by size-class are presented.

figure 39 Changes in enterprises' own capital insofar that it affects availability of external financing (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in EU-28, by enterprise characteristics, sorted from high to low based on the balance, in 2014



Q11d: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For your enterprise's own capital, would you say that it has improved, remained unchanged or deteriorated over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

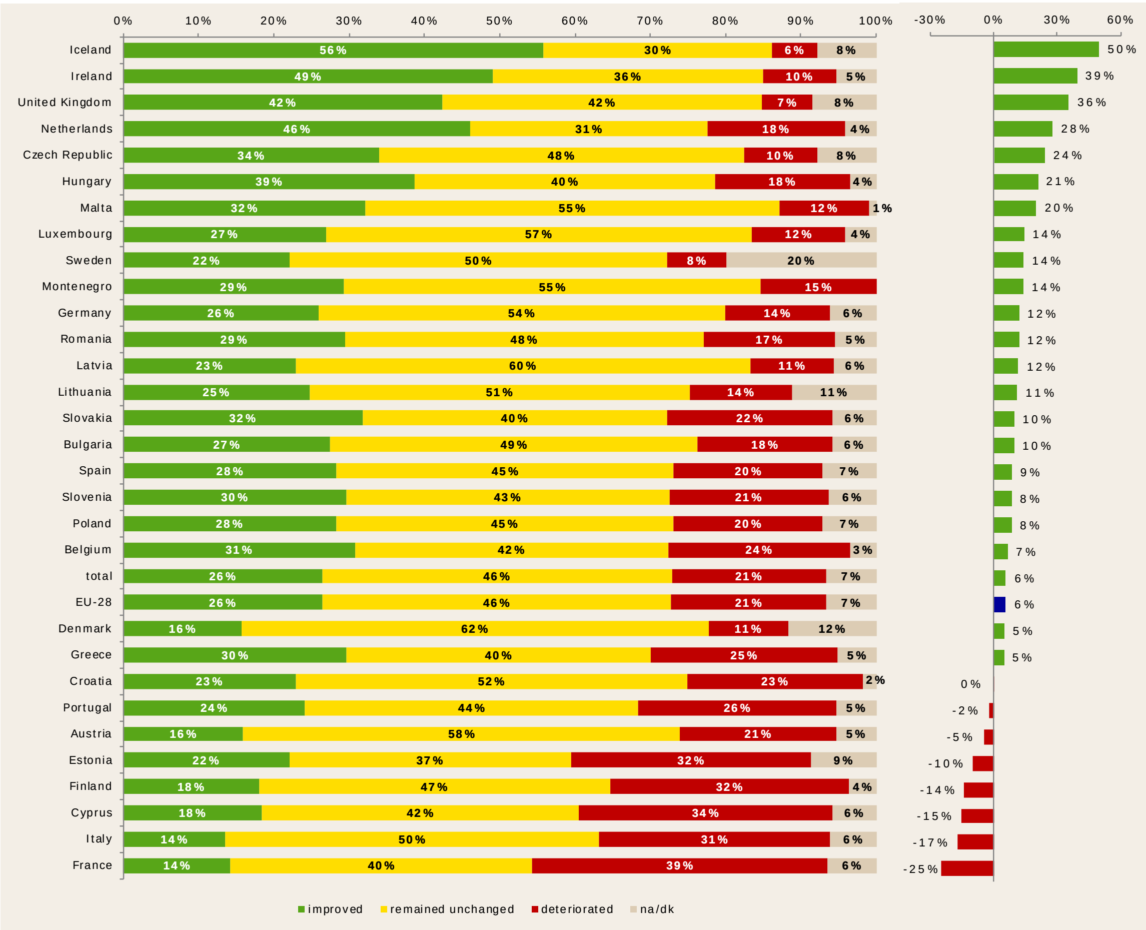
Of the four economic sectors discerned, SMEs in industry are most positive about developments in their own capital with a net impact of 18% versus 7% in construction.

Substantial differences among size classes exist. Micro enterprises are the least optimistic about their own capital with a balance of 4%, while for large enterprises the balance amounted to 26%: a strongly significant difference. The balance increased consistently with enterprise size. Again, when compared to the results presented in figure 25, it turns out that micro enterprises were the ones most often denied their application in full. Innovative SMEs are more often positive about their own capital with a net impact of 18% versus 10% for non-innovative SMEs.

2.6.3 Firm-specific outlook

Differences regarding the firm-specific outlook and its impact on the availability of external financing to SMEs among countries are presented in figure 40 for 2014.

figure 40 Changes in firm-specific outlook insofar that it affects availability of external financing (left) and the balance between the categories *improved* and *deteriorated* (right) for EU-28, Iceland and Montenegro SMEs, by country, sorted from high to low based on the balance, in 2014



Q11c: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For your firm-specific outlook with respect to your sales and profitability or business plan, would you say that it has improved, remained unchanged or deteriorated over the past 6 months?

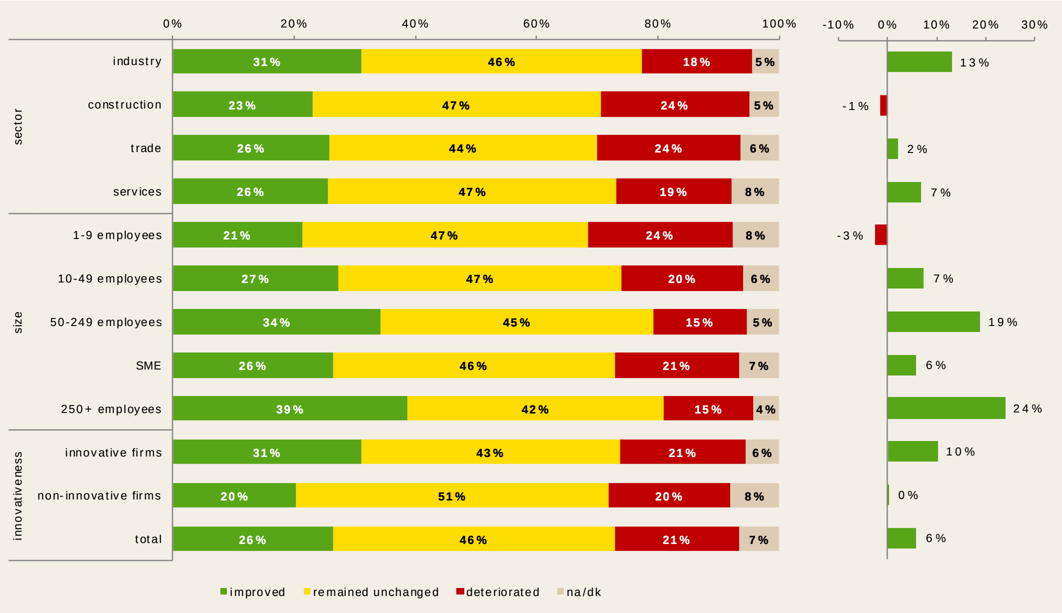
Source: SAFE, 2014; edited by Panteia.

Developments in SMEs' outlook were most beneficial in Iceland, where 56% felt that it had improved their access to external financing and 6% felt that it had deteriorated their position, for a net impact of 50%. Other countries in which SMEs were particularly positive regarding developments in their outlook were Ireland (net impact of 39%) and the United Kingdom (36%). SMEs in seven countries reported negative impacts of changes in their outlook. The strongest negative impacts were reported in France (-25%) and Italy (-17%).

Overall, SMEs were positive about the impact of changes in their firm-specific outlook on their access to external financing: the balance amounted to 6% for SMEs in the EU-28. This means the proportion that reported a negative impact was lower than the proportion that reported a positive impact.

Differences among the way enterprises view the effect of changes in their own outlook on their access to external financing by their characteristics are presented in figure 41. All results are for SMEs except when presented by size class.

figure 41 Changes in firm-specific outlook insofar that it affects availability of external financing (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in EU-28, by enterprise characteristics, sorted from high to low based on the balance, in 2014



Q11c: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For your firm-specific outlook with respect to your sales and profitability or business plan, would you say that it has improved, remained unchanged or deteriorated over the past 6 months?

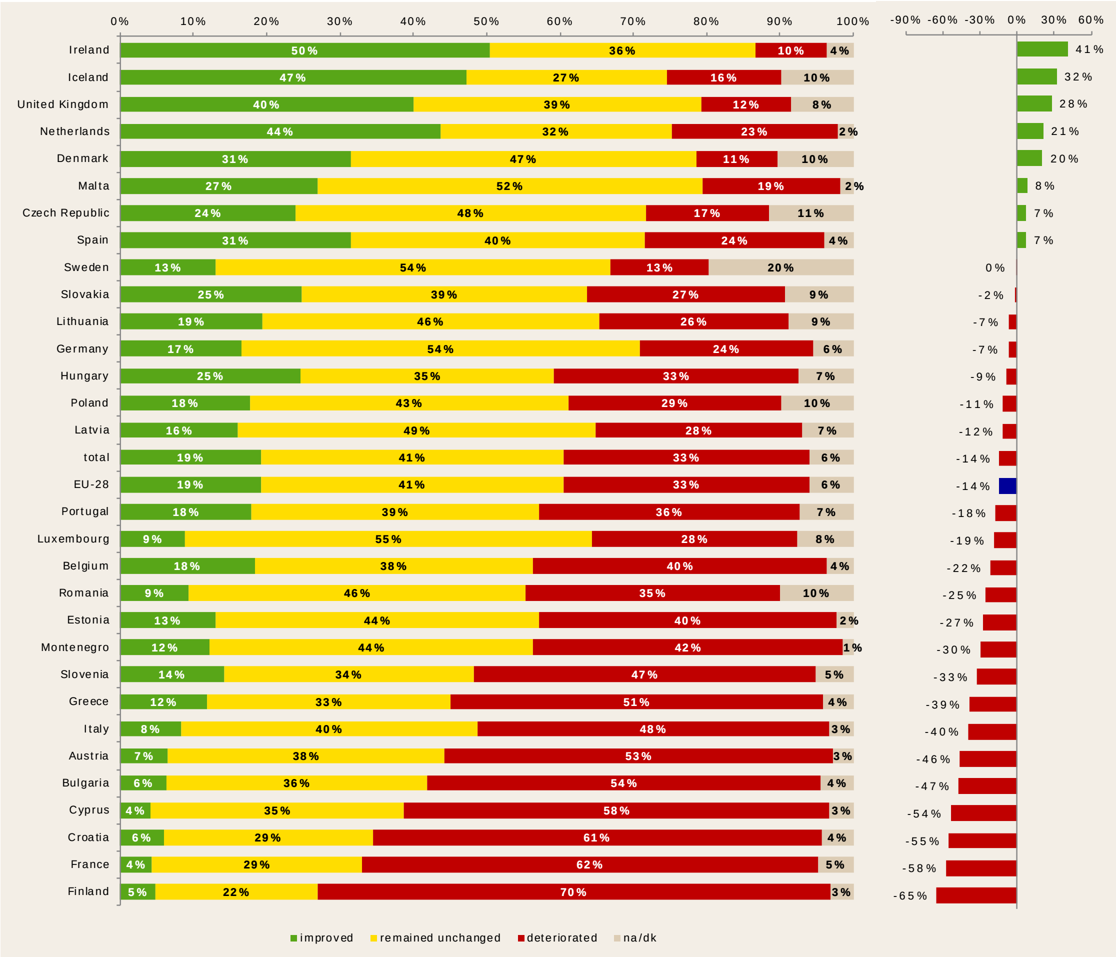
Source: SAFE, 2014; edited by Panteia.

Of the four economic sectors discerned, SMEs in the industry are most positive about developments in their outlook with a balance between ‘improved’ and ‘deteriorated’ answers of 13% versus -1% in construction. There exist substantial differences among size classes. Micro enterprises are the only category of enterprises that are *negative* about their outlook with a balance of-3%, meaning there are fewer enterprises that feel that their outlook has changed in such a way that it improved their access to finance than there are enterprises that feel it worsened their position. For large enterprises on the other hand, the balance amounted to 24%: a strongly significant difference. The balance increased consistently with size. Comparison to the results presented in figure 25 shows that micro enterprises were the ones most often denied their application in full. Innovative SMEs are more often positive about their firm-specific outlook and its effect on their access to eternal finance with a net impact of 10% versus 0% for non-innovative SMEs.

2.6.4 General economic outlook

figure 42, presents the relation between changes in the general economic outlook and their impact on the availability of external financing to SMEs in the EU-28, Iceland and Montenegro.

figure 42 changes in general economic outlook insofar that it affects availability of external financing (left) and the balance between the categories *improved* and *deteriorated* (right) for EU-28, Iceland and Montenegro SMEs, by country, sorted from high to low based on the balance, in 2014



Q11c: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For the general economic outlook, would you say that it has improved, remained unchanged or deteriorated over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

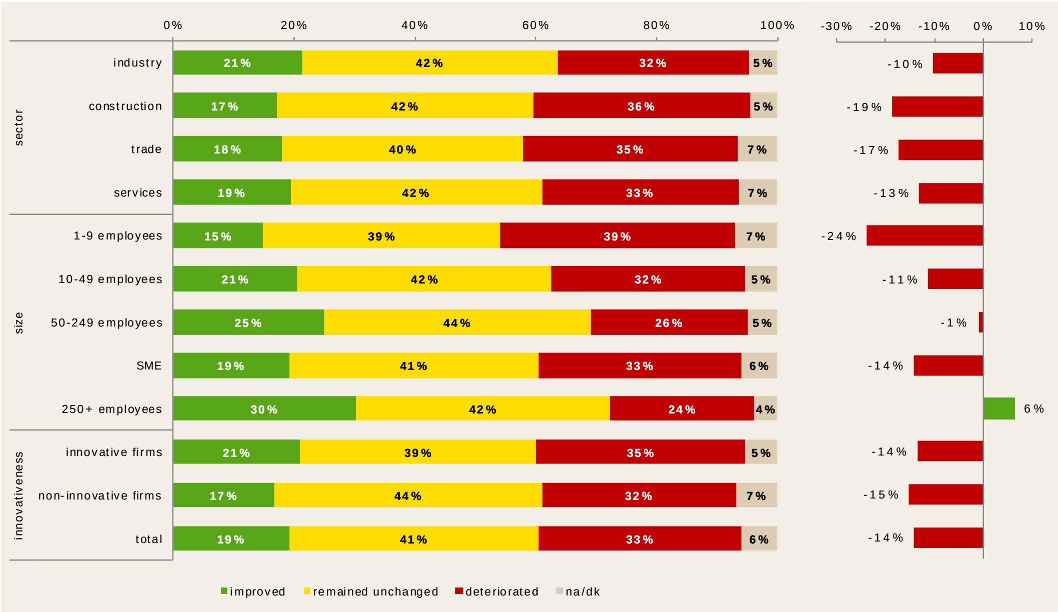
Developments in general economic outlook were only considered beneficial in eight countries. SMEs were most positive in Ireland, where 50% felt that it had improved their access to external financing and 10% felt that it had deteriorated their position, for a balance of 41%. Other countries in which SMEs were positive regarding developments in economic outlook were Iceland (balance of 32%) and the United Kingdom (28%). However, SMEs in 21 countries reported negative impacts of changes in their outlook, which is considerably more than for each of the three types discussed before. The strongest negative balance was reported in Finland (-65%), France (-58%) and Croatia (-55%).

Overall, SMEs were strongly negative about the impact of changes in general economic outlook on their access to external financing: the net impact amounted to-

14% for SMEs in the EU-28. This means the proportion that reported a negative impact was considerably greater than the proportion that reported a positive impact.

Differences among the way enterprises view the effect of changes in economic outlook on their access to external financing by their characteristics are presented in figure 43. All results are for SMEs except when presented by size class.

figure 43 Changes in general economic outlook insofar that it affects availability of external financing (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in EU-28, by enterprise characteristics, sorted from high to low based on the balance, in 2014



Q11: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

Of the four economic sectors discerned, SMEs in industry were least negative about developments in the general economic outlook with a balance of -10% versus -19% in construction. There exist substantial differences among size classes. Micro enterprises are most negative about economic outlook with a balance of -24%, meaning there are significantly more enterprises that feel that economic outlook has changed in such a way that it worsened their access to finance than there are enterprises that feel it improved their position. Large enterprises on the other hand are the only category with a positive balance, amounting to 6%: a strongly significant difference. The size of the balance increased consistently with size. Again, comparison to the results presented in figure 25 shows that micro enterprises were the ones most often denied their application in full. Innovative SMEs are only slightly less negative about general economic outlook and its effect on their access to eternal finance with a net impact of -14% versus -15% for non-innovative SMEs.

3 Characteristics of recently obtained finance

This chapter provides insight into the extent to which the demand for external finance of EU-28 SMEs was actually met. The following issues are discussed: the sources of external financing used, the impact on SMEs' capital structure, the amount of funding that was obtained most recently in the past two years, the source of this funding and its actual use. The chapter follows upon the previous one which discussed the needs for external financing of EU-28 SMEs and the degree to which they were able to meet these needs, by presenting the characteristics of the funding acquired.
Each issue is discussed in a separate section. The sections are - when relevant - set-up as follows: the situation between April and September 2014 for SMEs at EU-28 level is first compared to the situation in the same period in recent years. Next focus is on cross-country differences in the EU-28 Member States, Iceland and Montenegro. Finally, the impact of enterprises characteristics (sector, enterprise size and innovativeness) at EU-28 level is discussed.

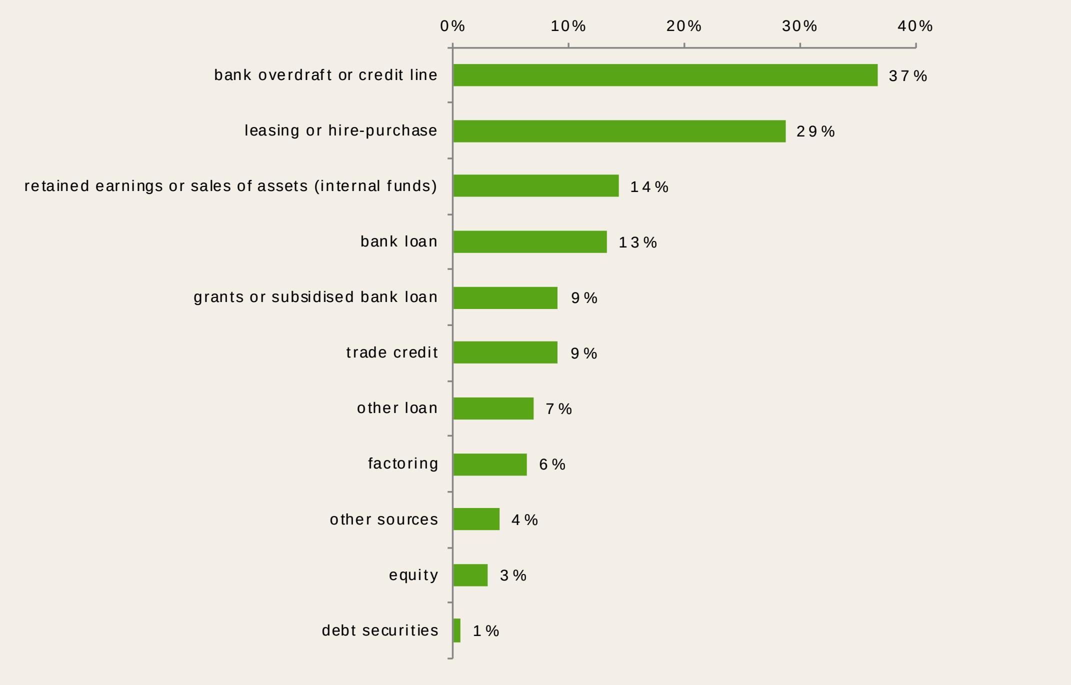
3.1 Key findings

For acquiring funds, debt financing is the most frequently used method by European SMEs between April and September 2014. Internal funds are used by 14% of the SMEs, whereas equity financing is used by only a very small number. SMEs in active in the industry sector tend to be involved in financing activities than SMEs active in construction, trade and services. Also, there is a positive correlation between enterprise size and financing: larger enterprises more often apply for external finance than smaller ones. The same holds for innovative enterprises in comparison with non-innovative enterprises.

3.2 What sources of finance were used?

The previous chapter detailed the application rates among EU-28 SMEs for different types of financing (bank loan, overdraft and credit line, trade credit and other), as well as the subsequent success or failure rates. This section further discusses recent use of funding by expanding the selection of all financial sources used between April and September 2014, including include leasing and factoring, retained earnings, and various types of loans and debt securities. As a result of changes in the questionnaire we cannot use the results from previous waves for comparison across years. The 2014 results are presented in figure 44.

figure 44 Sources of finance used by SMEs in the EU-28 between April and September 2014



Q4. Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future? Please provide a separate answer in each case.

Source: SAFE, 2013-2014; edited by Panteia.

Credit line, bank overdraft or credit cards overdraft and leasing or hire-purchase have been used most often as a source of external financing between April and September 2014: 37% of all EU-28 SMEs used credit line, bank overdraft or credit cards overdraft and 29% used leasing or hire-purchase. Internal funds were used by 14% of the SMEs. Between April and September 2014 13% of the SMEs made use of bank loan finance. 9% of the SMEs used grants or subsidised bank loans and another 9% made use of trade credit. Other types of loans, factoring, other sources, equity and debt securities were the least popular types of finance.

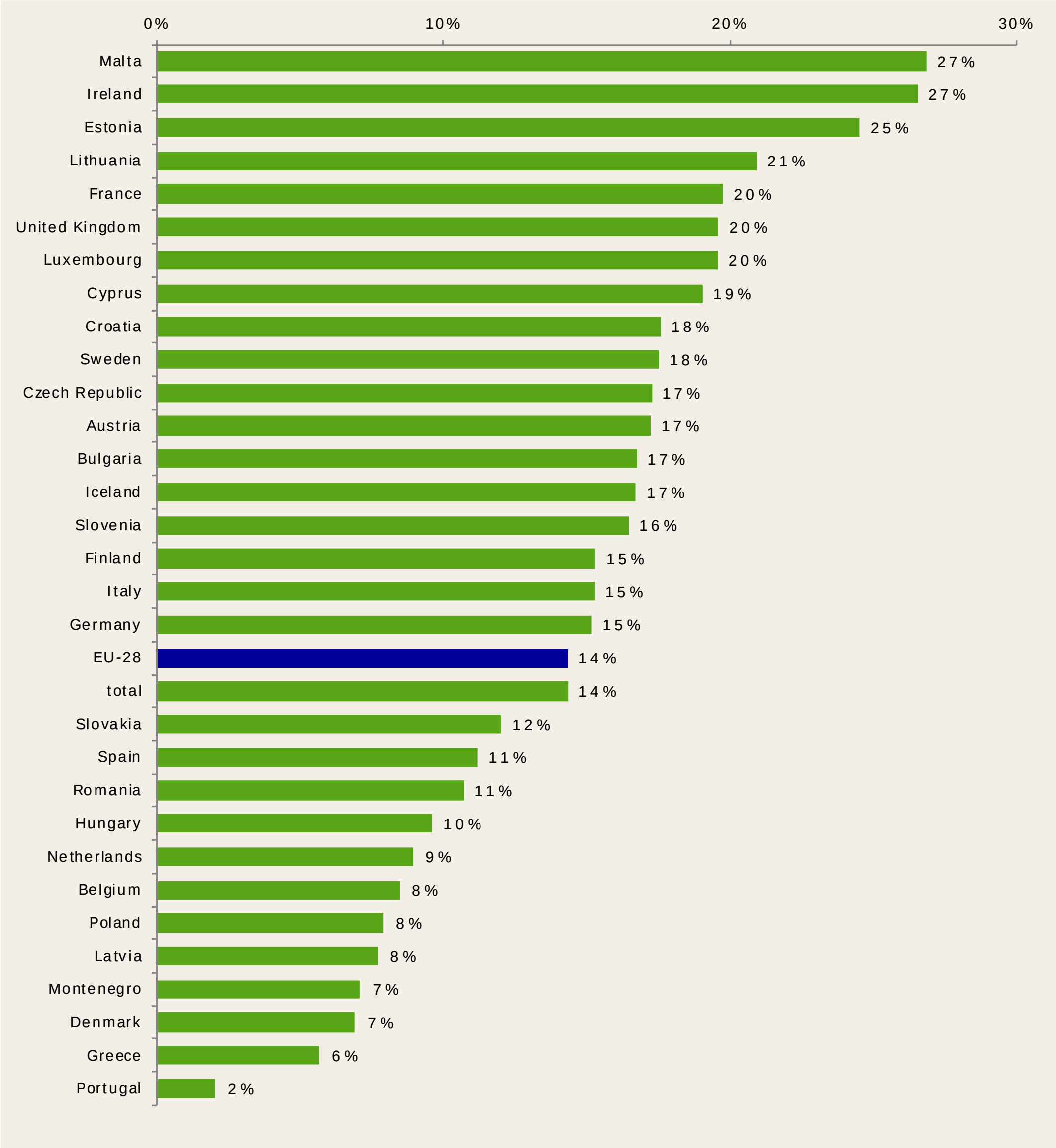
The next sections discuss the use of three general types of financing in more detail: internal finance (retained earnings or sales of assets; section 3.2.1), debt financing (overdraft and credit lines; leasing and factoring, trade credit, bank loans, grants of subsidised bank loans and other types of loans; section 3.2.2), and equity finance (section 3.2.3)

3.2.1 Internal finance(retained earnings and sales of assets)

The first source of financing to be discussed in more detail is internal financing, consisting of retained earnings and sales of assets. Internal financing is a form of equity financing, albeit not obtained from outside financiers. A breakdown of the use of this type of funding by country is presented in figure 45.

The data reveal that there are substantial differences between countries. SMEs in Malta, Ireland and Estonia were most often able to finance their operations and investments using internal financing from retained earnings: more than one quarter of the SMEs did so between April and September 2014. At the other end of the spectrum there is Portugal, where only 2% of SMEs used internal financing.

figure 45 Proportion of SMEs that used retained earnings or sales of assets as a source of financing in the EU-28, Iceland and Montenegro, by country in 2014



Note: In 2014 there have been some changes in the survey design, therefore one should be cautious when making comparisons across years.

Q4. Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future? (Retained earnings or sale of assets)

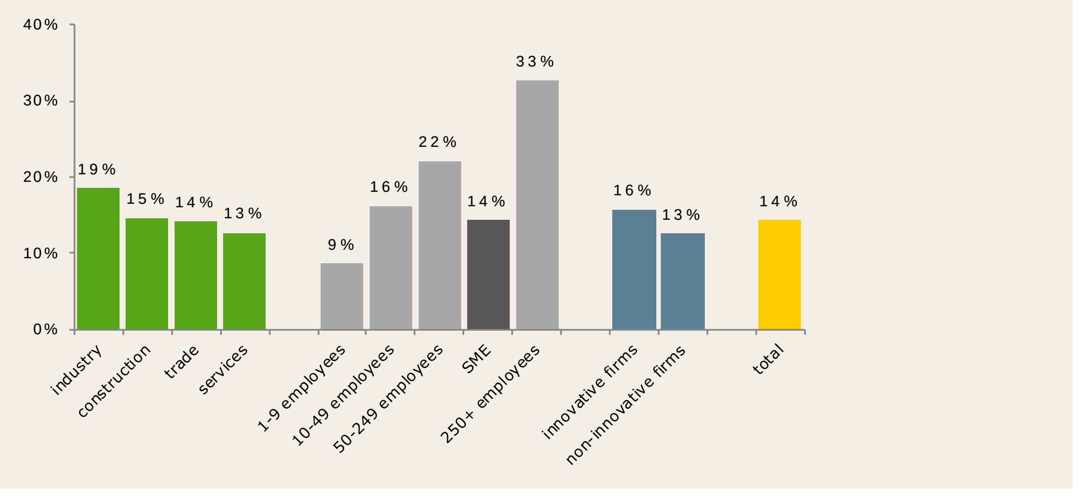
Source: SAFE, 2013-2014; edited by Panteia.

A breakdown by enterprise characteristic reveals a greater degree of variation of the use of internal financing among enterprises in various sectors, size classes and degrees of innovativeness and is presented in figure 46. All results are for SMEs except when presented by size class.
Among the four economic sectors distinguished, the use of internal financing as a means of funding is most prevalent among SMEs in industry: 19% of SMEs in industry made use of retained earnings of sales of assets between April and September 2014. SMEs in the three other sectors use it less, with proportions ranging between 13 and 15%.
Enterprise size proves to be a source of more variation with the prevalence of using internal finance among large enterprises (with at least 250 employees) at 33%, which

is more than twice as much as that among SMEs at 14%. The proportion is smallest among micro enterprises (1 to 9 employees) with only 9% of these enterprises having used internal financing. The proportion increases steadily with enterprise size.

Innovative SMEs used of internal financing slightly more often than non-innovative enterprises. This can potentially be linked to the risky nature of their business, making it more difficult to obtain external financing as research is surrounded by uncertainty, as are the resulting profits. 16% of innovative SMEs made use of internal financing versus 13% of non-innovative SMEs.

figure 46 Proportion of enterprises that used retained earnings or sales of assets as a source of financing in the EU-28, by enterprise characteristic, for the period 2013-2014



Note: In 2014 there have been some changes in the survey design, therefore one should be cautious when making comparisons across years.

Q4. Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future? (Retained earnings or sale of assets)

Source: SAFE, 2014; edited by Panteia.

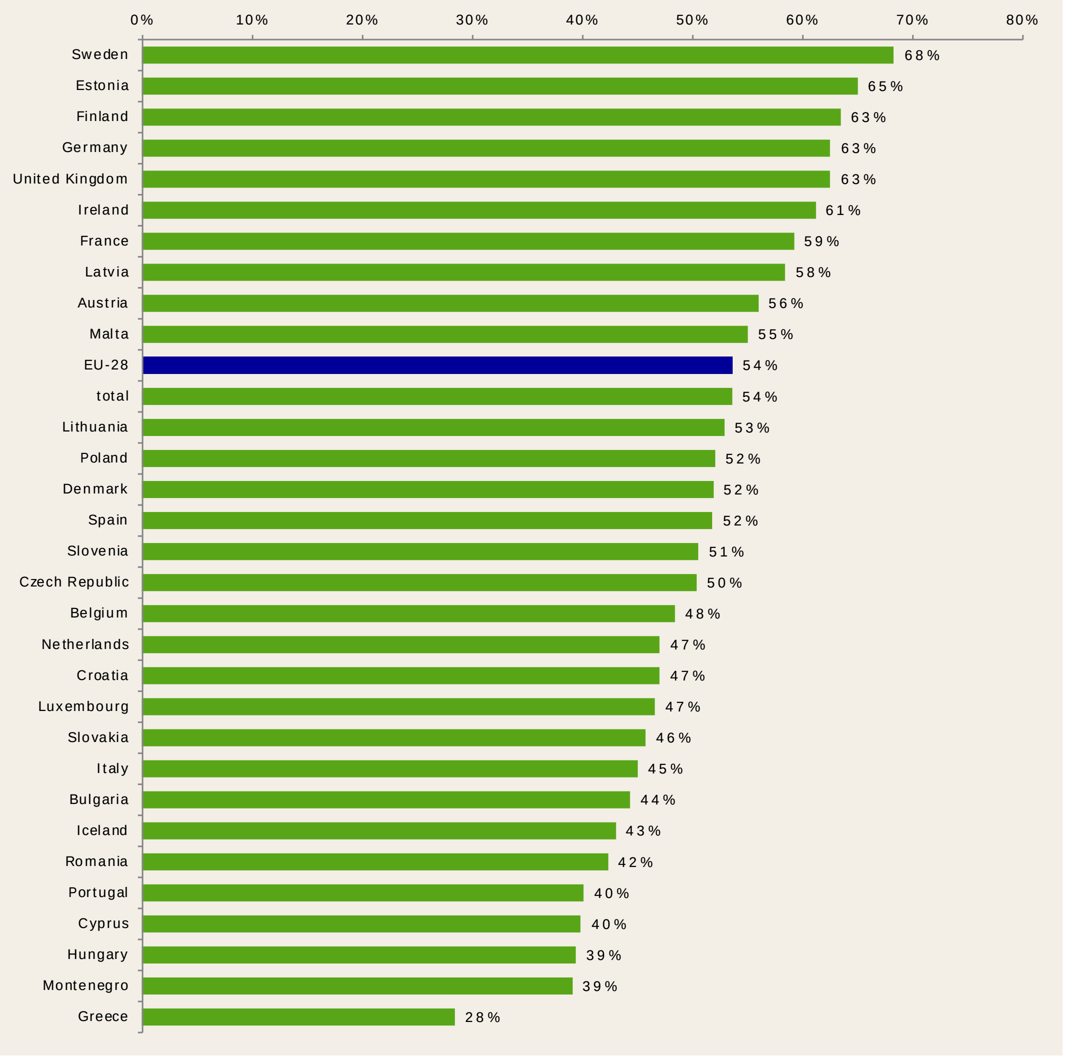
3.2.2 Debt finance

The next source of financing to be discussed is debt financing, consisting of overdrafts and credit lines, leasing and factoring, trade credit, bank loans, grants or subsidised bank loans, debt securities, subordinated or participation loans and other types of loans. A breakdown of the use of debt funding by country is presented in figure 47.
The data reveal that there exist substantial differences between countries. SMEs in Sweden most often used debt financing to fund their operations and investments: 68% did so between April and September 2014. Other countries with a large proportion of SMEs having used debt financing were Estonia, Finland. Germany, the United Kingdom and Ireland (all over 60%). At the other end of the spectrum is Greece, where only 28% of SMEs used debt financing.

A breakdown by enterprise characteristic also reveals a substantial degree of variation which is presented in figure 48. All results are for SMEs except when presented by size class. Among the four economic sectors distinguished, the use of debt financing as a means of funding is most prevalent among SMEs in industry: 64% of SMEs that operate in this sector used debt financing between April and September 2014. SMEs in the other sectors use it less, with the smallest proportion at 51% in services.

Enterprise size proves to be a somewhat greater source of variation with the proportion among large enterprises at 80%, which is significantly greater than that among micro enterprises at 38%. The use of debt financing increases with enterprise size. Innovative SMEs made use of debt financing more often than non-innovative enterprises: 58% of innovative SMEs did so versus 48% of non-innovative SMEs.

figure 47 Proportion of SMEs that used bank loans, grants or subsidised bank loans, other loans, bank overdraft, credit line or credit cards overdraft, trade credit, leasing or hire-purchase or factoring, debt securities issued and subordinated loans, participation loans or similar financing instruments as sources of financing in the EU-28, Iceland and Montenegro, by country in 2014

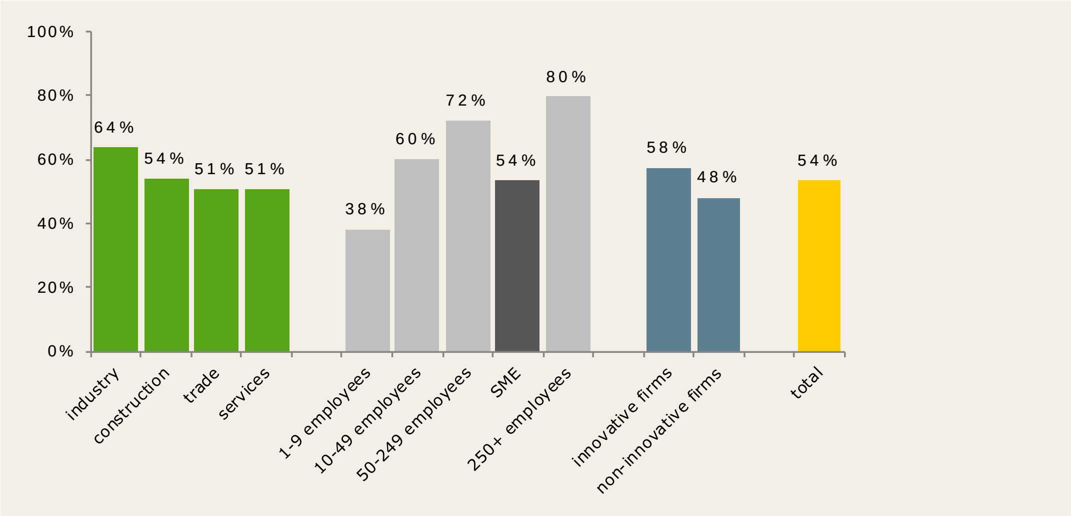


Note: In 2014 there have been some changes in the survey design, therefore one should be cautious when making comparisons across years.

Q4. Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future? (bank overdraft or credit line + leasing or hire-purchase +factoring + trade credit + bank loan + other loan + grants or subsidised bank loan + debt securities issued)

Source: SAFE, 2013-2014; edited by Panteia.

figure 48 Proportion of enterprises that bank loans, grants or subsidised bank loans, other loans, bank overdraft, credit line or credit cards overdraft, trade credit, leasing or hire-purchase or factoring, debt securities issued and subordinated loans, participation loans or similar financing instruments as sources of financing in the EU-28, by enterprise characteristic, for the period 2013-2014



Note: In 2014 there have been some changes in the survey design, therefore one should be cautious when making comparisons across years.

Q4. Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future? (bank overdraft or credit line + leasing or hire-purchase +factoring + trade credit + bank loan + other loan + grants or subsidised bank loan + debt securities issued)

Source: SAFE, 2014; edited by Panteia.

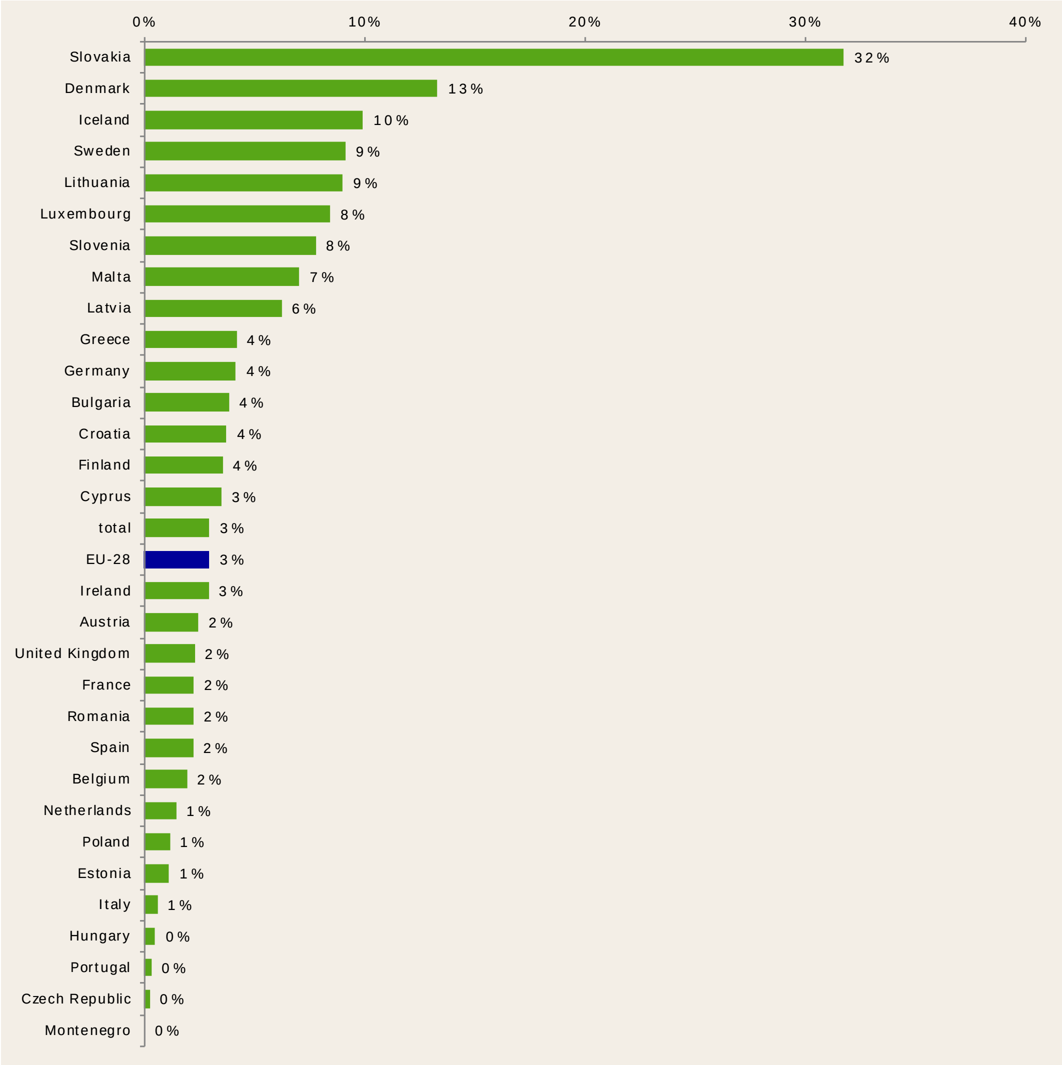
3.2.3 Equity finance

The final source of financing to be discussed is equity financing, specifically equity financing that was obtained from external sources. A breakdown of SMEs' use of equity funding by country is presented in figure 49. In figure 50 a breakdown by enterprise types is presented.

In most countries less than 13% of the SMEs used equity finance between April and September 2014 (EU-28: 3% on average). The use of equity financing, was close to zero in the Czech Republic and Montenegro.

Across sectors of industry, SMEs' use of equity financing only shows minor differences. Enterprise size proves to be a source of variation, the use of equity financing being positively correlated with enterprise size. The use of equity financing is twice as much in large enterprises as in SMEs. Innovative SMEs use equity financing more often than non-innovative enterprises: 4% of innovative SMEs did so versus 2% of non-innovative SMEs.

figure 49 Proportion of SMEs that used equity as a source of financing in the EU-28, Iceland and Montenegro, by country in 2014

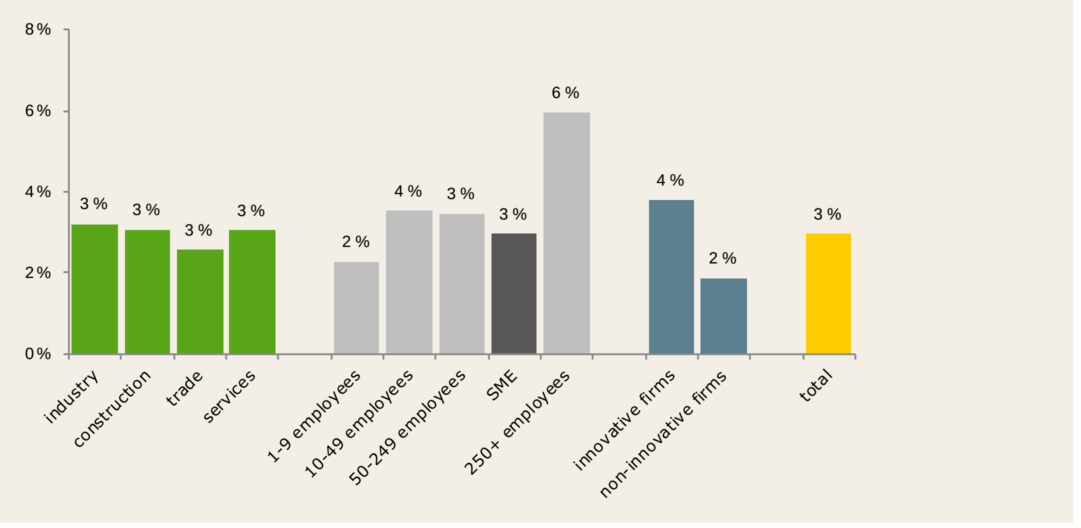


Note: In 2014 there have been some changes in the survey design, therefore one should be cautious when making comparisons across years.

Q4. Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future? Please provide a separate answer in each case. (Equity)

Source: SAFE, 2013-2014; edited by Panteia.

figure 50 Proportion of enterprises that used equity as a source of financing in the EU-28, by enterprise characteristic, in 2014



Note: In 2014 there have been some changes in the survey design, therefore one should be cautious when making comparisons across years.

Q4. Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future? Please provide a separate answer in each case. (Equity)

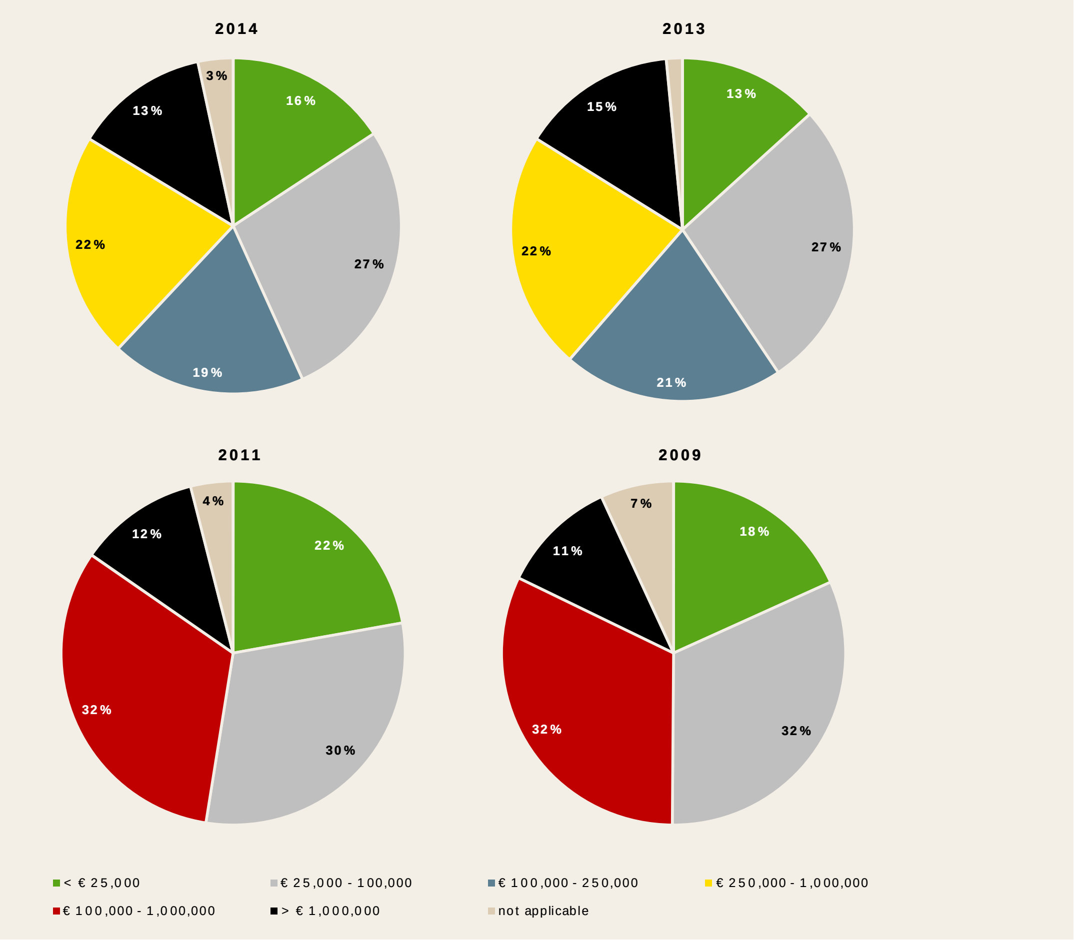
Source: SAFE, 2014; edited by Panteia.

3.3 What amount of external finance was last obtained?

The previous sections discussed the sources of financing obtained between April and September 2014. In this section the focus is on the size of the *most recently* obtained external financing. A breakdown by size of the funding granted for the 2009-2014 period is presented in figure 51. Please not that there have been some changes in the survey design. Differences across years could be the results of these changes, therefore one should be careful when making comparisons across years.

In 2014, 41% of the EU-28 SMEs that applied for a loan during the past two years received a loan of between 100,000 and one million Euro. This is slightly less than last year, but in 2009 and 2011 this percentage amounted to only 32%. 28% of the SMEs obtained a loan between 25,000 and 100,000 Euro in 2014, which is about the same as in 2013, but less than in 2009 and 2011. More SMEs report having obtained a small loan (less than 25,000 Euro) in 2014 compared to 2013, which is however less than previous years. The proportion of SMEs that have obtained a large loan (larger than 1,000,000 Euro) varies between 11 and 15% over the years. Hence the tendency is that loans between 100,000 and 1,000,000 Euro are becoming more important and smaller loans less important to SMEs.

figure 51 Size of the last loan of SMEs in EU-28 for the period 2009-2014



Note: In 2014 there have been some changes in the survey design, therefore one should be cautious when making comparisons across years.

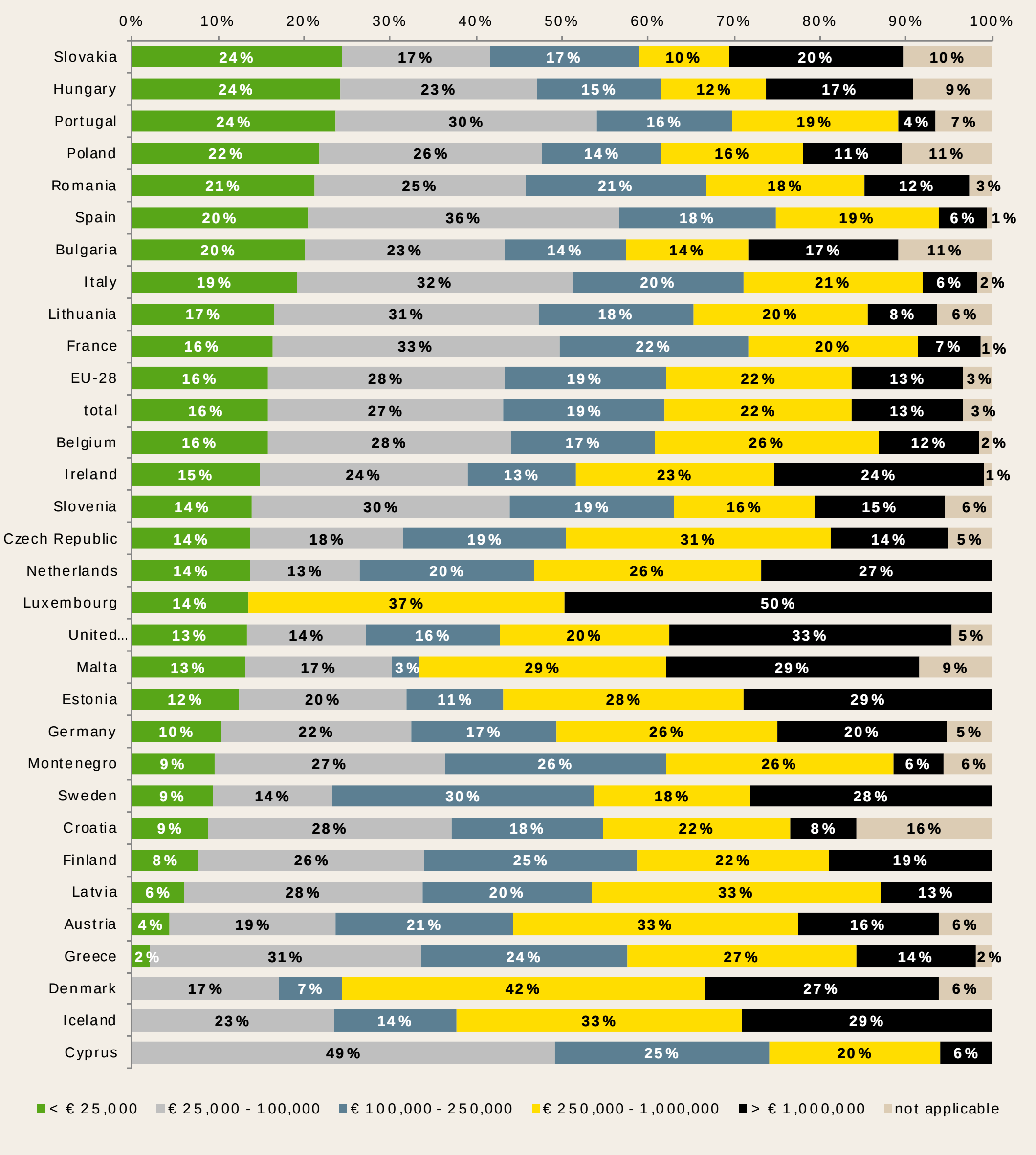
Q8A: What is the size of the last bank loan that your enterprise obtained or renegotiated in the past 6 months? or attempted to obtain in the past 6 months? (The question referred to the last two years in 2009, 2011 and 2013)

Source: SAFE, 2009-2014; edited by Panteia.

Differences between countries of the EU-28, Iceland and Montenegro in the sizes of loans SMEs obtained are presented in figure 52.

There are large differences among the countries in loan sizes. SMEs obtained the largest amounts of external financing in Luxembourg. Cyprus, Montenegro, Italy and Spain have the lowest proportion of SMEs that obtained over 1 million Euro. Coincidentally, Cyprus also is the country with the lowest proportion of SMEs obtaining the funding under 25,000 Euro, together with Denmark and Iceland. In contrast, in Slovakia, Hungary and Portugal the highest proportion of loans under 25,000 Euro is seen.

figure 52 Size of the last loan of SMEs in EU-28, Iceland and Montenegro in 2014, by country[13]



Note: In 2014 there have been some changes in the survey design, therefore one should be cautious when making comparisons across years.

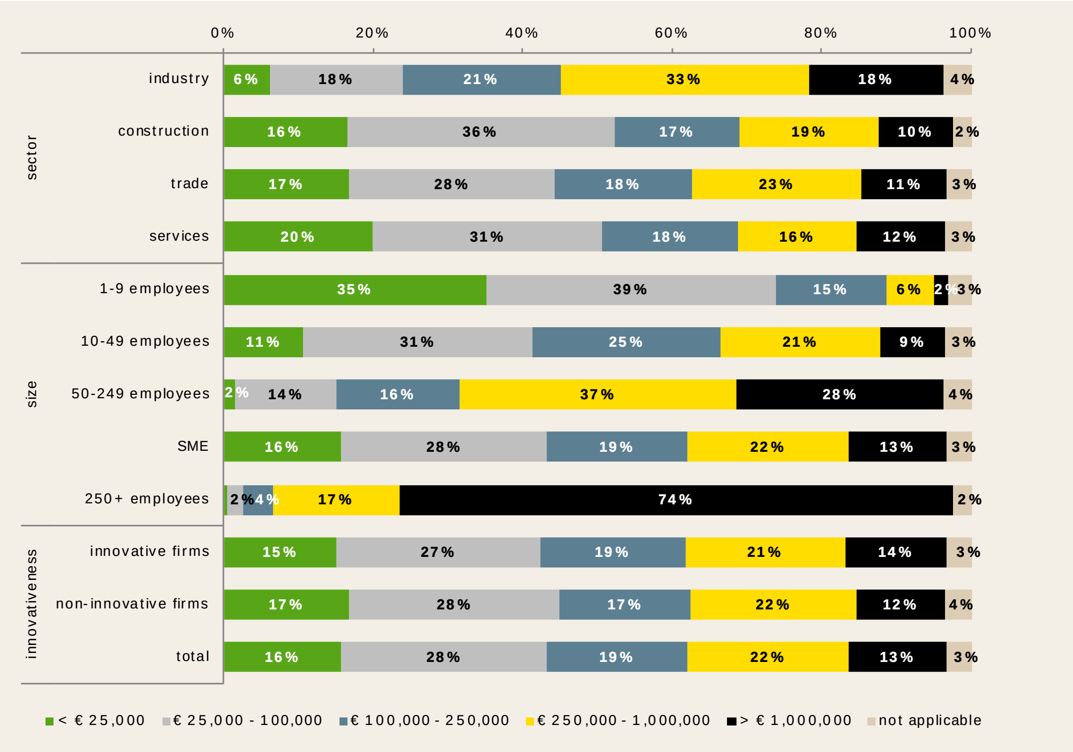
Q8A: What is the size of the last bank loan that your enterprise obtained or renegotiated in the past 6 months? or attempted to obtain in the past 6 months? (The question referred to the last two years in 2009, 2011 and 2013)

Source: SAFE, 2014; edited by Panteia.

[13] Please note that the unweighted number of observations was relatively low in Cyprus, Estonia, Latvia, Luxembourg, Malta, Montenegro and Iceland at below 30. These results should be interpreted with care.

Differences in the sizes of loans obtained by characteristics of enterprises in the EU-28 are presented in figure 53.

figure 53 Size of the last obtained or attempted to obtain loan of SMEs in EU-28, Montenegro and Iceland in 2104, by enterprise characteristics



Note: In 2014 there have been some changes in the survey design, therefore one should be cautious when making comparisons across years.

Q8A: What is the size of the last bank loan that your enterprise obtained or renegotiated in the past 6 months? or attempted to obtain in the past 6 months? (The question referred to the last two years in 2009, 2011 and 2013)

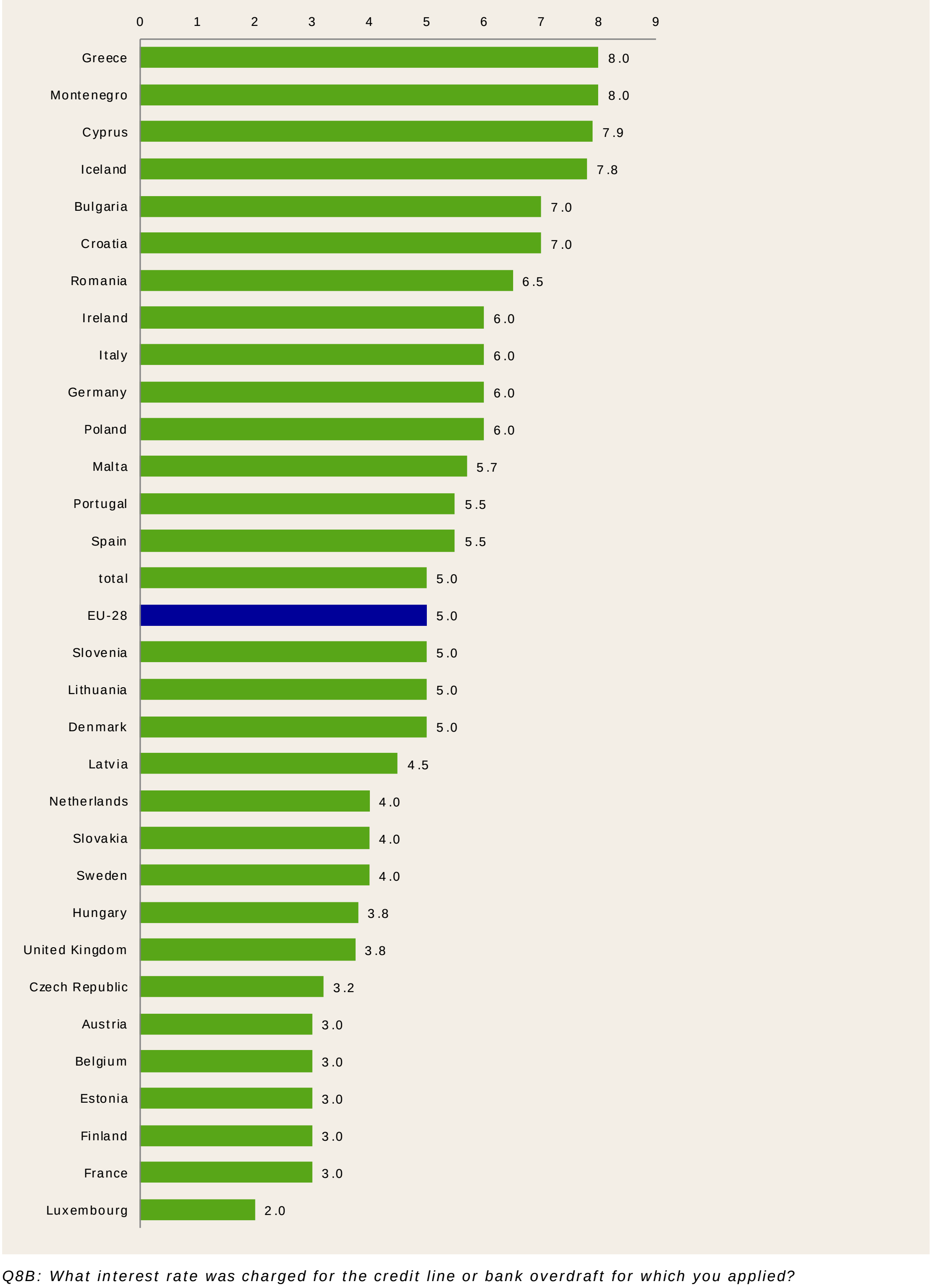
Source: SAFE, 2014; edited by Panteia.

The data show that SMEs in services more often attracted small loans (less than 25,000 Euro), while SMEs in industry more often attract larger (over 100,000 Euro) loans. Furthermore, smaller enterprises more often attract small loans (less than 25,000 Euro) than large enterprises, while the latter category more often uses large loans (in 74% of the cases, over 1 million Euro). Differences between innovative and non-innovative enterprises are not significant.

3.4 Which interest rate was charged for bank overdraft or credit line?

Information on the cost to SMEs of using bank overdraft or credit line is presented in figure 54. The median of the interest rate paid by EU-28 SMEs amounts to 5% between April and September 2014. Differences between countries are significant, however. The median of the interest rate is highest in Greece (8%), Montenegro (8%), Cyprus (7.9%) and Iceland (7.8%). The median interest rate is the lowest in Luxembourg (2%). Also in Austria, Belgium, Estonia, Finland and France SMEs pay a relatively low interest rate (with a median of 3%).

figure 54 ***Median*** of the interest rate on bank overdraft and credit line for SMEs in EU-28, Iceland and Montenegro, by country in 2014[14]



Q8B: What interest rate was charged for the credit line or bank overdraft for which you applied?

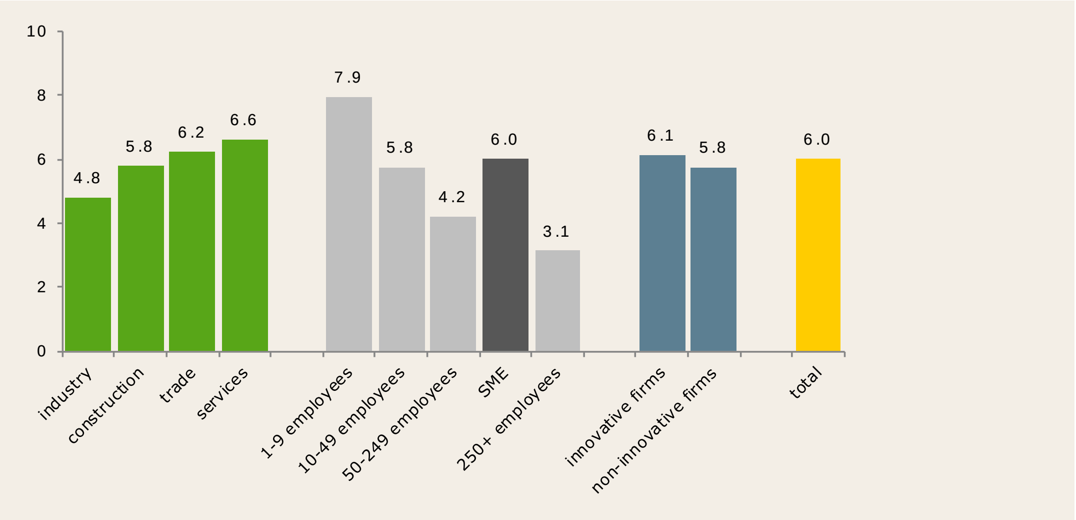
Source: SAFE, 2014; edited by Panteia.

The interest paid by SMEs in industry is well below average, while SMEs in services are confronted with an above-average interest rate (figure 55). The variation across

[14] Please note that the unweighted number of observations was relatively low in Sweden, Lithuania, Cyprus, Estonia, Latvia, Luxembourg, Malta, Montenegro and Iceland at below 30. These results should be interpreted with care.

enterprise size classes is stronger. The data show that the interest rate for smaller enterprises is less than the interest paid by large enterprises: micro enterprises pay almost 8% interest, while for large enterprises the interest rate amounts to only 3%, which is half of the average rate for SMEs. The difference between innovative and non-innovative SMEs is negligible.

figure 55 ***Mean*** interest rate on bank overdraft and credit line for enterprises in EU-28, by enterprise characteristics in 2014



Q8B: What interest rate was charged for the credit line or bank overdraft for which you applied?

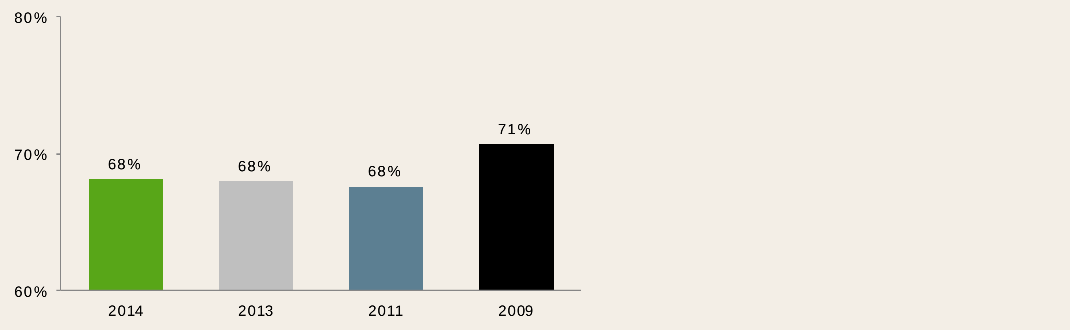
Source: SAFE, 2014; edited by Panteia.

3.1 What was the total use of bank products?

Based on the question (Q4) were SMEs were asked about whether or not they used various types of external financing the percentage of SMEs that used bank product (bank loan, credit line, bank overdraft or credit cards overdraft) relative to number of SMEs that used any type of external financing was calculated.[15]

The use of bank product by SMEs in EU-28, Iceland and Montenegro has been fairly stable over the years as approximately 70% of SMEs do use bank product (figure 56).

figure 56 Use of bank products by SMEs in EU-28 in the period 2009 -2014



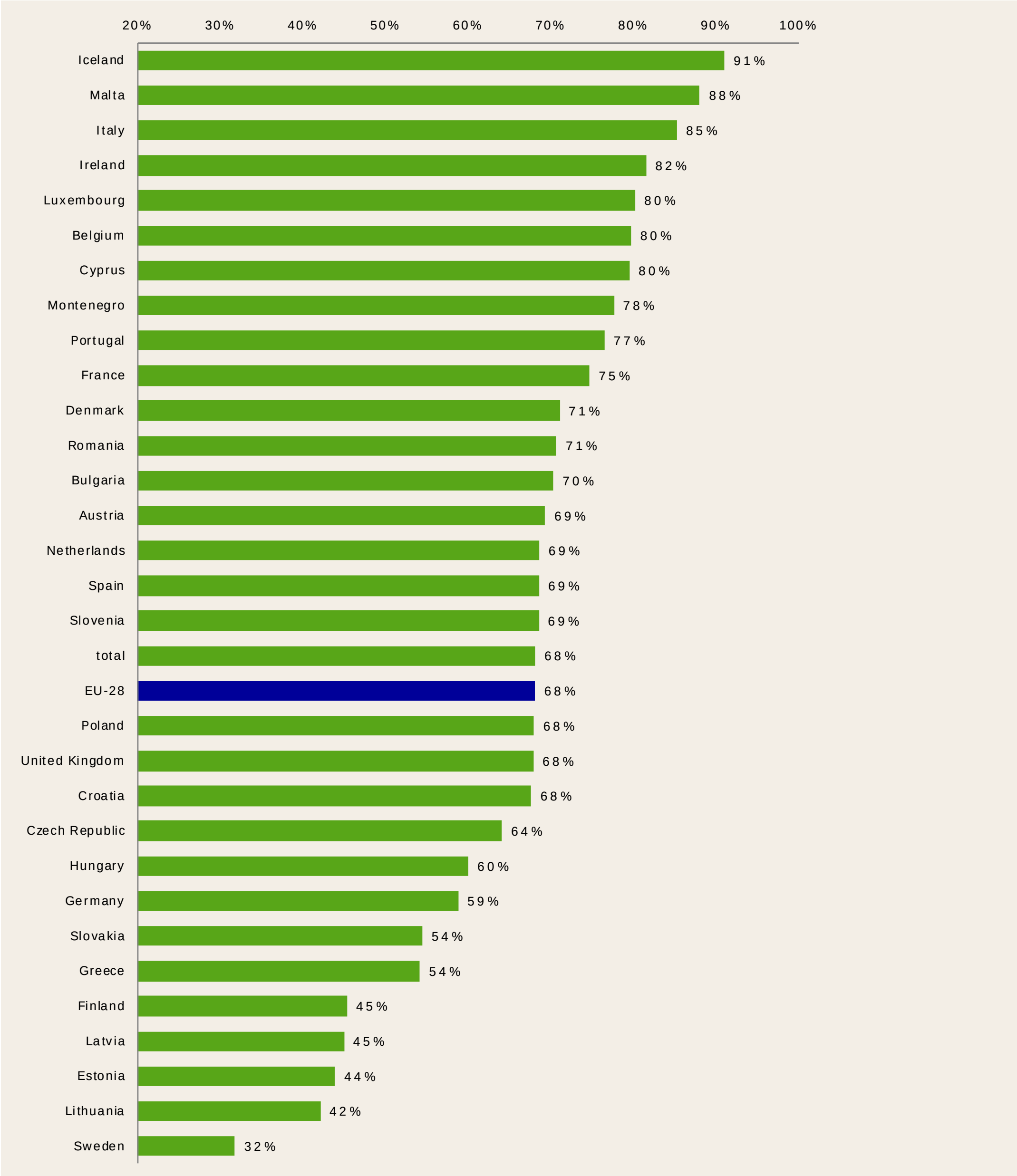
Note: In 2014 a new filter was introduced in the SAFE questionnaire. This filter was simulated in the data of the previous survey rounds, nevertheless one should be cautious when making comparisons across years.

Source: SAFE, 2014; edited by Panteia.

On average, 68% of the SMEs used bank products in the period under review. However, the proportion of SMEs that used bank products varied between more than 80% in Ireland, Italy, Malta and Iceland, and less than 50% in Finland, Latvia, Estonia, Lithuania and Sweden (figure 57). There is little variation in the use of bank products across enterprise categories (figure 58)

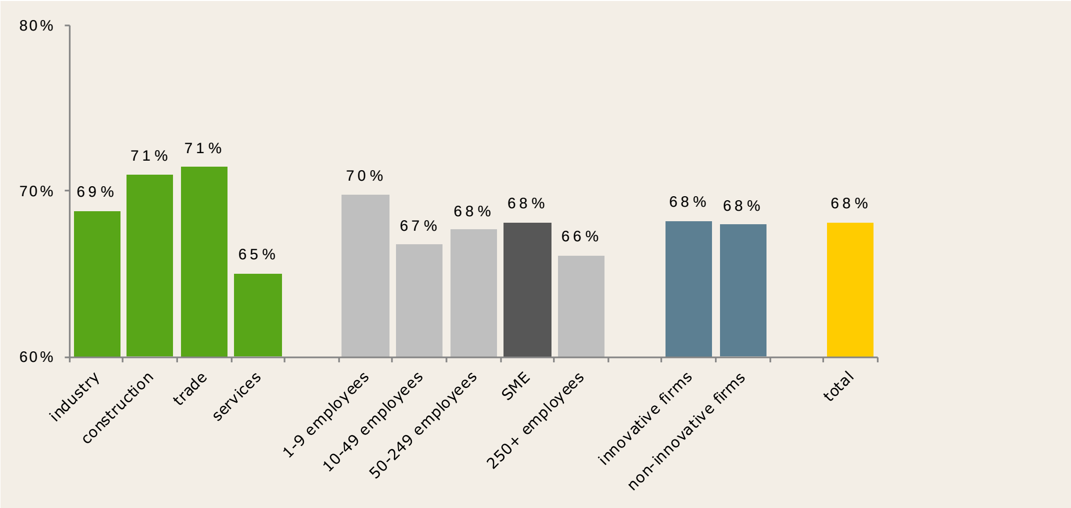
[15] The number of SMEs that used either a bank loan, credit line, bank overdraft or credit cards overdraft was divided by the number of SMEs that used either grants or subsides bank loans, credit line, bank overdraft or credit overdraft, bank loans, trade credit, debt securities, equity capital, leasing or hire-purchase, factoring, other types of loans or other sources of financing.

figure 57 Use of bank products, in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the 2014 proportion



Source: SAFE, 2014; edited by Panteia.

figure 58 Use of bank products of SMEs in EU-28, by enterprise characteristic, in 2014



Source: SAFE, 2014; edited by Panteia.

4 Future needs for external finance

This chapter focusses on the future needs for external finance of SMEs in EU-28. In the first section the growth expectations in terms of turnover are discussed. Next the need for finance for SMEs that were expecting to grow is explored. In two separate sections the amount of financing required as well as the type of funds preferred are discussed. The last section focuses on factors affecting future financing. Each section starts with presenting the results for SMEs at EU-28 level; next the result for the individual 28 EU Member States, Iceland and Montenegro are presented and finally attention is paid to the impact of enterprise characteristics.

4.1 Key findings

Expected growth

In 2014, more than half of SMEs in EU-28 expected their company's turnover to grow over the next two or three years. The majority of these SMEs expected an annual growth rate up to 20%. Almost one third of the SMEs expected their company to stay the same size, while one out of ten SMEs was expecting a decrease of the turnover.

Over the past few years SMEs in EU-28 became more positive about the expected growth.

There were large differences between European countries. In 2014, SMEs were the most optimistic about their prospect in Lithuania and were the most pessimistic in Spain and Greece.

In 2014, the prospects regarding growth in turnover varied slightly between sectors. SMEs in industry were the most optimistic and SMEs in construction were the most pessimistic.

In 2014, the proportion of enterprises expecting to grow over the next two or three years increased with enterprise size. In line with this, the proportion of enterprises expecting a decline in turnover decreased with enterprise size. However, the proportion of enterprises that expected to grow *substantially* decreased with enterprise size.

In 2014, innovative SMEs were more optimistic about their future growth than non-innovative enterprises.

Type of future funding

Among SMEs in EU-28 expecting to grow in the next two or three years, bank loans were the most preferred type of external financing in 2014. The second most preferred type of funding were other sources such as trade credit or loans from related companies, shareholders or public sources. Equity investment was the least preferred type of funding among SMEs with the ambition to grow.

In 2014, in all countries except in Hungary, half or more than half of the SMEs preferred bank loans, making bank loans the most preferred type of external financing in all countries. In most European countries, equity investments was not a very popular source of external financing.

In 2014, preferences did not differ significantly across sectors, size classes and levels of innovativeness.

Amount of future funding

In 2014, most SMEs expecting growth would like to acquire financing between 25,000 Euro and 99,999 Euro (25%). Around 13% of SMEs would aim at obtaining less than 25,000 Euro, 19% would like to obtain 100,000 Euro t 249,999 Euro, 18% would aim at obtaining 250,000 Euro to 1 million Euro and 14% would aim at obtaining more than 1 million Euro to finance their growth ambitions.

There were large differences between countries regarding the amount of finance needed. SMEs in Luxembourg would like to obtain the highest levels of funding whereas SMEs in Portugal aimed to obtain the lowest amount of funding.
In 2014, the required amount of finance SMEs varies between sectors. SMEs in industry aimed to acquire higher levels of external financing.
Within the category of SMEs, the amount of funding aimed to obtain increased with enterprise size.

In 2014, innovative SMEs indicated slightly higher amounts of required funding than non-innovative SMEs did.

Drivers of future funding

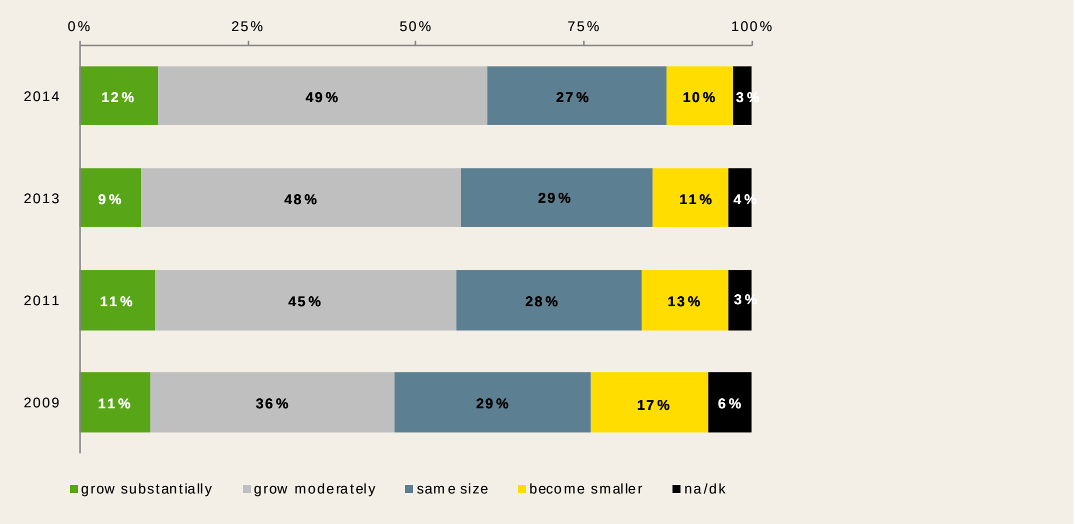
In all countries, making existing public measures easier to obtain finance or tax incentives, were indicated as the most important drivers for improving the access to future financing. The only two exceptions were Sweden and Czech Republic where SMEs perceived making existing public measures easier to obtain finance and the provision of guaranteed loans as the most important drivers. In all countries, except in Croatia and Greece, measures to facilitate equity investments and export credits or guarantees, were perceived as the least important drivers.
The ranking of the six drivers affecting future funding was similar for each sector and enterprise sizes. The ranking was also stable over time.

4.2 Do SMEs expect to grow?

In 2014, more than half of the SMEs in EU-28 expected turnover to grow over the next two or three years (61%), see figure 59. 49% of the SMEs expected an annual growth rate up to 20% and 12% of the SMEs even expected an annual growth rate of more than 20%. About one quarter (27%) of the SMEs expected to remain the same size, while one out of ten SMEs (10%) was expecting a decline in turnover. This reflects the general consensus that the EU economy having stabilised and slowly moving forward. Business indicators are improving, producer confidence is rising (Kraemer-Eis, Lang & Gvetadze, 2014) and the economic recovery of the EU is under way (European Commission, 2014).

Between 2013 and 2014, the proportions of SMEs expecting a decrease of or similar turnover, is declining. Over the past few years SMEs have become more positive about the expected growth. Between 2009 and 2014 the proportion of SMEs expecting to grow increased from 47% in 2009 to 61% in 2014. The increasing proportion of SMEs that is positive regarding their growth prospects is in line with the results presented in figure 1 of chapter 2, which implied that SMEs are investing more in fixed capital and have stronger working capital needs.

figure 59 Growth expectations over the next two or three years of SMEs in EU-28, for the period 2009-2014



Q17. Considering the turnover over the next two to three years, how much does your enterprise expect to grow per year?

Note: grow substantially =over 20% growth per year in terms of turnover; grow moderately = below 20% per year in terms of turnover

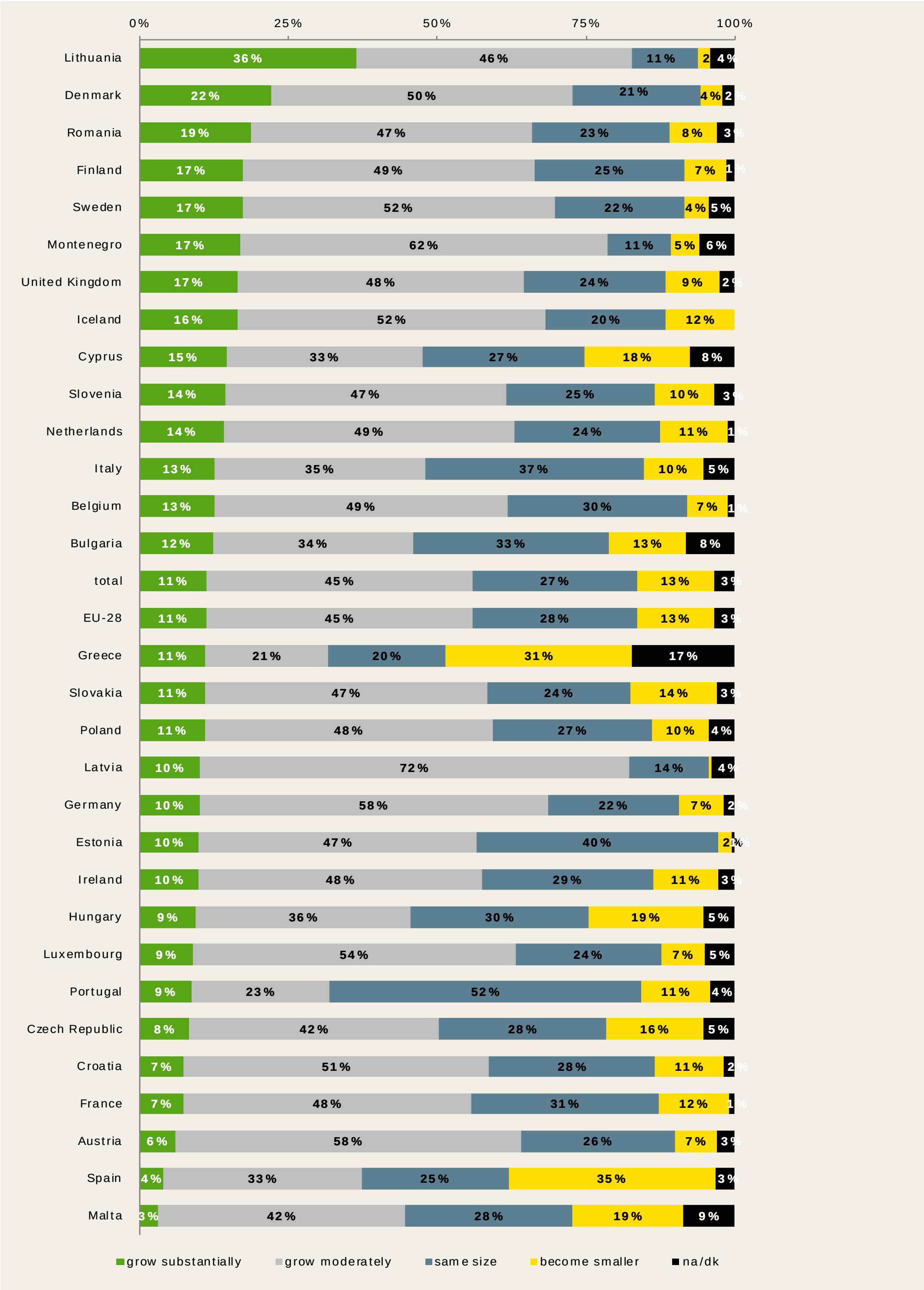
Source: SAFE, 2009-2014; edited by Panteia.

figure 60 presents the growth expectations of SMEs by country. In 2014, the proportion of SMEs expecting turnover growth over the next two or three years ranged from 32% in Greece and Portugal to 82% in Lithuania and Latvia. In Lithuania 36% of the SMEs expected an annual growth rate of more than 20%, while only 3% of the SMEs in Malta expected such a substantial growth. The proportion of SMEs expecting turnover to decline ranged from 0% in Latvia and 2% in Lithuania to 35% in Spain and 31% in Greece.

In Lithuania, where growth remained strong in 2013 and is expected to continue at a steady pace in 2014 and 2015 (European Commission, 2014), SMEs were the most optimistic about their prospects, with a relative high proportion of SMEs expecting substantial growth and a low proportion of SMEs expecting decline. Also SMEs in Denmark, which is moving out of stagnation with a potential for increased private consumption and unemployment expected to further decline (European Commission, 2014), were rather optimistic. A relatively high proportion of Danish SMEs were expecting substantial (22%) and moderate (50%) growth, whereas a relatively low proportion of SMEs was expecting turnover to decline (4%). In contrast, the expectations were most negative in Spain and Greece, where the economy was expected to recover in 2014 (European Commission, 2014). In addition to the high proportion of SMEs that expected to become smaller, the proportion of SMEs expecting growth in turnover was relatively low (37% and 32% respectively).

The most notable changes between 2013 and 2014 were in Cyprus. Here, SMEs became much more optimistic, the proportion of SMEs that expected growth increased from 15% in 2013 to 48% in 2014.

figure 60 Growth expectations over the next two or three years of SMEs in EU-28, Iceland and Montenegro by country, sorted from high to low based on the proportion of *substantial growth*, in 2014

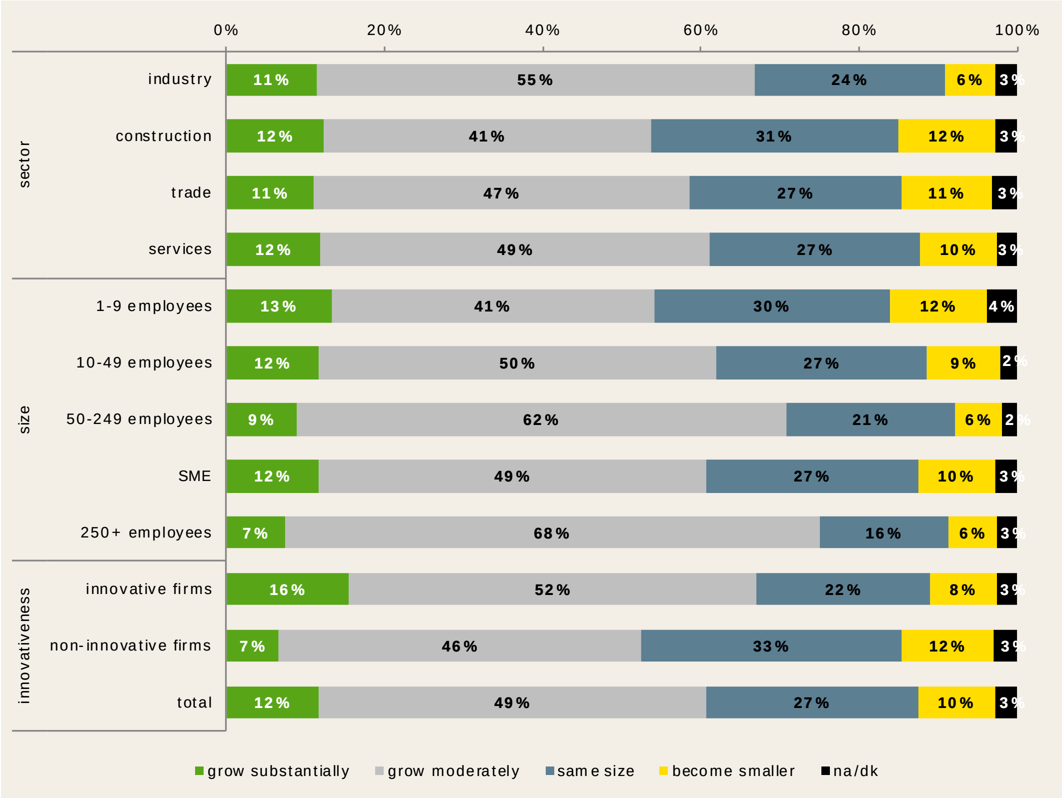


Q17. Considering the turnover over the next two to three years (2014-2016), how much does your enterprise expect to grow per year?

Note: grow substantially =over 20% growth per year in terms of turnover; grow moderately = below 20% per year in terms of turnover

Source: SAFE, 2014; edited by Panteia.

figure 61 Growth expectations over the next two or three years of SMEs in EU-28 by enterprise characteristic, in 2014



Q17. Considering the turnover over the next two to three years (2014-2016), how much does your enterprise expect to grow per year?

Note: grow substantially =over 20% growth per year in terms of turnover; grow moderately = below 20% per year in terms of turnover

Source: SAFE, 2014; edited by Panteia.

figure 61 shows that the prospects regarding growth in turnover vary slightly between sectors. SMEs in industry were the most optimistic with the highest proportion of SMEs expecting growth (66%) and a rather low proportion of SMEs expecting declining turnover (6%). SMEs in construction were the most pessimistic, with a low proportion of SMEs expecting growth (53%) combined with relatively the highest proportion of SMEs expecting to turnover to decline (12%). Between 2013 and 2014 the expectations regarding turnover development did not change.

The proportion of enterprises that expected to grow over the next two or three years increased with enterprise size, see figure 61. Similarly, the proportion of enterprises that expected turnover to decline decreased with enterprise size. 75% of the large enterprises (>250 employees) expected growth versus 54% of the micro enterprises. Conversely, 6% of the large and medium sized enterprises expected a decline in turnover versus 12% of the micro enterprises. In contrast, the proportion of enterprises expecting to grow substantially decreased with enterprise size. 13% of the small enterprises expected to grow substantially versus 7% of the large enterprises. The size class pattern of growth expectations remained stable between 2013 and 2014.

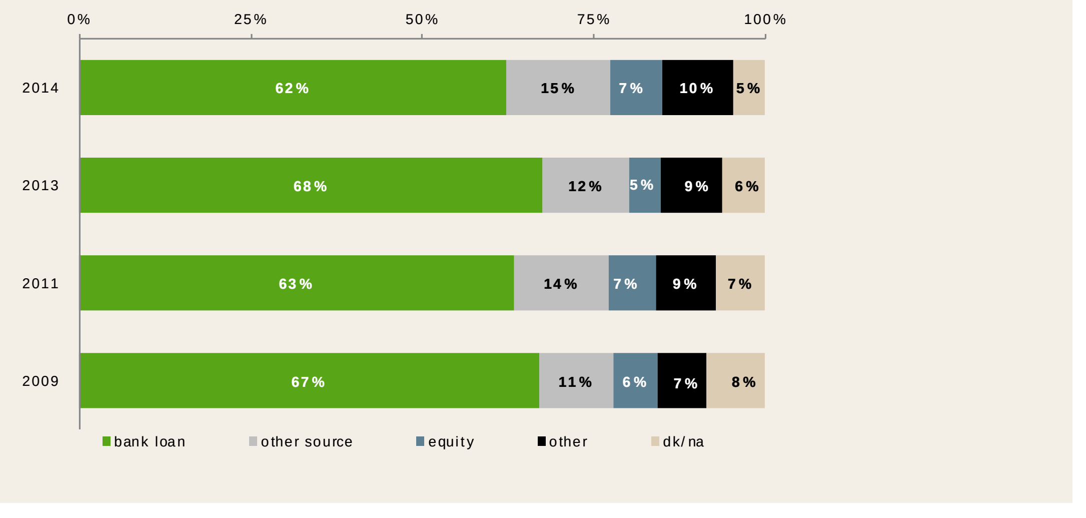
Additionally, innovative SMEs were the most optimistic about future growth. Among innovative enterprises a relatively high proportion of SMEs expected substantial (16%) and moderate (52%) growth. Among non-innovative SMEs a relatively low proportion of SMEs expected substantial (7%) and moderate (46%) growth. In 2013 the differences between innovative and non-innovative SMEs were about similar, but were less pronounced.

4.3 What type of future financing is preferred?

As in previous years, bank loans were the most preferred type of external financing among SMEs in EU-28 expecting to grow in the next two or three years, see figure 4. Between 2009 and 2014 the proportion of SMEs preferring bank loans is fairly stable varying between 62% and 67%. In 2014, 15% of the SMEs preferred other sources of financing such as trade credit or loans from related companies, shareholders or public sources. Furthermore, 7% of the SMEs with growth ambitions preferred equity investment and 10% preferred other types of financing. The preferences for future financing are close to the preferences for financing that was needed between April and September 2014 as presented in figure 11 of chapter 2, showing that SMEs mostly prefer bank funding.

Overall, the distributions of preferred types of financing were similar for all survey years.

figure 62 The type of financing EU-28 SMEs prefer to realise their growth ambitions, for the period 2009-2014



Q20. If you need external financing to realise your growth ambitions, what type of external financing would you prefer most?

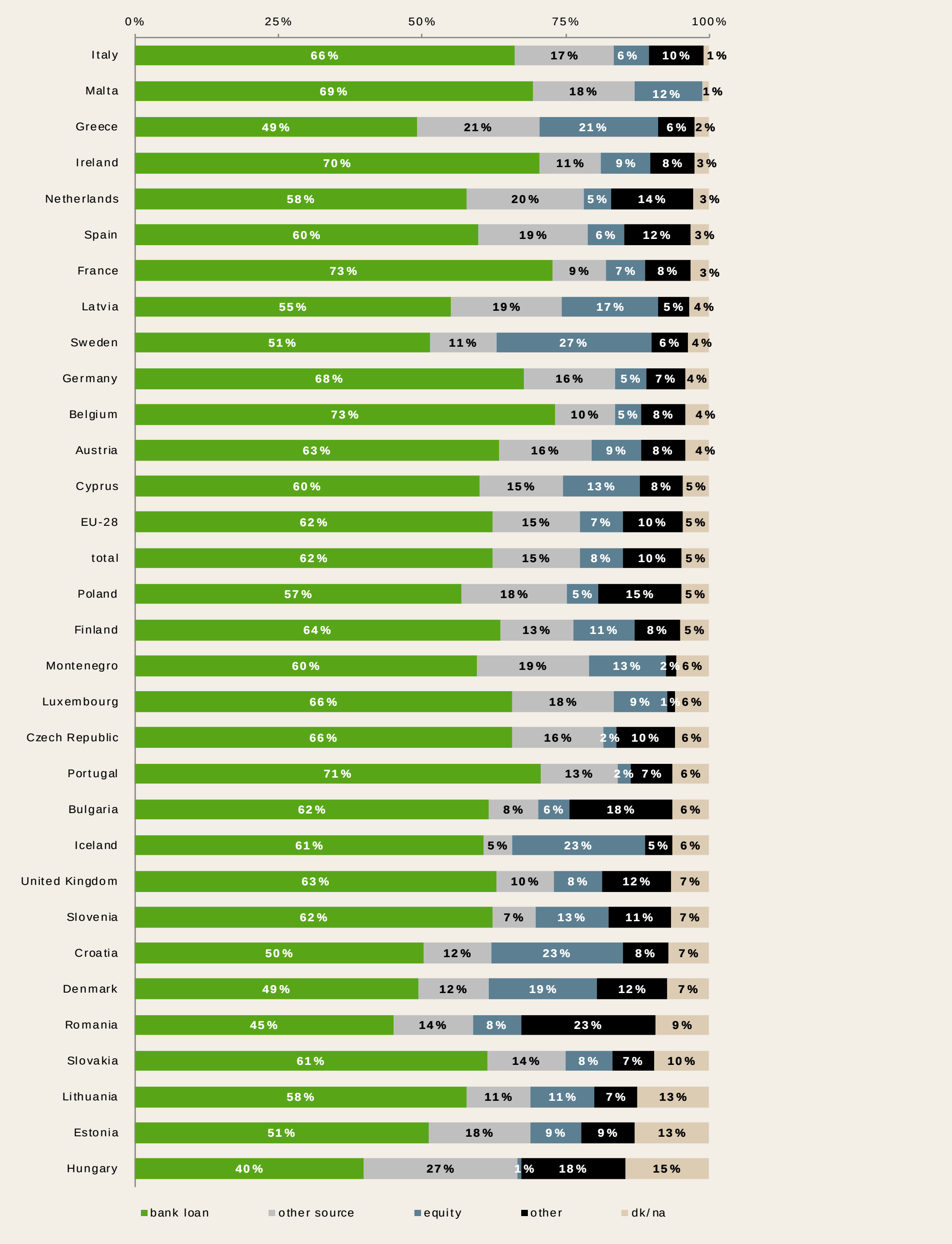
Source: SAFE, 2014; edited by Panteia.

In 2014, in all countries, except in Denmark, Romania and Hungary, SMEs expecting growth preferred bank loans (figure 62). The proportion of SMEs that preferred bank loans ranged from 40% in Hungary to 73% in France and Belgium.

Compared to EU-28 average, a relatively high proportion of SMEs preferred other sources such as trade credit or loans from related companies, shareholder or public sources in Hungary (27%), Greece (21%), the Netherlands (21%), Spain (19%), Latvia (19/%) and Montenegro (19%). In contrast, a relatively low proportion of SMEs preferred these other sources in Iceland (5%) and Slovenia (7%).

In most European countries, equity investments and other types financing were the least preferred choices of external financing. The highest proportions of SMEs preferring equity investment were in Sweden (27%), Iceland (23%) and Croatia (23%). Romania stood out regarding the number of SMEs preferring other types of financing, here 23% of the SMEs would choose this category of financing.

figure 63 The type of financing EU-28 SMEs prefer to realise their growth ambitions in EU-28, Iceland and Montenegro by country, in 2014

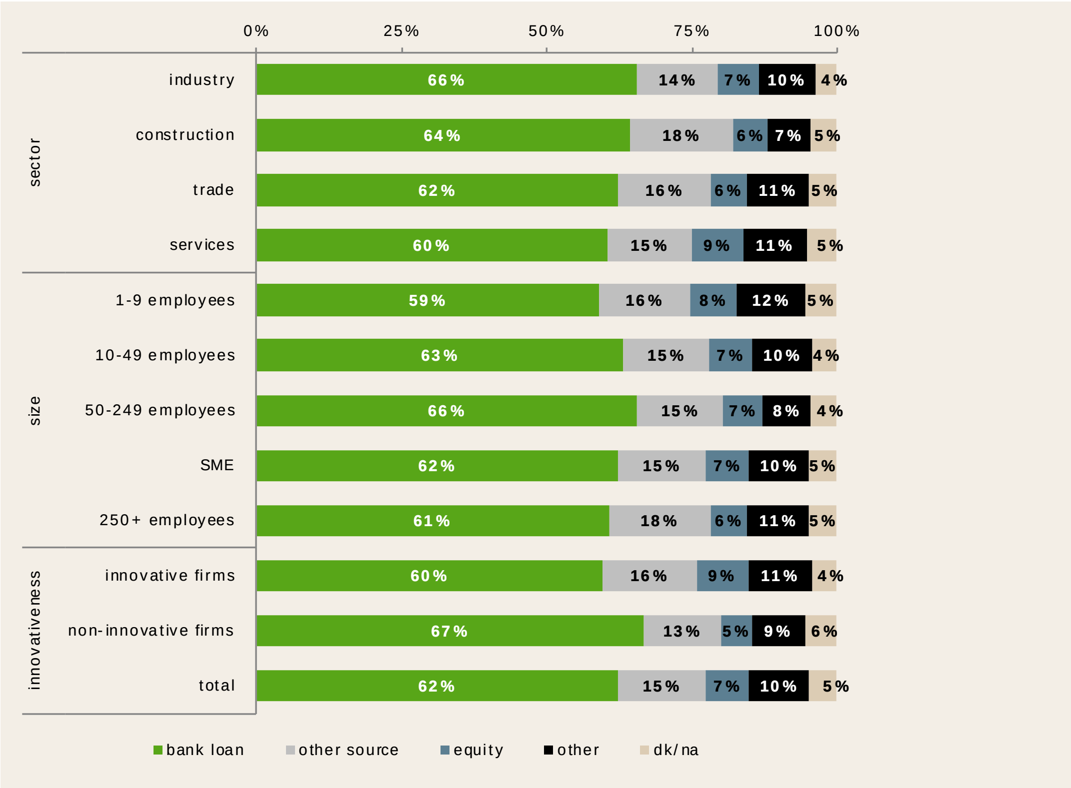


Q20. If you need external financing to realise your growth ambitions, what type of external financing would you prefer most?

Source: SAFE, 2014; edited by Panteia.

As shown in figure 64 the preferred type of financing does not differ much across sectors. There are however significant variations across enterprise size classes. In particular, large enterprises have a stronger preference for equity funding than SMEs do. There is also a remarkable difference between innovative and non-innovative enterprises, the former having a stronger preference for equity while a larger proportion of the latter express preference for bank loans.

figure 64 The type of financing EU-28 enterprises prefer to realise their growth ambitions, in EU-28 by enterprise characteristic, in 2014



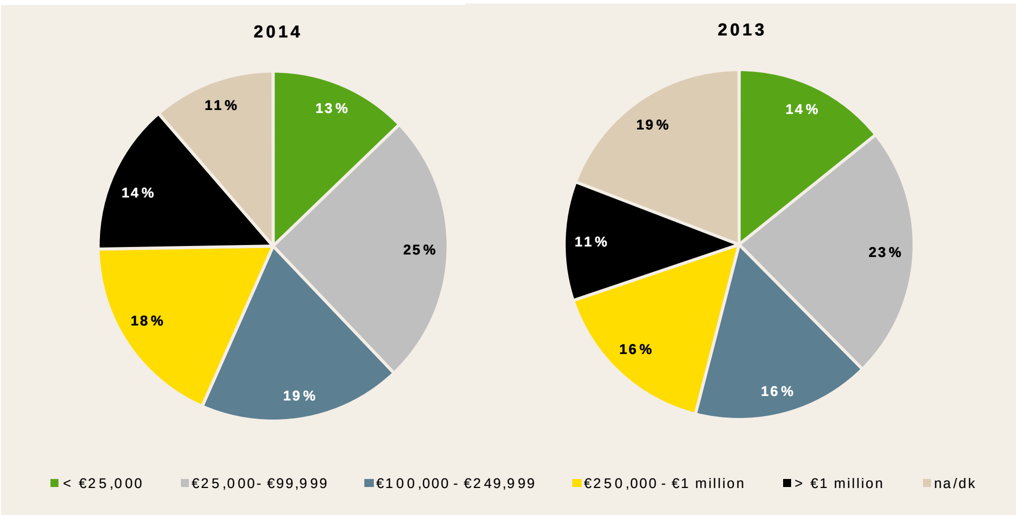
Q20. If you need external financing to realise your growth ambitions, what type of external financing would you prefer most?

Source: SAFE, 2014; edited by Panteia.

4.4 What amount of future financing is needed?

SMEs across EU-28 that were expecting growth were asked to indicate what amount of financing they would like to obtain. In 2014, most SMEs expecting growth would aim at obtaining financing between 25,000 Euro and 99,999 Euro (25%; see figure 65). 13% of SMEs would aim at obtaining less than 25,000 Euro, 19% would aim at obtaining between 100,000 Euro and 249,999 Euro, 18% would aim at obtaining between 250,000 Euro and 1 million Euro and 14% would aim at obtaining more than 1 million Euro to finance their growth ambitions. Between 2013 and 2014 there were no major changes in the amount of financing SMEs obtain.

figure 65 Amount of financing SMEs in EU-28 need to realise their growth ambitions, for the period 2013-2014



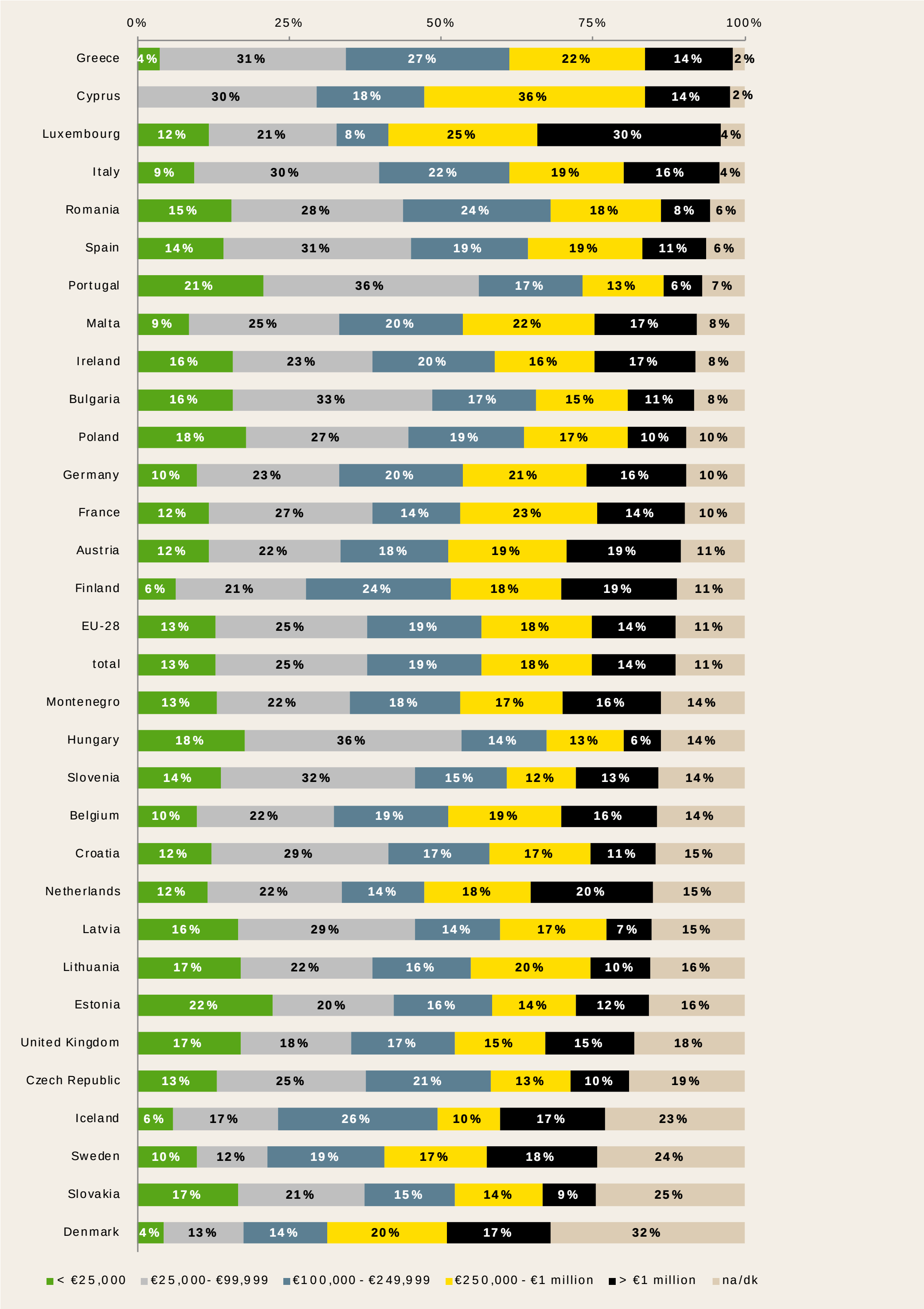
Q21. If you need external financing to realise your growth ambitions, what amount of financing would you aim to obtain?

Source: SAFE, 2014; edited by Panteia.

In 2014, there were large differences between countries in the amount of finance SMEs would aim to obtain (figure 66). Compared to EU-28 average a relatively high proportion of SMEs aimed for more than 1 million Euro in Luxembourg (30%) and the Netherlands (20%), whereas a relatively low proportion of SMEs aimed for this amount of funding in Hungary (6%), Portugal (6%) and Latvia (7%).

A relatively low proportion of SMEs aimed for less than € 25,000 in Cyprus (<1%), Denmark (4%) and Greece (4%) and a relatively high proportion of SMEs aimed for this amount of financing in Estonia (22%) and Portugal (21%).

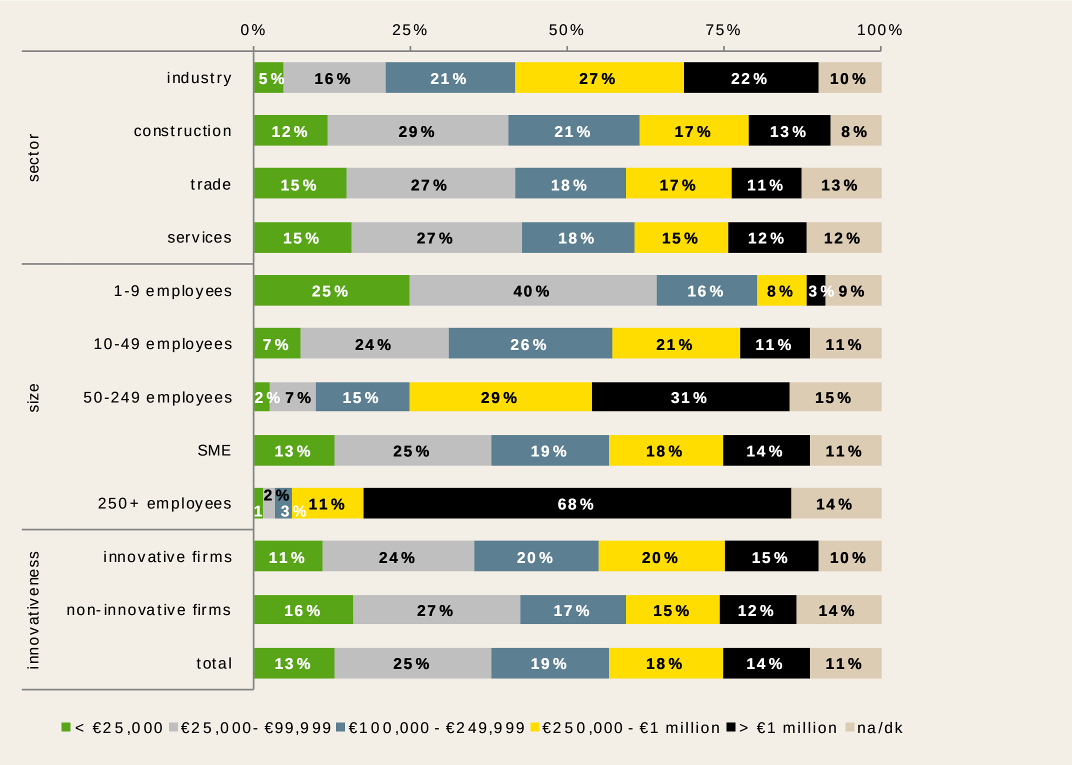
figure 66 Amount of financing SMEs need to realise their growth ambitions in EU-28, Iceland and Montenegro by country, in 2014



Q21. If you need external financing to realise your growth ambitions, what amount of financing would you aim to obtain?

Source: SAFE, 2014; edited by Panteia.

figure 67 Amount of financing enterprises need to realise their growth ambitions in EU-28 by enterprise characteristic, in 2014



	< €25,000	€25,000- €99,999	€100,000 - €249,999	€250,000 - €1 million	> €1 million	na/dk
industry	5%	16%	21%	27%	22%	10%
construction	12%	29%	21%	17%	13%	8%
trade	15%	27%	18%	17%	11%	13%
services	15%	27%	18%	15%	12%	12%
1-9 employees	25%	40%	16%	8%	3%	9%
10-49 employees	7%	24%	26%	21%	11%	11%
50-249 employees	2%	7%	15%	29%	31%	15%
SME	13%	25%	19%	18%	14%	11%
250+ employees	1	2%	3%	11%	68%	14%
innovative firms	11%	24%	20%	20%	15%	10%
non-innovative firms	16%	27%	17%	15%	12%	14%
total	13%	25%	19%	18%	14%	11%

Q21. If you need external financing to realise your growth ambitions, what amount of financing would you aim to obtain?

Source: SAFE, 2014; edited by Panteia.

The amount of finance SMEs would like to obtain varies between sectors (figure 67). Industry stood out with a relatively low proportion of SMEs seeking for less than 25,000 Euro (5%) and a relatively high proportion of SMEs seeking for more than 1 million Euro (22%) compared to other sectors.

Comparing SMEs across enterprise size classes, the amount of funding enterprises like to obtain increased with enterprise size. As shown in figure 67, a relatively low proportion of medium sized enterprises would like to obtain less than 100,000 Euro (9%), while the majority of the micro enterprises aimed for less than 100,000 through external funding (65%). Likewise, only 3% of the micro enterprises would like to obtain more than 1 million Euro, whereas about one third (31%) of medium-sized enterprises would like to obtain this amount of money.

Large enterprises aimed to obtain much higher amounts of external finance than SMEs did. More than half (68%) of the large enterprises liked to obtain more than 1 million Euro, compared to 14% of the SMEs. Moreover, only 3% of the large enterprises aimed to seek for less than 100,000 Euro, while 38% of the SMEs aimed to obtain this amount of external finance.

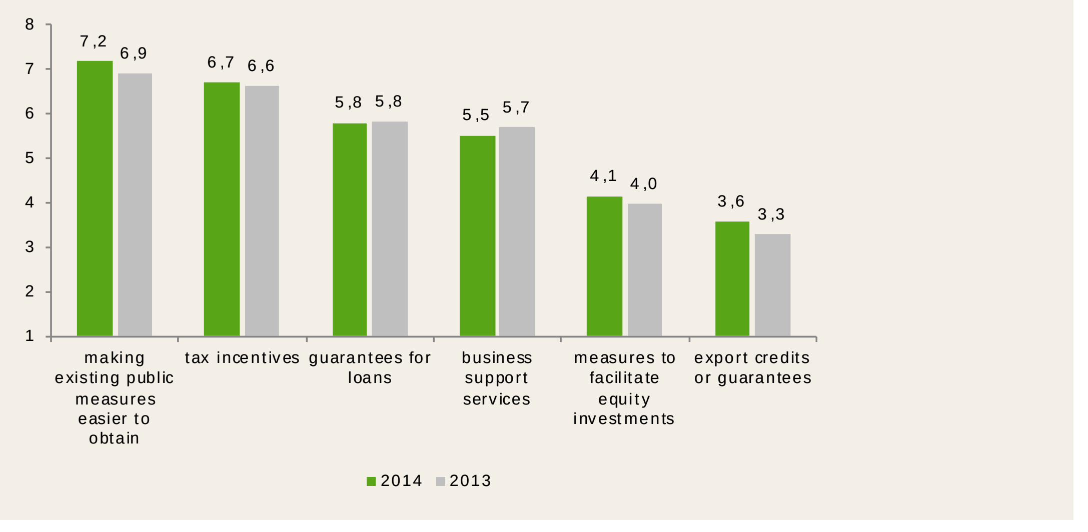
Innovative SMEs indicated higher amounts of funding than did non-innovative SMEs, see figure 67. Innovative SMEs aimed more often for more than 250,000 Euro (35%) compared to non-innovative enterprises (27%). Similarly, a lower proportion of innovative SMEs (11%) aimed for less than 25,000 Euro compared to non-innovative enterprises (16%).

4.5 What further drives future funding needs?

SMEs have indicated the importance of six specific factors for the future financing of their companies. As for previous years, making existing public measures easier to obtain was the most important driver for SMEs in EU-28, followed by tax incentives, guarantees for loans and business support services (figure 68). Export credits or guarantees were perceived as the least important factor in future financing.

In 2011 and 2013 the ranking of the six factors (drivers) was similar to that of 2014. Moreover, there was only little variation in mean scores across years.

figure 68 Factors affecting future financing for SMEs in EU-28, weighted average of grades on a scale of 1-10, where 1 means it is not at all important and 10 means that it is extremely important, sorted from high to low based on the grade received in 2014, for the period 2013-2014



Q24. On a scale of 1-10, where 10 means it is extremely important and 1 means it is not at all important, how important are each of the following factors for your enterprise's financing in the future?

Source: SAFE, 2014; edited by Panteia.

In all countries, either making existing public measures easier to obtain or tax incentives were indicated as the most important factor for future financing. The only two exceptions were Sweden and Czech Republic where SMEs perceived making existing public measures easier to obtain and guarantees for loans as the most important factors. In all countries, except in Croatia and Greece, measures to facilitate equity investments and export credits or guarantees were perceived as the least important factors.

Making existing public measures easier to obtain was seen to be the particularly important in Italy and Croatia. In contrast, in Iceland and Denmark, it was seen as least important. The most notable change between 2013 and 2014 was the increase in importance of making existing public measures easier to obtain in Slovakia and Latvia. Furthermore the importance of this factor significantly declined in Malta between 2013 and 2014.

Tax incentives were perceived to be especially important in Latvia and Greece. In the Denmark and Czech Republic tax incentives received the lowest mean scores. Such tax incentive schemes could for instance aim to ease the pooling of funds by informal investors and thus stimulate the availability of alternative financing sources.

The mean scores regarding tax incentives in 2013 and 2014 were slightly different and the biggest change occurred in Croatia. Here, the importance of tax incentives increased.

In Greece, Cyprus and Italy ***guarantees for loans*** are perceived to be very important. In contrast, in Denmark, guarantees for loans are perceived as relatively unimportant. The most striking change between 2013 and 2014 was the decline in importance of guarantees for loans in Iceland. New and young SMEs in particular are faced with the adverse impact of information asymmetries existing between lender and borrower of external financing as they often have little collateral and, due to their limited active experience, have little to no financial track record. Government guarantees mitigate at least part of the information asymmetry problem, as the guarantor compensates part of the amount outstanding in the case of a default. Kraemer-Eis, Lang & Gvetadze (2014) note that guarantee programs have expanded in recent years.

Particularly in Lithuania and Romania ***business support services*** were perceived as important. In Iceland and Denmark, business support services were seen as less important. Mainly in Latvia the importance of business support services increased. In Malta and Iceland stand out because of a substantial decrease in the importance of this factor.

SMEs in Greece and Croatia view ***measures to facilitate equity investments*** as important. In contrast, in Germany and the Netherlands, such measures were perceived as less important. This pattern did not change significantly between 2013 and 2014. The change between 2013 and 2014 was very large for Croatia. In comparison to other countries, SMEs in Croatia rated measures to facilitate equity investments as rather unimportant in 2013, however in 2014 SMEs in Croatia gave relatively high rates to this factor.

Export credits or guarantees are deemed important in Greece. Especially in Germany, export credits or guarantees are seen as less important.

Comparing enterprises across sectors, size classes and levels of innovativeness, the ranking of the six factors affecting future funding was similar to that of the total EU-28. For all type of enterprises, making existing public measures easier to obtain and tax incentives were the first and second most important factor. Export credits or guarantees and measures to facilitate equity investments were perceived as the least important factors in future financing.

Differences between sectors, size classes and innovative and non-innovative enterprises were quite similar for all factors, except for export credits or guarantees. Comparing scores across sectors, enterprises in construction gave on average highest rates. In addition the average rate decreased with size class. Moreover, higher mean scores were seen for innovative enterprises than for non-innovative enterprises.

Export credits or guarantees were deemed most important in industry and least important in services. Furthermore, smaller enterprises indicate export credits or guarantees as less relevant than larger enterprises. Innovative enterprises indicate export credits or guarantees to be more relevant than non-innovative.

5 Funding climate

This chapter analyses the funding climate European SMEs face when searching for external financing. The first section describes how the availability for different types of funding changed over the past six months. Next changes in external aspects affecting the availability of funding are discussed. Then the confidence of SME to talk with banks, equity investors and venture capital enterprises about financing and obtaining the desired results is discussed. Subsequently focus is on SMEs' expectations regarding the availability of various types of funding. Finally, changes in the terms and conditions of bank financing are discussed. Again, each section starts by presenting the overall results for SMEs in the EU-28, after which result for 30 European countries and results broken down by company characteristics are presented.

5.1 Key findings

Changes in the availability of funding
For all types of funding a substantial number of SMEs reported that they could not give their opinion on recent changes in the availability of funding, because this simply did not apply to them. Most SMEs that did give their opinion indicated that they did not experience changes in the availability of equity, bank loans, bank overdraft, trade credit and other sources.

In 2014, the greatest positive balance between SMEs that experienced improvement and SMEs that experienced deterioration was for equity and trade credit (7%) and other types of financing (6%).

Changes in external aspects affecting the availability of funding
Also for all external aspects affecting the availability of funding a substantial number of SMEs reported that they could not give an opinion about changes in the availability, specifically on the effect of investors investing in equity or securities and the effect of public financing support. Those SMEs that were able to report the changes they experienced mostly experienced no changes in the willingness of business partners and banks to provide finance and the access to public financial support.

In 2014, positive balances existed for the willingness of business partners to provide trade credit(8%), the willingness of investors to invest (3%) and the willingness of banks to provide loans (3%). SMEs were strongly negative about public financial support, with a negative balance of -16%,for the access to public financial support (-13%) and the willingness of banks to provide loans (-11%).

Confidence in talking with banks and investors
In 2014, about two third of SMEs in the EU-28 felt confident enough to talk with banks about financing and obtaining desired results. However, a quarter of the SMEs did not.

In that same year, 20% of SMEs felt confident in discussing financing and obtaining the desired results with equity investors and venture capital enterprises, while 32% did not feel confident. Half of the SMEs indicated this was not applicable to them.

SMEs in Slovenia were most confident in talking about financing and obtaining desired goals with banks and SMEs in Denmark were most confident in talking with investors. SMEs in Greece were the least confident to talk with banks, while SMEs in Slovakia and Czech Republic were the least confident to talk with investors about these things

Expected changes in availability of funding
SMEs in the EU-28 were mostly positive regarding future changes in external financing available to them. For each of the various types internal funds, equity, bank loans, bank overdraft or credit line, trade credit, debt security and other funding sources, the number of SMEs predicting improvement exceeded the number of SMEs predicting deterioration of the availability. The highest balances among SMEs in the EU-28 were for internal funds (16%), equity (11%) and trade credit (10%).

Changes in the terms and conditions
In 2014, EU SMEs on balance experienced increased non-interest costs of financing as well as of collateral requirements. Conversely, on balance they experienced decreased interest costs, which is a reverse of trends in 2009 -2013. Generally speaking, developments have been more positive for larger enterprises than for smaller ones.

5.2 How has the availability of funding changed?

SMEs indicated whether they experienced recent changes in the availability of various sources of external financing. Please note that in 2014 a new filter was introduced in the questionnaire, which should be taken into account when making comparisons across years. The percentages in figure 69 relate to the SMEs in the EU-28 that indicated that the corresponding source of finance is relevant to their enterprise.

In 2014, 27% of these SMEs reported that they could not give an opinion about changes in the availability of ***equity***, because this was not applicable to them. 53% of SMEs in EU-28 indicated that they did not experienced changes in the availability of equity. Only 13% experienced improvement in the availability of equity. Another 6% felt the availability of equity deteriorated. Since 2009 the proportion of SMEs experiencing a decline in the availability of equity decreased from 9% in 2009 to 6% in 2014.

The majority of these SMEs in the EU-28 felt that the availability of ***bank loans*** and ***bank overdraft, credit line or credit card overdraft*** did not change in 2014 (56% and 63% respectively). About one out of five SMEs experienced an improvement in the availability of bank loans and overdrafts (18% and 17% respectively). A decline in the availability of bank loans and overdrafts was experienced by respectively 16% and 14% of the SMEs. The remaining SMEs stated they could not give an indication of the development since it was not applicable them.

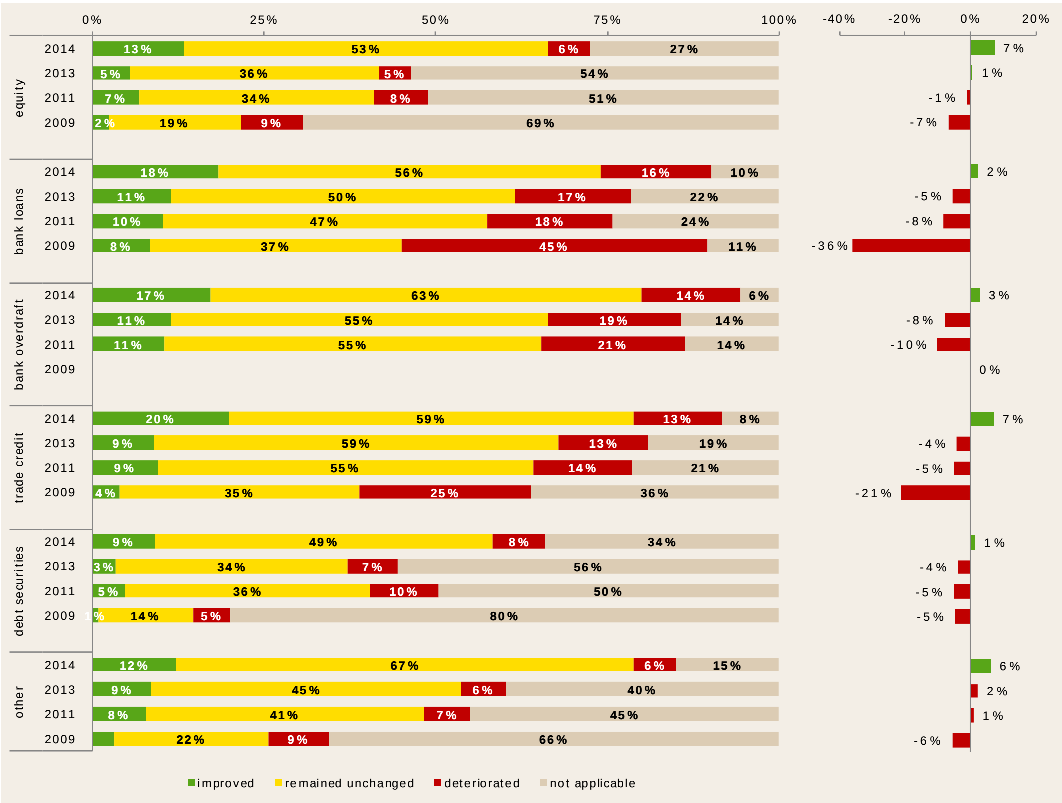
Since 2009 the proportion of the SMEs experiencing no change in the availability of bank loans increased from 37% in 2009 to 56% in 2014. During this period the proportion of SMEs experiencing a decline in the availability of bank loans decreased from 45% in 2009 to 16% in 2014. The proportions of experienced changes regarding bank overdrafts changed less strongly.

In 2014, 59% of SMEs in the EU-28 that considered trade credit relevant did not see any changes in the availability of ***trade credit***. 20% of these SMEs believed that the availability improved, while 13% believed that the availability of trade credit worsened between April and September 2014. Since 2009 the proportion of SMEs experiencing a decline in the availability of trade credit decreased from 25% in 2009 to 13% in 2014.

In 2014, a third of EU-28 SMEs (34%) could not give an opinion on the availability of ***debt securities***, a marked decline from 2009 when it was still 80%**.** Half of the SMEs that considered debt securities relevant to their enterprise (49%) experienced no change in the availability. One out of ten of these SMEs felt the availability of debt securities improved and 8% believed it has deteriorated. Since 2009 the proportion of SMEs experiencing an improvement in the availability of debt securities increased from 1% in 2009 to 9% in 2014.

Also for the availability of ***other*** sources most SMEs (67% in 2014) experienced no change. 12% experienced improvement of the availability of other sources and 6% felt the availability declined.

figure 69 Changes over the past six months in the availability for different types of funding (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in the EU-28, sorted by equity, debt and other, for the period 2009-2014. The proportions relate to SMEs that indicated that the corresponding source of finance is relevant to their enterprise.



Note: In 2014 a new filter was introduced in the SAFE questionnaire. This filter was simulated in the data of the previous survey rounds, nevertheless one should be cautious when making comparisons across years.

Q9: For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated for your enterprise over the past 6 months?

Source: SAFE, 2009 -2014; edited by Panteia.

Four types of financing are explored more in-depth in the following four sections, one for each type of external financing. These are, in their order of appearance: bank loans, bank overdraft and credit line, trade credit and equity.

5.2.1 Bank loans

The percentages in figure 70 refer to the SME that considered bank loans relevant to their enterprise. In the EU-28, 18% of these SMEs believed the availability of bank loans had improved while 16% of these SMEs that believed it had deteriorated, resulting in a balance of 2%[16]. This indicates a greater level of improvement than deterioration.

As shown in figure 70 and figure 71, twenty of the countries under investigation had a positive balance. In these countries a greater proportion of SMEs experienced an improvement of the availability of bank loans than SMEs experiencing a deterioration. Montenegro (26%), Iceland (24%) and Malta (18%) had the highest balance among these countries. In Hungary, SMEs were just as likely to experience improvement as to experience a decline in availability.

The other nine countries had a negative balance, indicating that SMEs in these countries were more likely to report deterioration than improvement. Slovenia had the most negative balance (-28%), followed by Cyprus (-25%) and Greece (-21%).

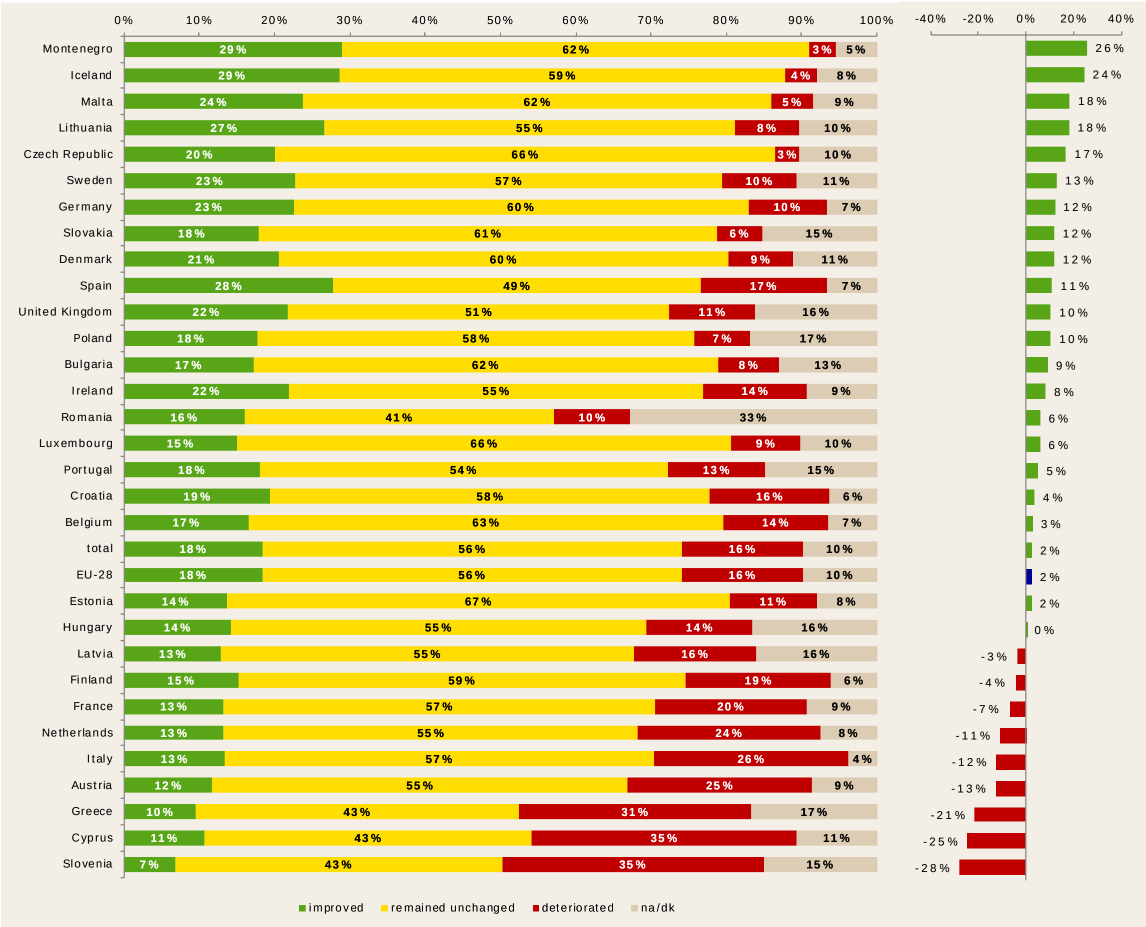
The percentages in figure 72 refer to the enterprises that considered bank loans relevant to their enterprise. In 2014, SMEs in construction show a negative balance regarding improvement or deterioration of availability of bank loans. Conversely, SMEs in industry are on balance positive about the availability of bank loans. In trade and services, the balance between positive and negative opinions on availability of banks loans merely did not change.

Enterprises across all size classes with the exception of micro enterprises reported improvement more often than deterioration. Micro enterprises however reported a negative net impact of -8%.

Both innovative and non-innovative enterprises reported more improvement more often than deterioration.

[16] Due to rounding, calculations sometimes may seem to be incorrect, while these calculations are in fact correct when decimals are taken into account.

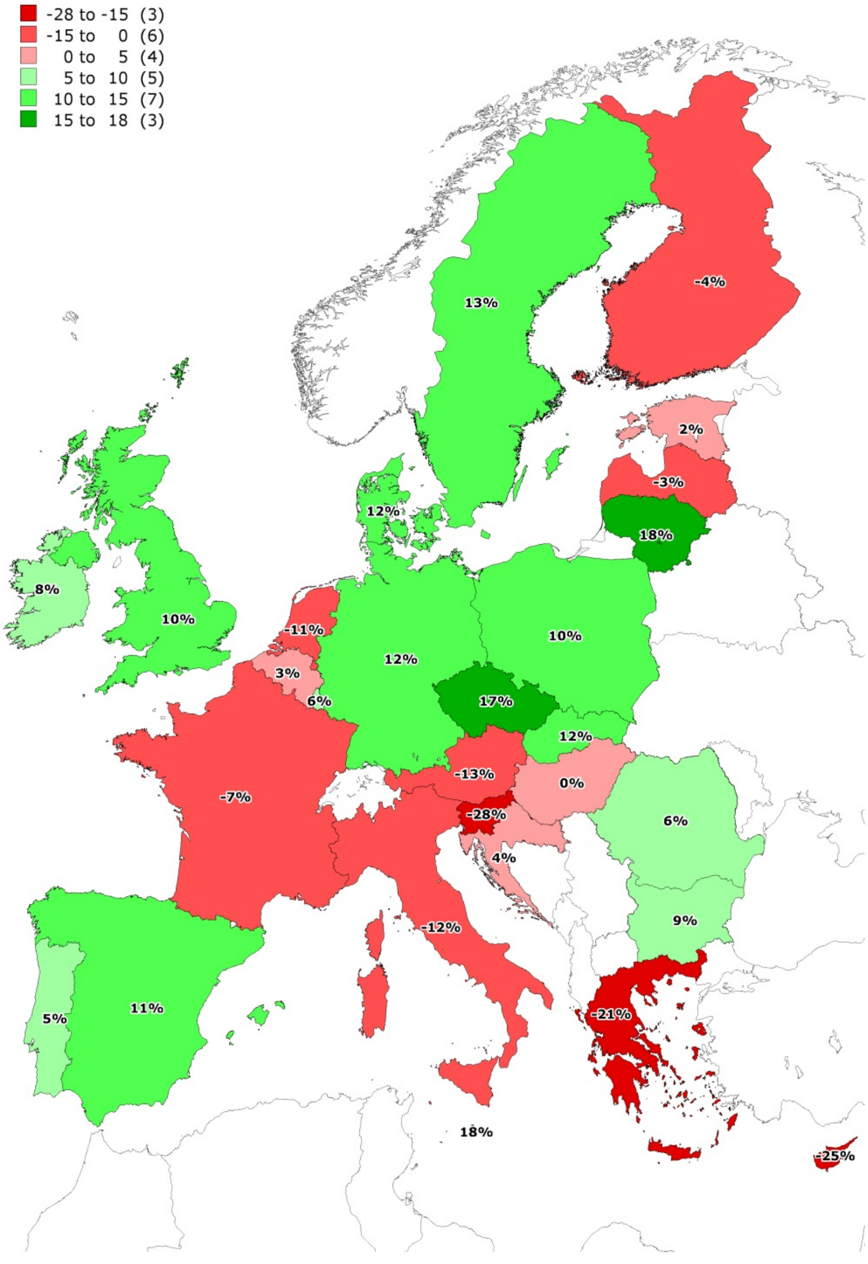
figure 70 Changes over the past six months in the availability of bank loans (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. The proportions relate to SMEs that indicated that bank loans are relevant to their enterprise.



Q9a: For bank loans (excluding overdraft and credit lines), would you say that the availability has improved, remained unchanged or deteriorated for your enterprise over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

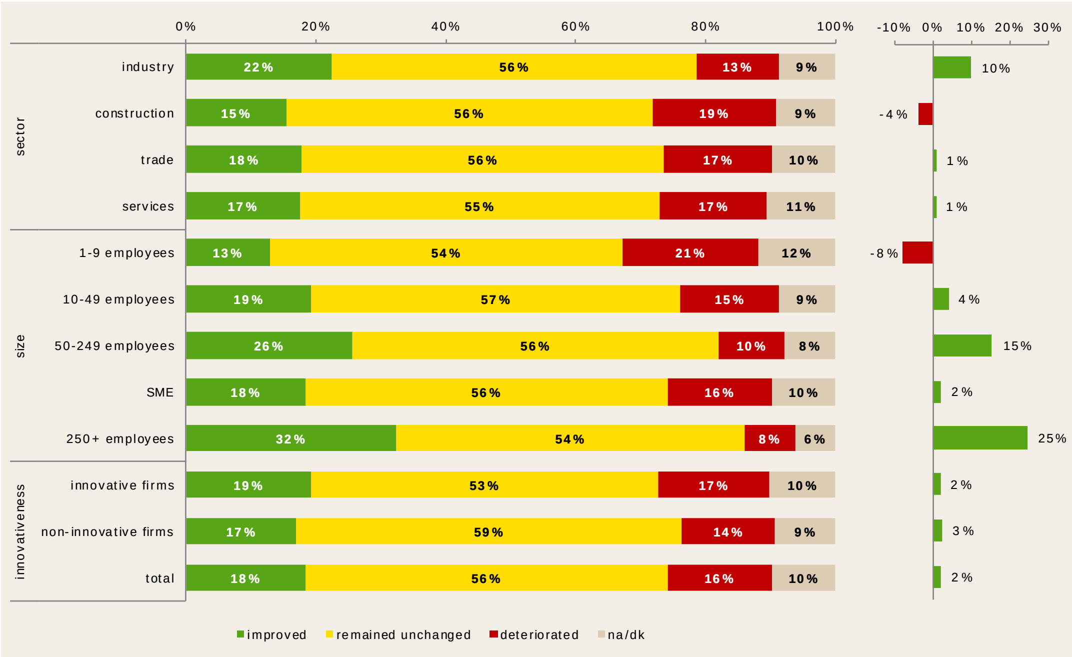
figure 71 Net balance of changes over the past six months in the availability of bank loans for SMEs in the EU-28, Iceland and Montenegro, by country in 2014



Q9a: For bank loans (excluding overdraft and credit lines), would you say that the availability has improved, remained unchanged or deteriorated for your enterprise over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

figure 72 Changes over the past six months in the availability of bank loans (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in the EU-28, by enterprise characteristic, in 2014. The proportions relate to enterprises that indicated that bank loans are relevant to their enterprise.



Q9a: For bank loans (excluding overdraft and credit lines), would you say that the availability has improved, remained unchanged or deteriorated for your enterprise over the past 6 months?

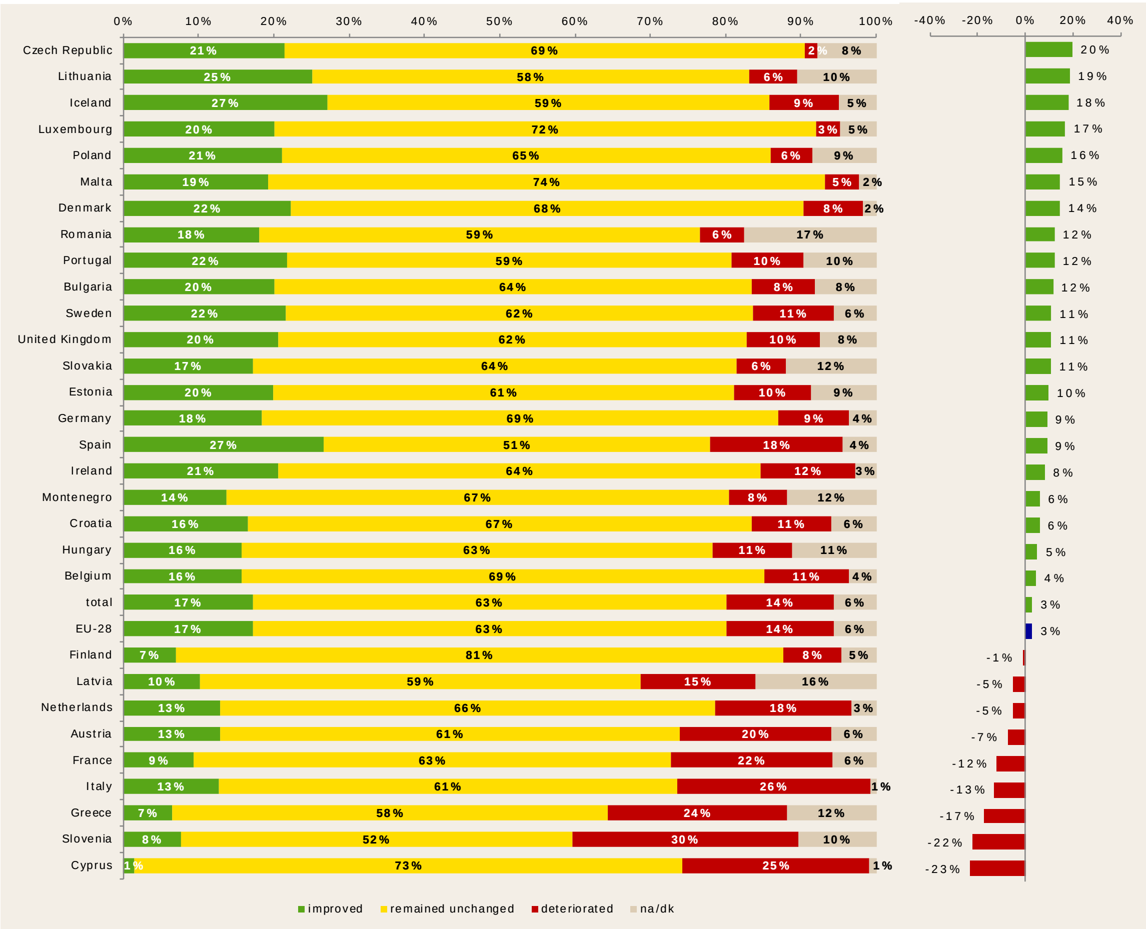
Source: SAFE, 2014; edited by Panteia.

5.2.2 Bank overdraft, credit line or credit card overdraft

The percentages in figure 73 relate to the SME that considered bank overdraft, credit line or credit card overdraft relevant to their enterprise. Nine of the countries under investigation had a negative balance. In these countries a higher proportion of SMEs experienced a deterioration of the availability of bank overdraft, credit line or credit card overdraft than SMEs experiencing a deterioration. Again, Cyprus (-23%), Slovenia (-22%) and Greece (-17%) had the highest positive balance.

In the other twenty-one countries the relative number of SMEs reporting improvement exceeded the number of SMEs reporting deterioration of the availability. Czech Republic (20%), Lithuania (19%) and Iceland (18%) had the strongest positive balance.

figure 73 Changes over the past six months in the availability of bank overdraft, credit line or credit card overdraft (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. The proportions relate to SMEs that indicated that bank overdraft, credit line or credit card overdraft is relevant to their enterprise.



Q9f: For credit line, bank overdraft or credit cards overdraft, would you say that the availability has improved, remained unchanged or deteriorated for your enterprise over the past 6 months?

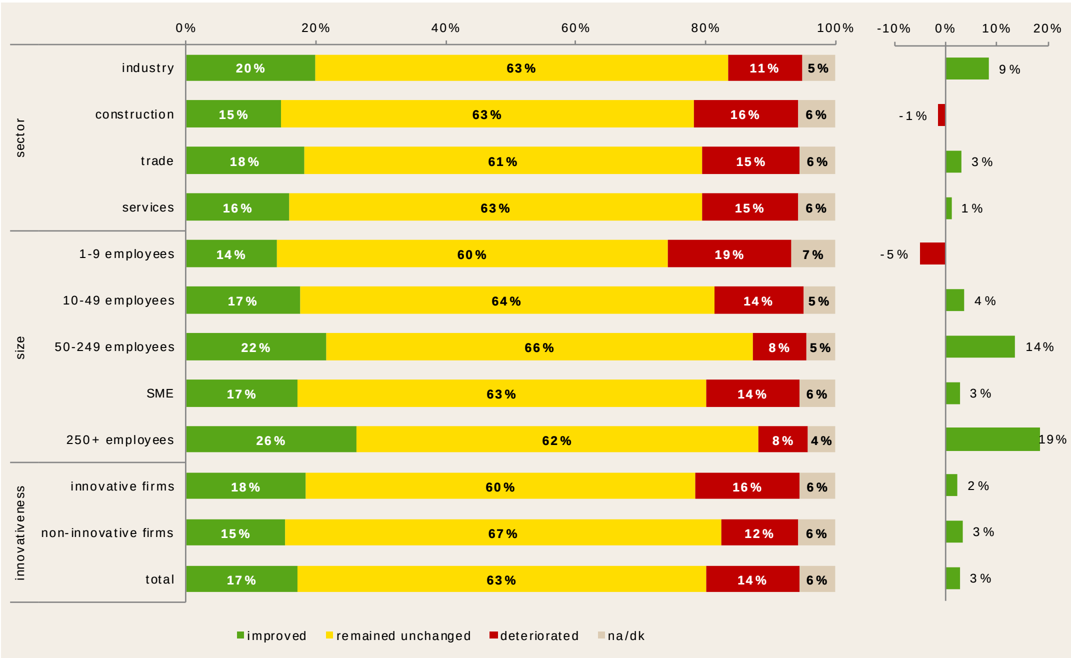
Source: SAFE, 2014; edited by Panteia.

In figure 74 the results by enterprise characteristic are presented. The data refer to enterprises that indicated bank overdraft, credit line or credit card overdraft to be relevant to their enterprise. In 2014, in most sectors, the proportion of SMEs that experienced improvement exceeded the proportion of SMEs that experienced deterioration of the availability of bank overdraft, credit line or credit card overdraft. The single (slightly) negative balance was among SMEs in construction (-1%).

In 2014, the balance increased with size class. Most size classes reported net improvements, with the sole exception being the negative net impact reported by micro enterprises (-5%). The greatest positive balance was among large enterprises, with a net impact of 19%.

Both innovative and non-innovative enterprises reported improvement more often than deterioration.

figure 74 Changes over the past six months in the availability of bank overdraft, credit line or credit card overdraft (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in the EU-28, by enterprise characteristic, in 2014. The proportions relate to enterprises that indicated that bank overdraft, credit line or credit card overdraft is relevant to their enterprise.



Q9f: For credit line, bank overdraft or credit cards overdraft, would you say that the availability has improved, remained unchanged or deteriorated for your enterprise over the past 6 months?

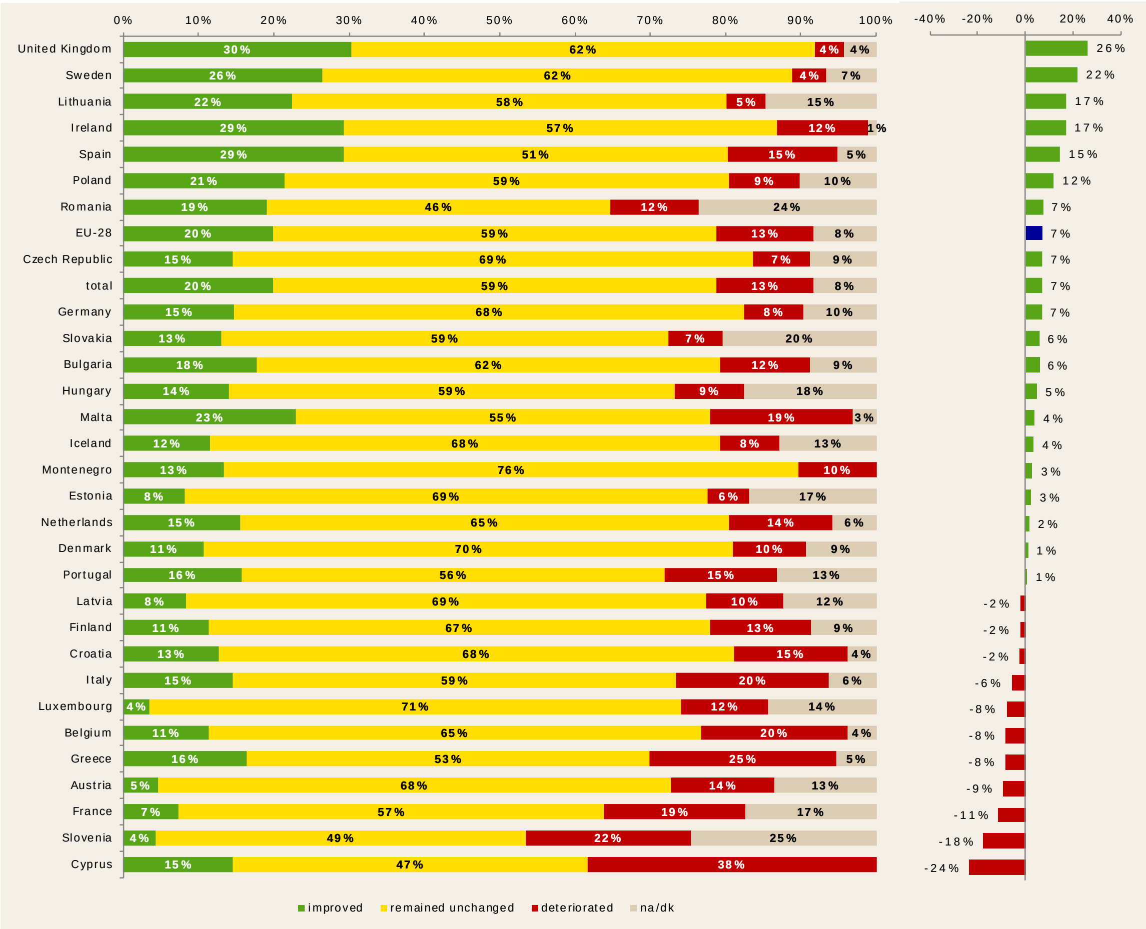
Source: SAFE, 2014; edited by Panteia.

5.2.3 Trade credit

The percentages in figure 75 refer to the SME that considered trade credit relevant to their enterprise. In 2014, in the overall EU-28 the balance between improvement and deterioration for trade credit is 7%. In nineteen countries the number of SMEs that experienced improvement exceeded the number of SMEs that experienced deterioration. The balance was highest in the United Kingdom (26%).

In the remaining eleven countries, SMEs were more likely to report a deterioration than an improvement. Of these countries, Cyprus (-24%) and Slovenia (-18%) had the most negative balance.

figure 75 Changes over the past six months in the availability of trade credit (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. The proportions relate to SMEs that indicated trade credit is relevant to their enterprise. [17]



Q9b: For trade credit, would you say that the availability has improved, remained unchanged or deteriorated for your enterprise over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

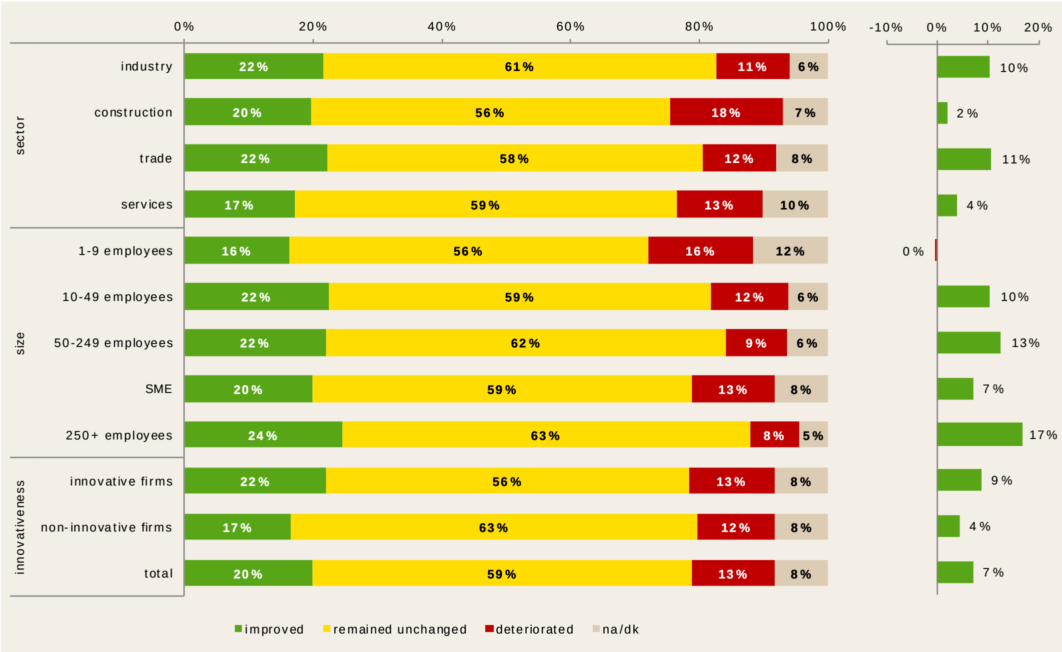
The result in figure 76 relate to enterprises that considered trade credit relevant to their enterprise. In 2014, in all sectors, the number of SMEs that experienced improvement was higher than the number of SMEs that experienced deterioration of the availability of trade credit. The smallest positive balance was among SMEs in construction (2%).

In 2014, the balance increased with size class, see figure 76. The balance was neutral among small enterprises and highest among large enterprises (17%).

As can be seen in figure 76, both innovative and non-innovative enterprises reported improvement more often than deterioration. A greater proportion of innovative SMEs did so, resulting in a greater and more positive balance of 9% against 4% among non-innovative SMEs.

[17] Please note that the unweighted number of observations was relatively low in Estonia and Montenegro at below 30. These results should be interpreted with care.

figure 76 Changes over the past six months in the availability of trade credit (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in the EU-28, by enterprise characteristic, in 2014. The proportions relate to enterprises that indicated that trade credit is relevant to their enterprise.



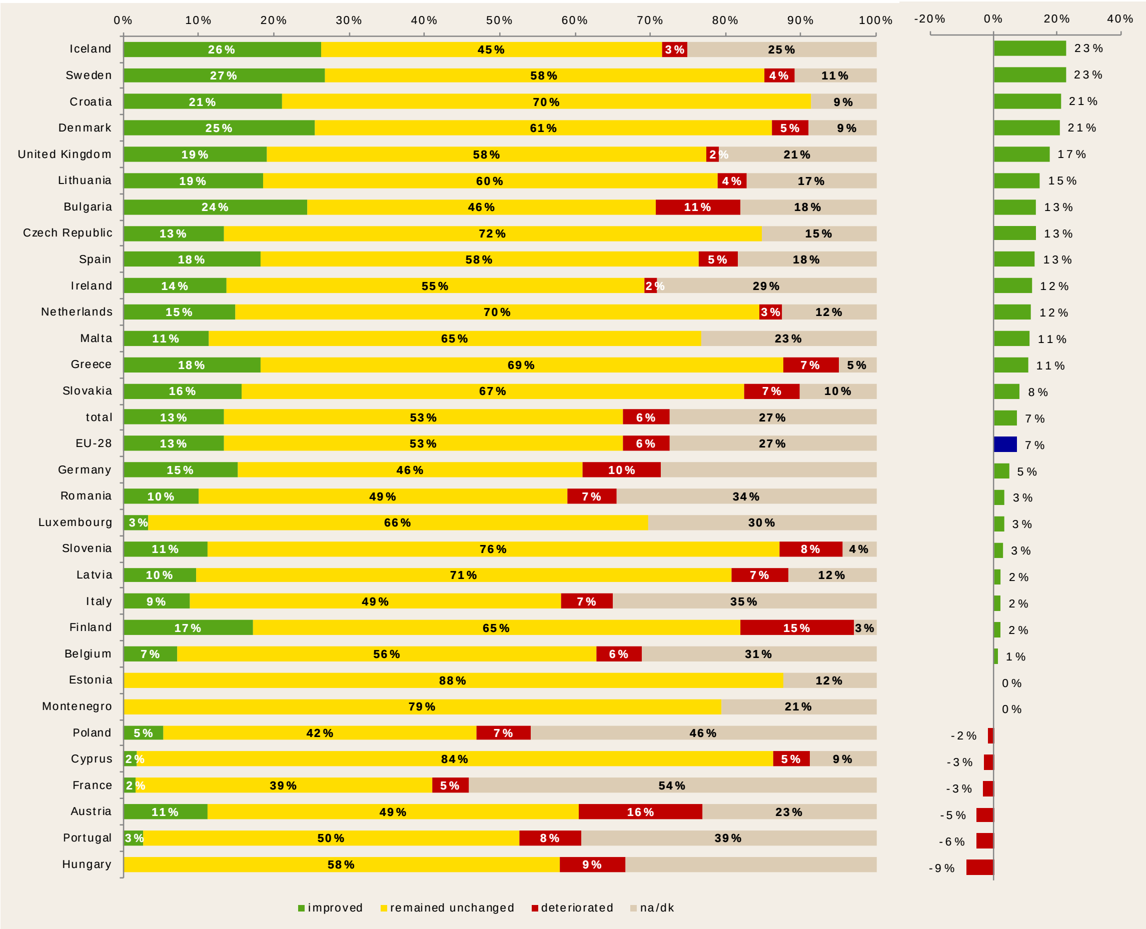
Q9b: For trade credit, would you say that the availability has improved, remained unchanged or deteriorated for your enterprise over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

5.2.4 Equity

The percentages in figure 77 relate to the SME that considered equity relevant to their enterprise. In 2014, 13% of SMEs experienced an improvement in the availability of equity financing, while 6% reported a deterioration, resulting in a positive balance of 7%. In fact, SMEs in 22 countries reported a positive balance, with the balance being most positive in Iceland (23%), Sweden (23%) and Croatia and Denmark (21%). On balance, SMEs in Estonia and Montenegro report neutral regarding changes in the availability of equity financing. SMEs in the six remaining countries were less positive on the developments of equity financing available to them, with the greatest negative balances in Hungary (-9%), Portugal (-6%) and Austria (-5%).

figure 77 Changes over the past six months in the availability of equity (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. The proportions relate to SMEs that indicated that equity is relevant to their enterprise.[18]



Q9c: For equity, would you say that the availability has improved, remained unchanged or deteriorated for your enterprise over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

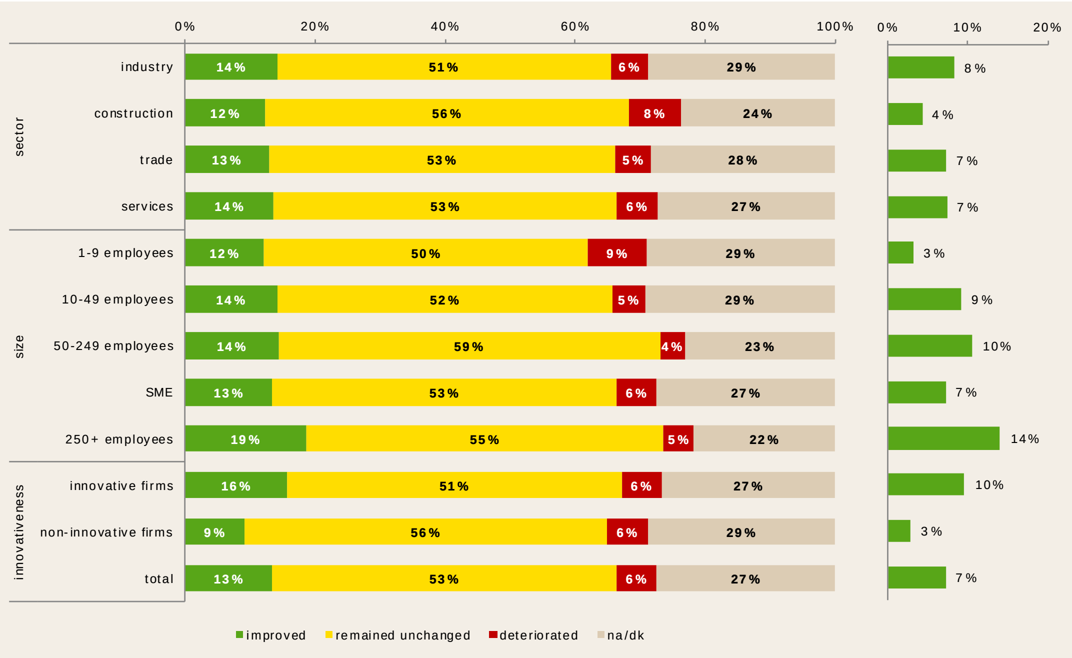
In figure 78 the results by enterprise characteristic are presented, the proportions relate to enterprises that indicated equity to be relevant to their enterprise. When developments in the availability of equity financing are explored by enterprise characteristic, it appears that for EU-28, the balance is positive for every type of enterprise. SMEs in all of the four sectors discerned reported improvements in equity availability, particularly so in industry, trade and services with respective balances of 8%, 7% and again 7%.

There exists a clear correlation between enterprise size and the experienced changes in availability that becomes clear from the figure. The balance is smallest, but still positive, for micro enterprises at 3% and increases with enterprises size to 14% for large enterprises.

Innovative enterprises more often report a positive balance between improved and deteriorated changes in the availability of equity.

[18] Please note that the unweighted number of observations was relatively low in the Czech Republic, Estonia, Hungary, and Montenegro at below 20. These results should be interpreted with care.

figure 78 Changes over the past six months in the availability of equity (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in the EU-28, by enterprise characteristic, in 2014. The proportions relate to enterprises that indicated that equity is relevant to their enterprise.



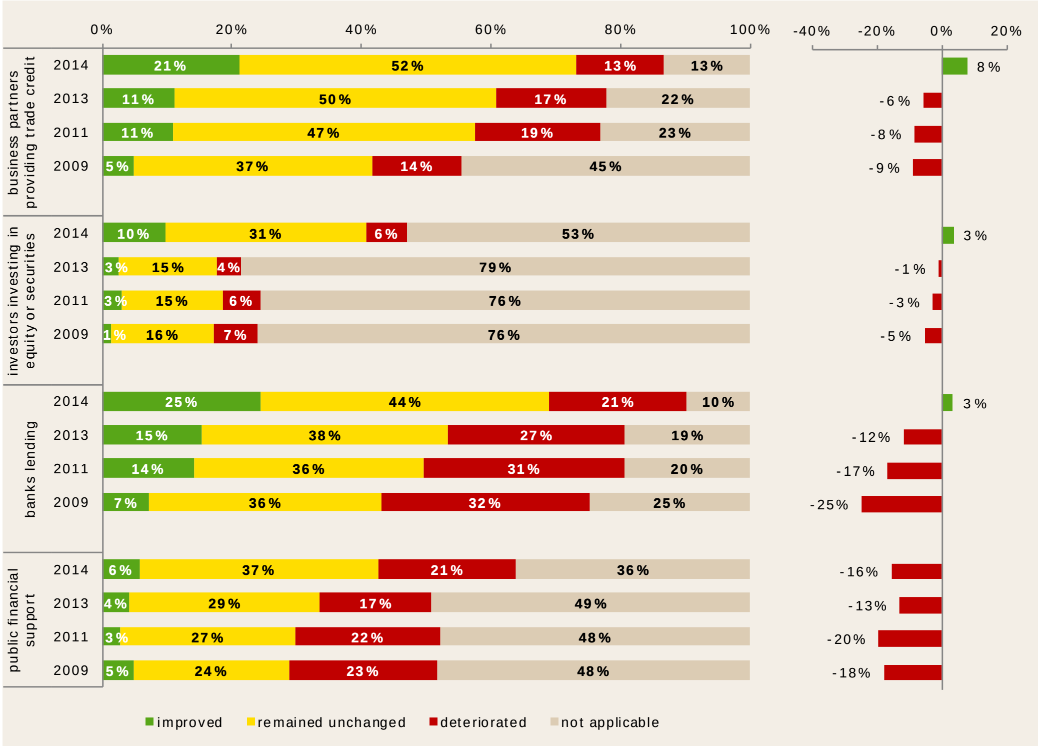
Q9c: For equity, would you say that the availability has improved, remained unchanged or deteriorated for your enterprise over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

5.3 Have external aspects affecting the availability of funding changed?

In addition to the opinion of SMEs on recent changes in the availability of various sources of external financing, their opinion about changes of external aspect affecting funding are described in this section. Again, SMEs could indicate whether the various aspects improved, remained unchanged or deteriorated in the past six months. The result for SMEs in the EU-28 are presented in figure 79. Please note that in 2014 a new filter was introduced in the questionnaire for the questions on willingness of bank, investors and business partners. This should be taken into account when making comparisons across years.

figure 79 Changes over the past six months of external aspects affecting the availability of funding (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in the EU-28, for the period 2009-2014.



Note: In 2014 a new filter was introduced in the SAFE questionnaire for the questions regarding the willingness of business partners, investor and banks to provide financing. This filter was simulated in the data of the previous survey rounds, nevertheless one should be cautious when making comparisons across years; Proportions regarding the willingness of business partners to provide trade credit relate to SMEs that considered trade credit relevant to their enterprise; Proportions regarding the willingness of investors to invest relate to SMEs that considered debt securities, equity capital, other loans or other sources of financing relevant to their enterprise; Proportions regarding the willingness of banks to provide credit relate to SMEs that considered credit line, bank overdraft, credit card overdraft, bank loans or subsidised bank loans to be relevant to their enterprise; Proportions regarding access to public financial support including guarantees relate to all SMEs.

Q11 b, f-h: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?

Source: SAFE, 2009-2014; edited by Panteia.

The results discusses here regarding the willingness of business partners to provide trade credit relate to SMEs that considered trade credit relevant to their enterprise. In 2014, about one in eight of these SMEs (13%) could not indicate whether the ***willingness of business partners to provide trade credit*** changed. Half of the SMEs (52%) did not experience any changes in the willingness of business partners. The proportion of SMEs that felt the willingness improved (21%) exceeded the proportion of SMEs that experienced deterioration (13%). Hence, overall SMEs' opinions about changes in the willingness of business partners have become more positive. The proportion of SMEs that experienced improvement increased and the proportion of SMEs that experienced deterioration declined between 2009 and 2014 such that the net impact has now become positive.

The results discussed here regarding the willingness of investors to invest, refer only to those SMEs that considered debt securities, equity capital, other loans or other sources of financing relevant to their enterprise. In 2014, the majority (53%) of these SMEs in the EU-28 indicated they could not give their opinion about changes in ***the willingness of investors to invest****,* because this was not applicable to their enterprise. 31% of the SMEs felt the willingness remained unchanged. The proportion of SMEs that experienced deterioration (6%) was smaller than the number of SMEs that experienced improvement (10%). Between 2009 and 2014 the proportion of SMEs that indicated deterioration decreased slightly from 7% in 2009 to 6% in 2014.

The percentages regarding the willingness of banks to provide credit, refer only to those SMEs that considered credit line, bank overdraft, credit card overdraft, bank loans or subsidised bank loans to be relevant to their enterprise. In 2014, almost half of SMEs in EU-28 (44%) that applied for a bank loan, credit line or overdraft believed that the ***willingness of banks to provide a loan*** had not changed. A quarter (25%) of these SMEs indicated they experienced improvement of bank lending versus 21% of SMEs that indicated deterioration. The proportion of SMEs that experienced improvement increased and the proportion of SMEs that experienced deterioration declined between 2009 and 2014.

In 2014, 36% of the SMEs that applied for a bank loan, credit line or overdraft were not able to indicate whether the ***access to public financial support including guarantees*** changed in the past six months. One 37% of these SMEs indicated the access remained unchanged. The number of SMEs that believed the access deteriorated (21%) greatly exceeded the number of SMEs that believed it changed for the better (6%). The proportion of SMEs that indicated a deterioration decreased slightly from 23% in 2009 to 21% in 2014.

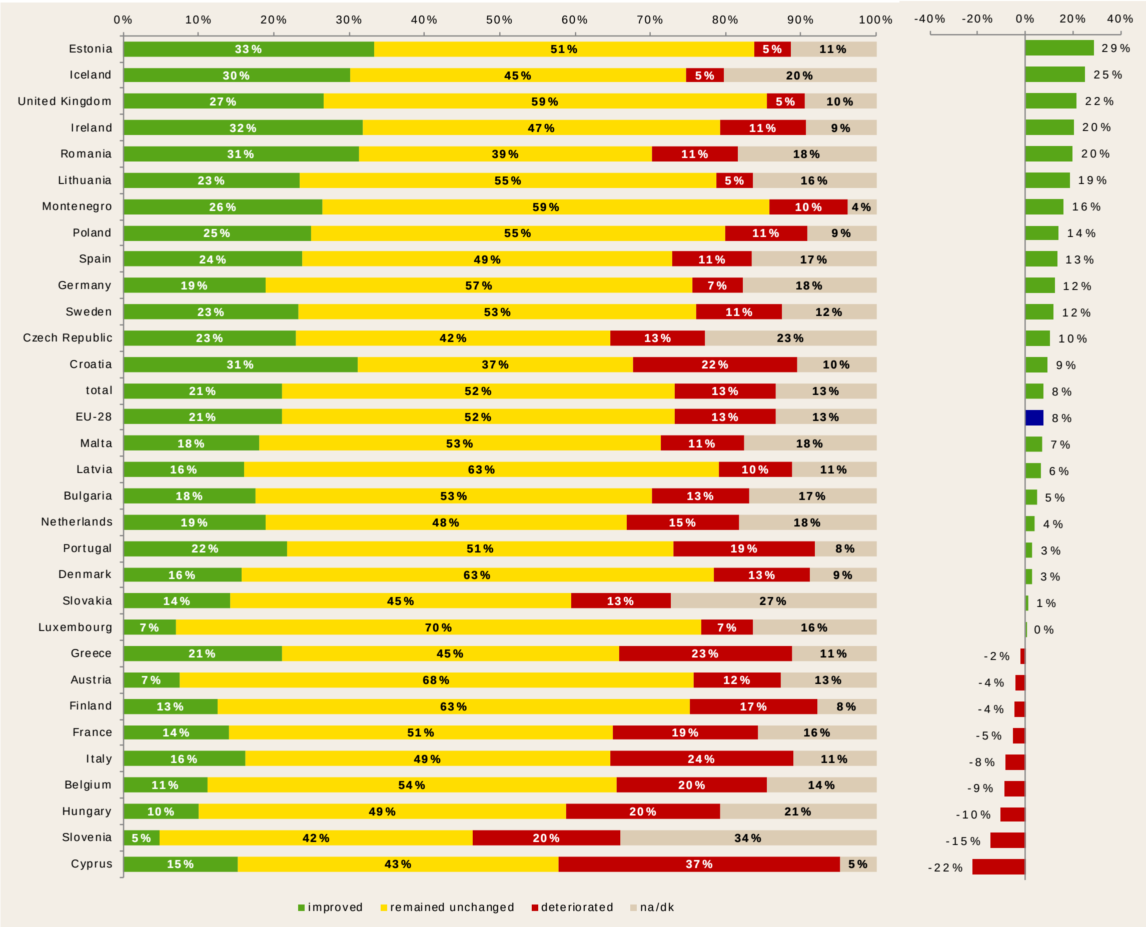
5.3.1 Willingness of business partners to provide trade credit

As shown in figure 80 the recent changes in the willingness of business partners to provide trade credit differed between countries. The results presented relate to SMEs that considered trade credit relevant to their enterprise. In 2014, in most European countries SMEs more often reported improvement rather than deterioration of the willingness of business partners. In Estonia, 33% of the SMEs experienced improvement, whereas only 5% experienced deterioration, making a balance of 29%. The next greatest balances were in Iceland (25%) and the United Kingdom (22%).

In Luxembourg, the proportion of SMEs that experienced improvement was equal to the proportion of SMEs that felt the willingness deteriorated in the past six months.

In the remaining nine countries, the proportion of SMEs that indicated deterioration exceeded the proportion of SMEs that indicated improvement of the willingness of business partners. The balance among these countries ranged from -2% in Greece up to -22% in Cyprus.

figure 80 Changes over the past six months in the willingness of business partners to provide trade credit (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. The proportions relate to SMEs that considered trade credit relevant to their enterprise.[19]

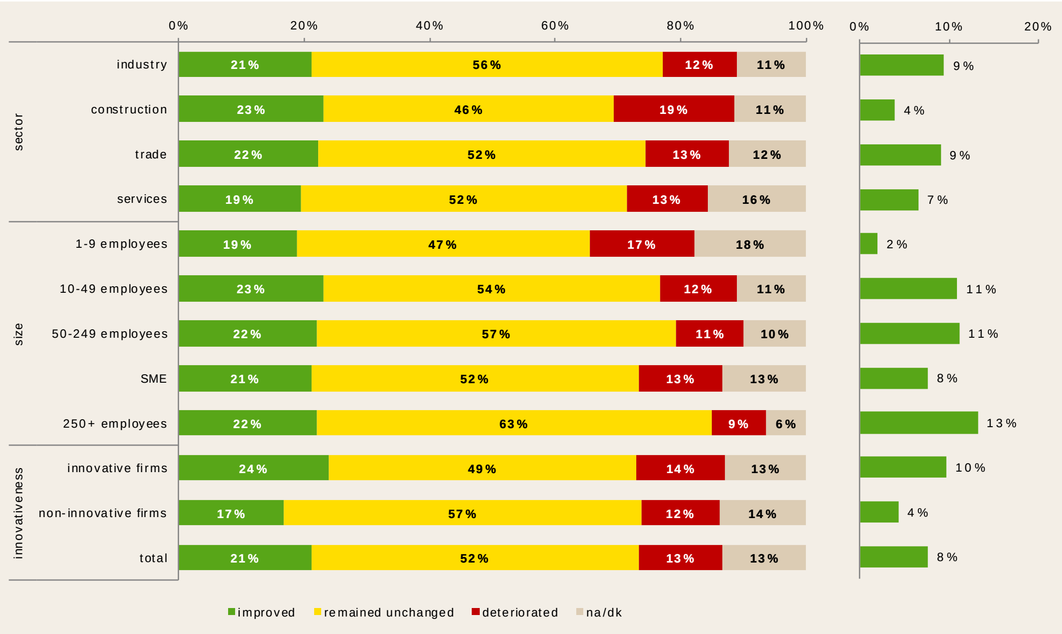


Q11g: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For the willingness of business partners to provide trade credit, would you say that it has improved, remained unchanged or deteriorated over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

19 Please note that the unweighted number of observations was relatively low in Estonia and Montenegro at below 30. These results should be interpreted with care.

figure 81 Changes over the past six months in the willingness of business partners to provide trade credit (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in the EU-28, by enterprise characteristic, in 2014. The proportions relate to enterprises that considered trade credit relevant to their enterprise.



Q11g: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For the willingness of business partners to provide trade credit, would you say that it has improved, remained unchanged or deteriorated over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

The results in figure 81 refer to only those SMEs that considered trade credit relevant to their enterprise. In 2014, in all sectors, the proportion of SMEs that experienced improvement was higher than the proportion of SMEs that experienced deterioration in the willingness of business partners to provide trade credit. Again, SMEs in construction were most pessimistic about the recent changes, but still with a positive balance of 4%. The strongest positive balance was among SMEs in industry and trade (9%).

Again, balance increased with size. The smallest positive balance was among micro enterprises (2%) and the largest balance was among large enterprises (4%).

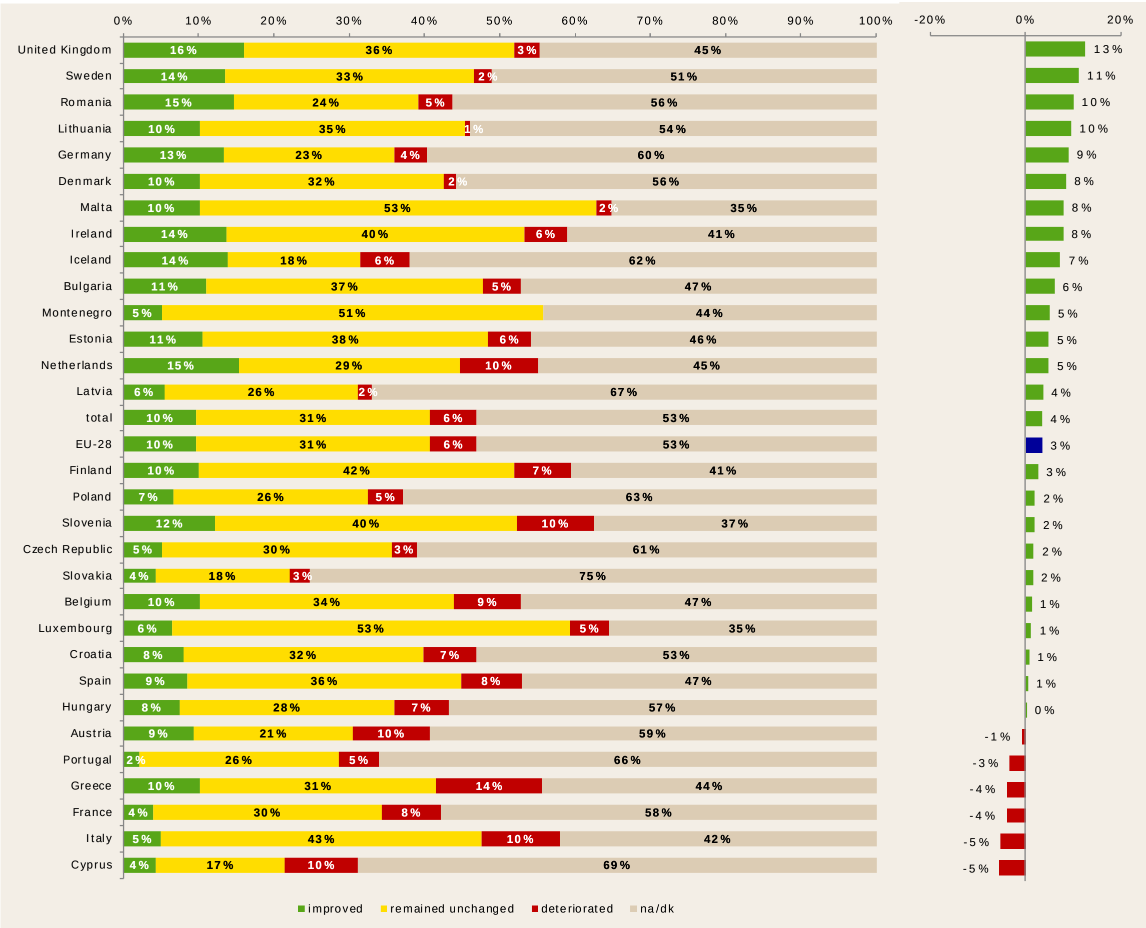
In 2014, both innovative and non-innovative enterprises reported improvement more often than deterioration. The balance of innovative enterprises (10%) was more positive than that of non-innovative enterprises (4%).

5.3.2 Willingness of investors to invest in equity or issued debt securities

As for the total EU-28, in most countries a great majority of SMEs were not able to give their opinion on changes in the willingness of investors to invest in equity or issued debt securities, because this was not applicable to their enterprise. The results in figure 82 refer to only those SMEs that considered debt securities, equity capital, other loans or other sources of financing relevant to their enterprise.

In 2014, in only six countries a slightly greater proportion of SMEs reported deterioration rather than improvement. The balance in these countries ranged from -1% in Austria to -5% in Cyprus and Italy. In Hungary, the proportions of improvement and deterioration were equal in 2014. In the other twenty-three countries, SMEs more often experienced improvement rather than deterioration of the willingness of investors. The strongest positive balance was in the United Kingdom (13%).

figure 82 Changes over the past six months in the willingness of investors to invest in equity or issued debt securities (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. The proportions to invest relate to SMEs that considered debt securities, equity capital, other loans or other sources of financing relevant to their enterprise.[20]



Q11h: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For the willingness of investors to invest in equity or issued debt securities for enterprises, would you say that it has improved, remained unchanged or deteriorated over the past 6 months?

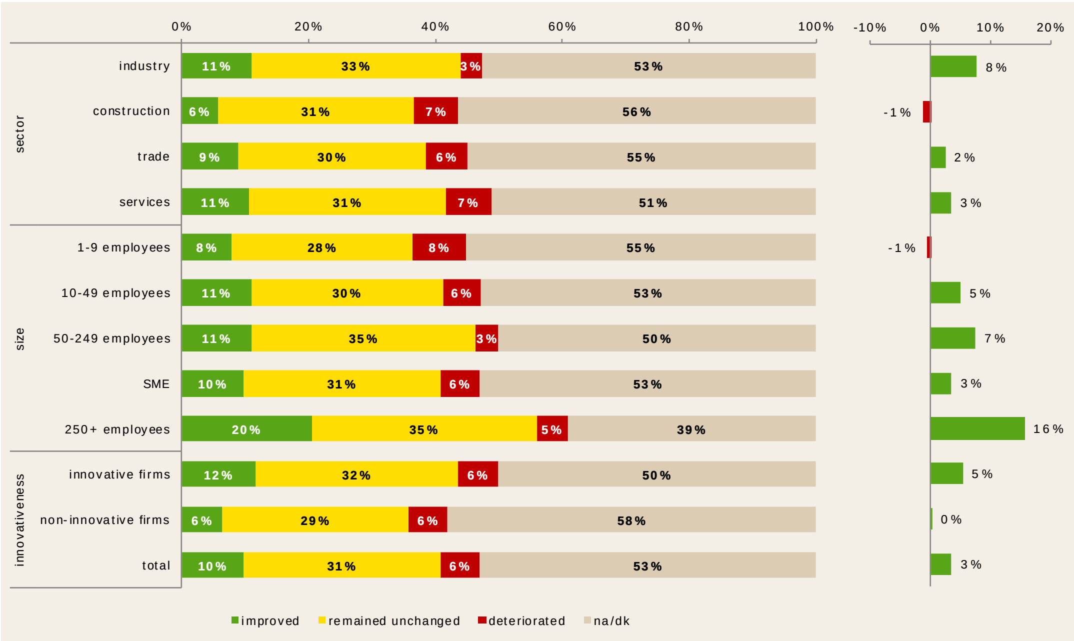
Source: SAFE, 2014; edited by Panteia.

In 2014, most categories of enterprises reported a positive net impact from the willingness of investors to invest in equity or debt issued by enterprises on the availability of external financing to them as evidenced by the results shown in figure 83. The results presented in this figure refer only to those SMEs that considered debt securities, equity capital, other loans or other sources of financing relevant to their enterprise. Among the four discerned sectors, a negative net effect is reported by construction only (-1%) with the remaining three reporting a positive net effect.

[20] Please note that the unweighted number of observations was relatively low in Montenegro at around 20. These results should be interpreted with care.

Again, a positive relation between enterprise size and the size of the net effect can be observed. The net effect is slightly negative for micro enterprises (-1%) and greatest for large enterprises at 16%. Innovative SMEs are more positive on changes in the willingness of investors to invest in equity or debt issued by enterprises with a net effect of 5% versus 0% among non-innovative SMEs.

figure 83 Changes over the past six months in the willingness of investors to invest in equity or issued debt securities (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in the EU-28, by enterprise characteristic, in 2014. The proportions relate to enterprises that considered debt securities, equity capital, other loans or other sources of financing relevant to their enterprise.



Q11h: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For the willingness of investors to invest in equity or issued debt securities for enterprises, would you say that it has improved, remained unchanged or deteriorated over the past 6 months?

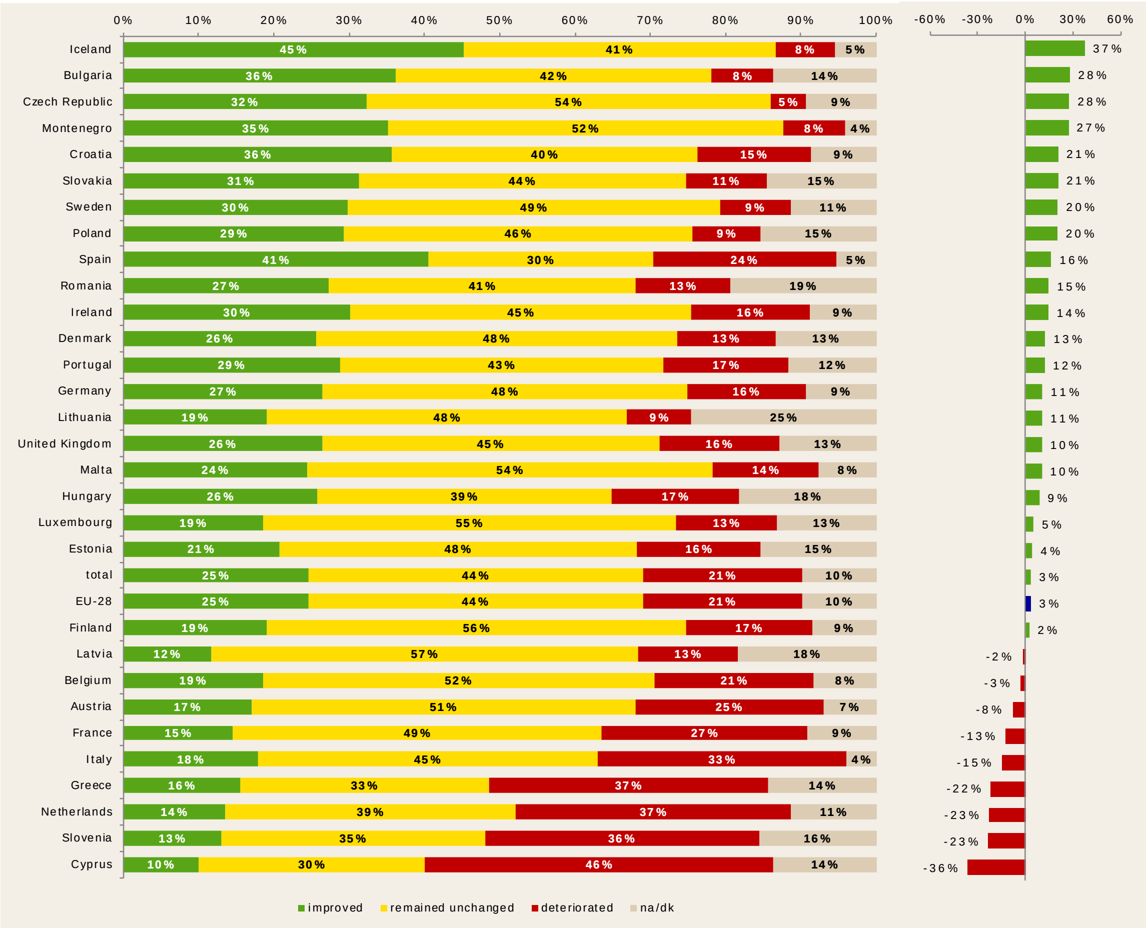
Source: SAFE, 2014; edited by Panteia.

5.3.3 *Willingness of banks to provide a loan*

As can be seen in figure 84 and figure 85, there was a lot of variation across countries in 2014. The presented results refer to only those SMEs that considered credit line, bank overdraft, credit card overdraft, bank loans or subsidised bank loans to be relevant to their enterprise. In countries the SMEs were on average rather optimistic about the changes in the willingness of banks to provide loans. In these countries more SMEs indicated they experienced an improvement of the willingness of banks than SMEs that indicated deterioration. This was in particular the case in Iceland, with a balance of 37%.

In the other countries, SMEs were less optimistic about the recent changes in bank lending. Cyprus stands out with a balance of -36%, followed by Slovenia and the Netherlands with a balance of -23%.

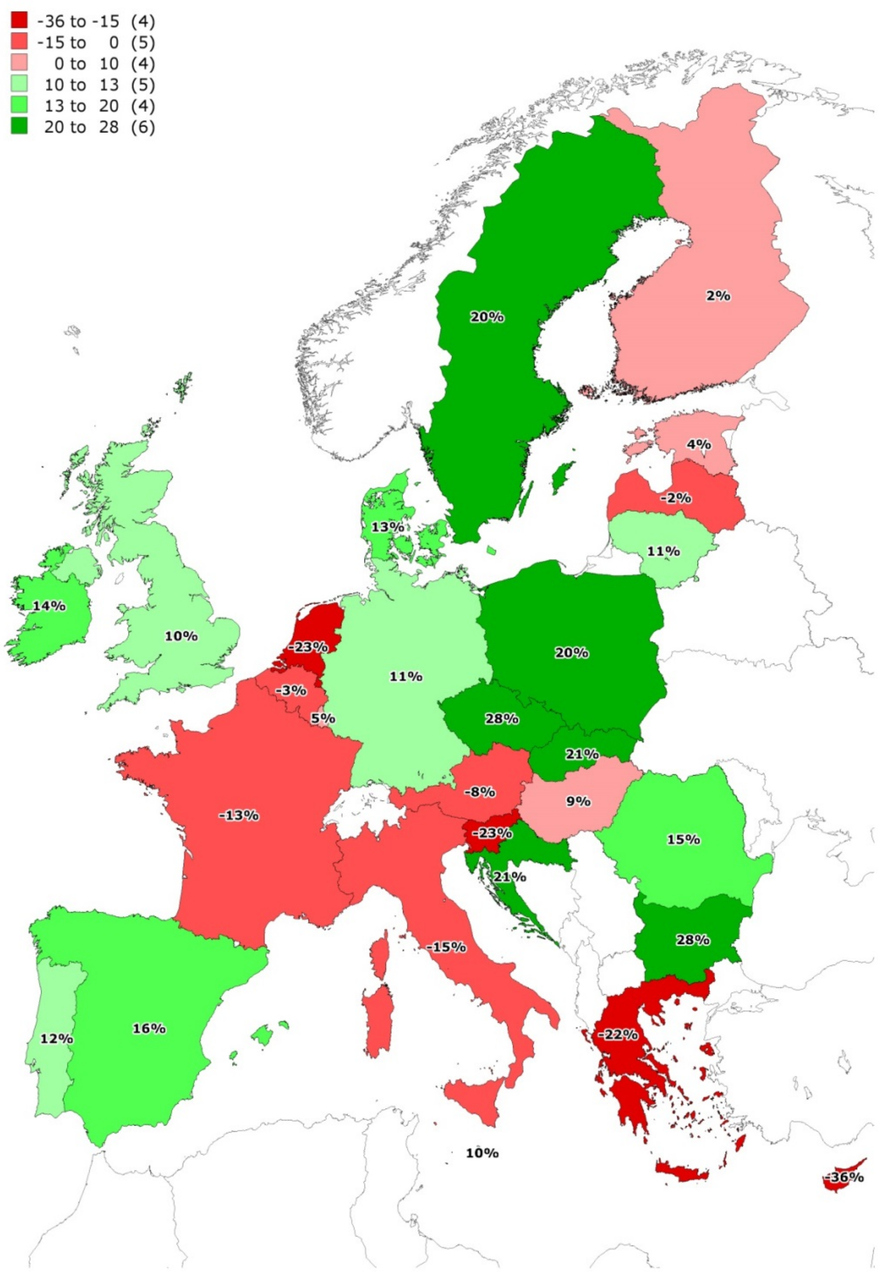
figure 84 Changes over the past six months in the willingness of banks to provide a loan (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. The proportions relate to SMEs that considered credit line, bank overdraft, credit card overdraft, bank loans or subsidised bank loans to be relevant to their enterprise.



Q11f: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For the willingness of banks to provide a loan, would you say that it has improved, remained unchanged or deteriorated over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

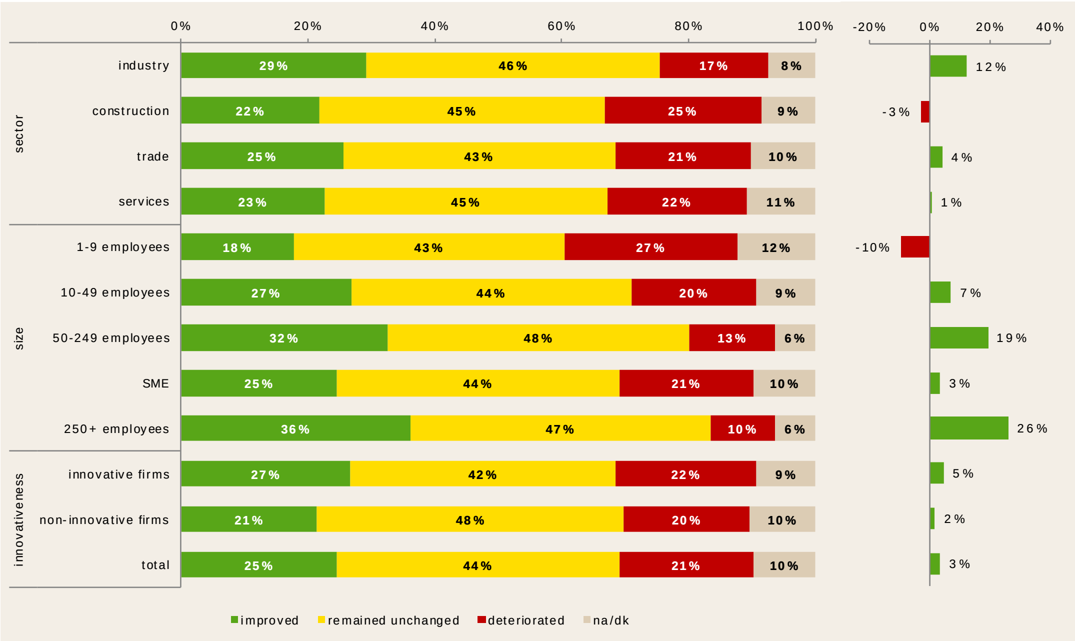
figure 85 Net balance of the changes over the past six months in the willingness of banks to provide a loan for SMEs in the EU-28 in 2014. The proportions relate to SMEs that considered credit line, bank overdraft, credit card overdraft, bank loans or subsidised bank loans to be relevant to their enterprise



Q11f: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For the willingness of banks to provide a loan, would you say that it has improved, remained unchanged or deteriorated over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

figure 86 Changes over the past six months in the willingness of banks to provide a loan (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in the EU-28, by enterprise characteristic, in 2014. The proportions relate to enterprises that considered credit line, bank overdraft, credit card overdraft, bank loans or subsidised bank loans to be relevant to their enterprise.



Q11f: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For the willingness of banks to provide a loan, would you say that it has improved, remained unchanged or deteriorated over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

In

figure 86 results are presented by enterprise characteristic. The proportions in this figure relate to the enterprises that considered credit line, bank overdraft, credit card overdraft, bank loans or subsidised bank loans to be relevant to their enterprise. In 2014, in most sectors the proportion of SMEs that experienced improvement exceeded the proportion of SMEs that experienced deterioration in the willingness of banks to provide loans, albeit mostly slightly. A negative balance was among SMEs in construction (-3%). The strongest positive balance was in the sector group of industry (12%).

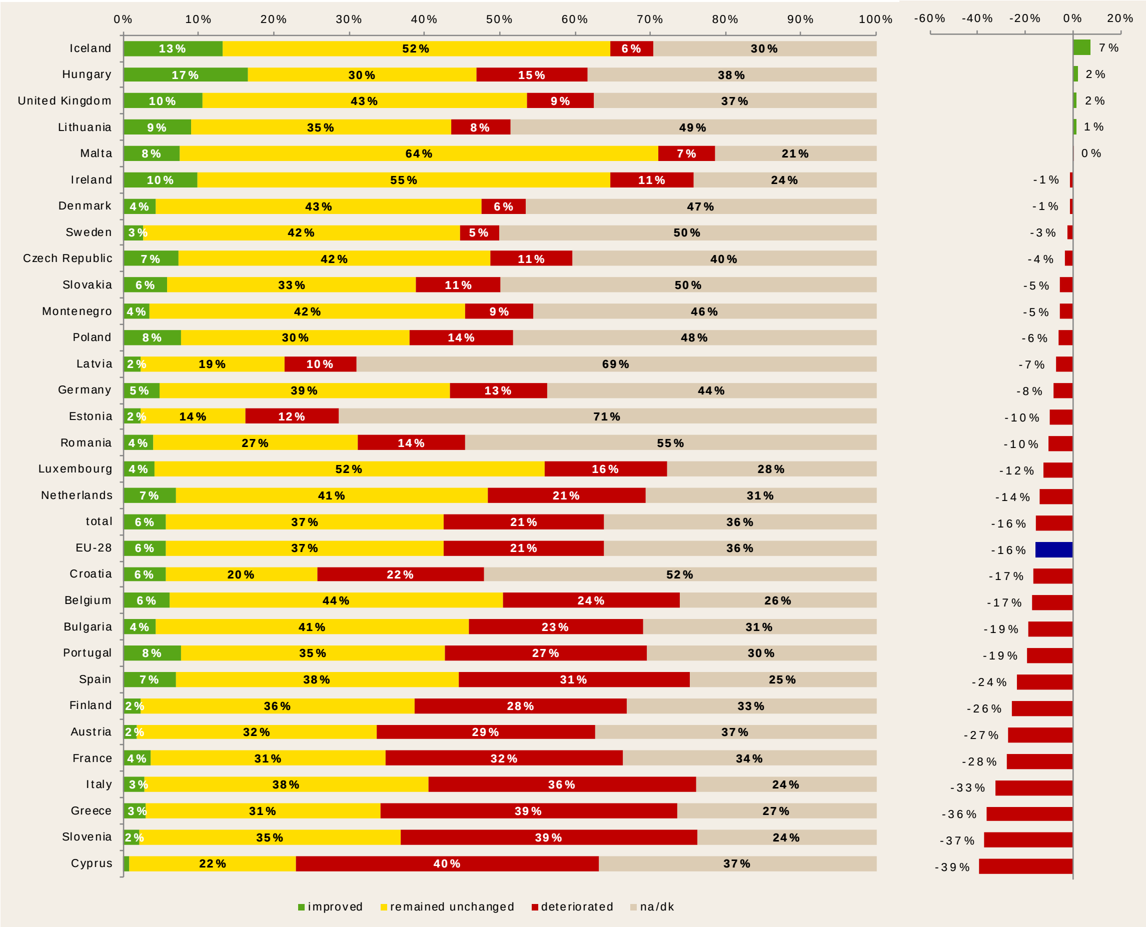
The balance increased with size. A negative balance was among micro enterprises (-10%) and the highest balance was among large enterprises (26%).

In 2014, both innovative and non-innovative enterprises reported more often improvement rather than deterioration. The balance of innovative enterprises (5%) was slightly more negative than that of non-innovative enterprises (2%).

5.3.4 Access to public financial support including guarantees

In 2014, in Iceland, Hungary, the United Kingdom and Lithuania, a higher proportion of SMEs experienced an improvement of the access to public financial support, compared to the proportion of SMEs that experienced deterioration (with a balance of 7%, 2%, 2% and 1% respectively; see figure 87). In Malta, an equal proportion of SMEs indicated improvement to the proportion that indicated deterioration. In all other countries the proportion of SMEs that indicated deterioration exceeded the proportion of SMEs that indicated improvement of the access. The balance ranged from -1% in Ireland up to -39% in Cyprus.

figure 87 Changes over the past six months in access to public financial support including guarantees (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. The proportions relate to SMEs that applied for bank loans, credit lines, bank overdraft or credit card overdraft during that period.



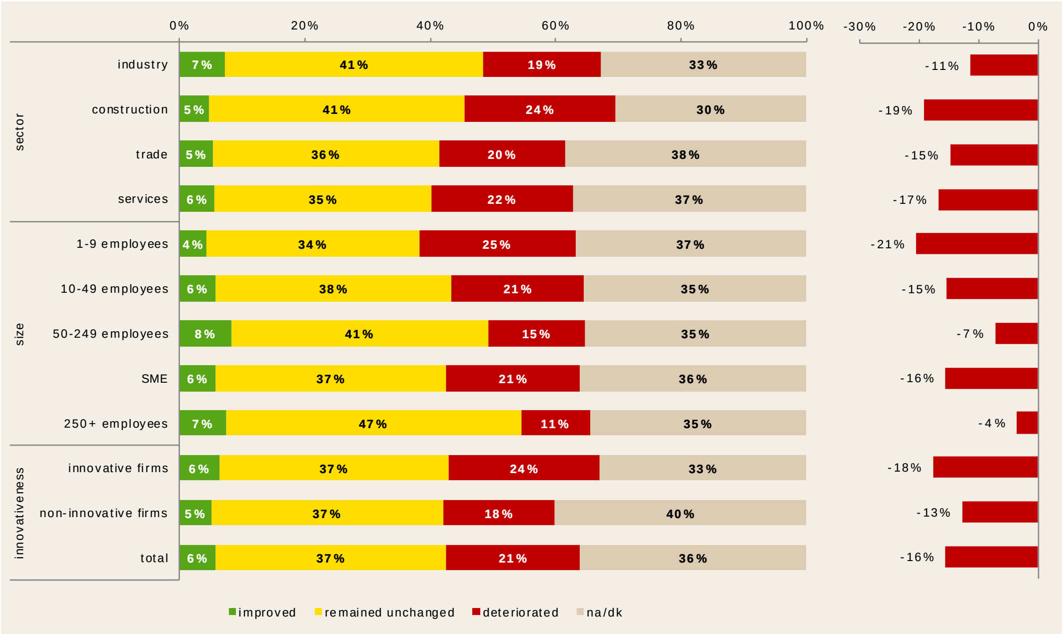
Q11b: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For access to public financial support including guarantees, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

In 2014, all types of enterprises were more likely to report deterioration than improvement in the access to public financial support, see figure 88.

Across sectors, the most negative balance was in construction (-19%). The least negative balance was in industry (-11%) The balance improved with size class. The most negative balance was among micro enterprises (-21%) and the highest balance was among large enterprises (-4%). Innovative enterprises experienced more negative change (with a balance of -18%) than non-innovative enterprises (with a balance of -13%).

figure 88 Changes over the past six months in access to public financial support including guarantees (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in the EU-28, by enterprise characteristic, in 2014. The proportions relate to enterprises that applied for bank loans, credit lines, bank overdraft or credit card overdraft during that period.



Q11b: The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For access to public financial support including guarantees, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?

Source: SAFE, 2014; edited by Panteia.

5.4 Are SMEs confident in talking with banks and investors?

figure 89 presents whether or not SMEs in the EU-28 were confident in talking with banks or investors about financing and obtaining the desired results. In 2014, about two third of SMEs in the EU-28 (63%) felt confident enough to talk with banks. A quarter of the SMEs (27%) felt not confident to talk to banks about such matters. 10% of the SMEs could not indicate whether they felt confident or not, because it was not applicable to their enterprise. SMEs' confidence in talking with banks did not change much over the past years.

In 2014, only 20% of SMEs felt confident to discuss financing and obtaining the desired results with equity investors and venture capital enterprises, while 32% did not feel confident. The majority of SMEs (48%) indicated they did not know or this is was not applicable to their enterprise. This latter proportion increased since 2009 (55%).

When not taking the group of SMEs in account that stated "don't know/not applicable" about 70% of the SMEs in EU-28 indicated that they are confident in talking with bank and about 38% indicated they are confident in talking to investors. Across years there is only slight variation in the distribution of SMEs that are and are not confident in talking with banks or investors.

figure 89 Confidence in talking with banks, equity investors and venture capital enterprises about financing and obtaining the desired results for SMEs in the EU-28, for the period 2009-2014

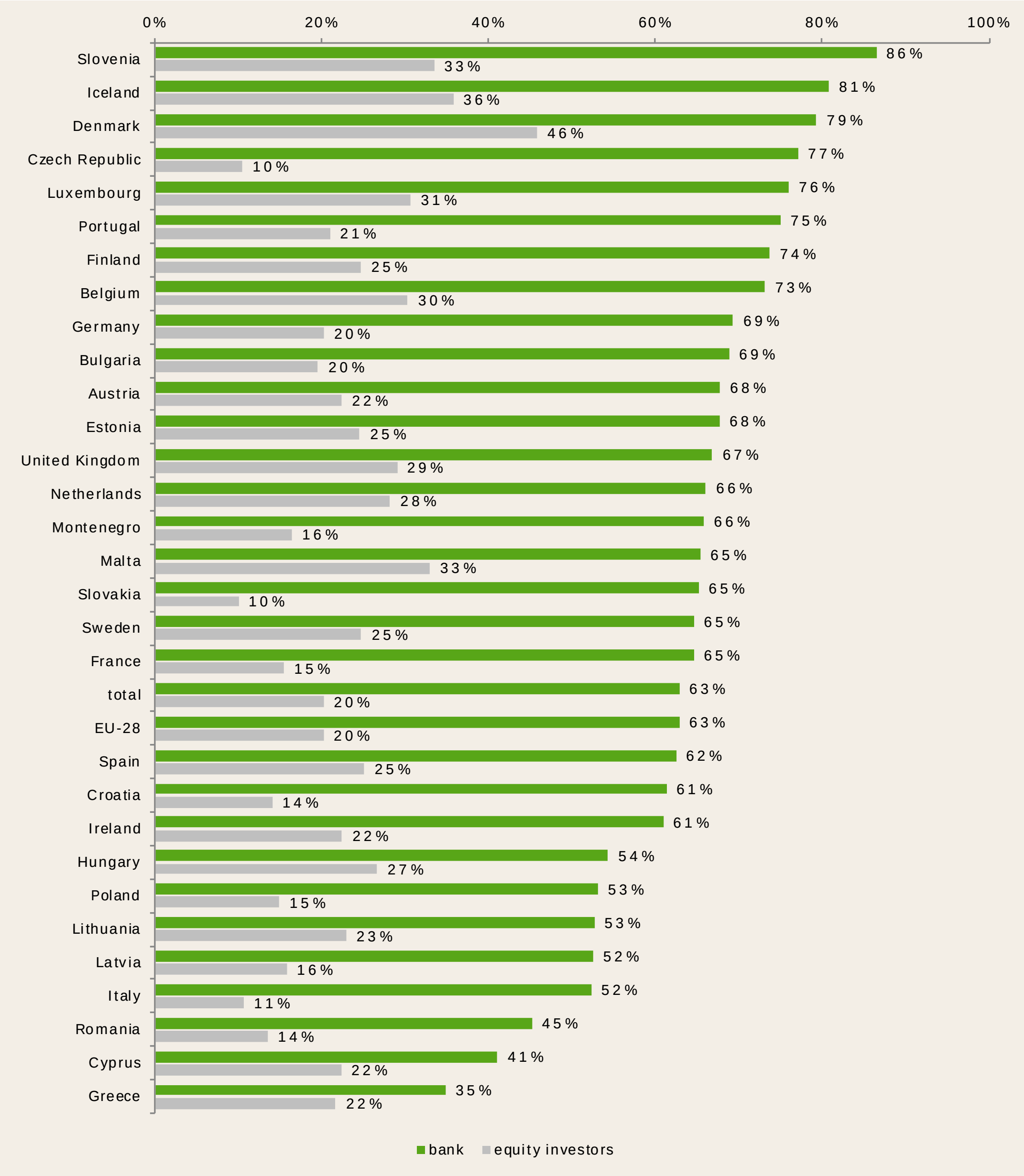
Q19: Do you feel confident talking about financing with banks and that you will obtain the desired results? And how about with equity investors/venture capital enterprises?

Source: SAFE, 2009 -2014; edited by Panteia.

Figure presents the proportion of SMEs that were confident to talk with banks, equity investors and venture capital enterprises about financing and obtaining the desired results in individual countries.

By far the greatest proportion of SMEs that felt confident to talk to banks was in Slovenia (86%), Iceland (84%) and Denmark (79%). SMEs in Greece (35%) and Cyprus (41%) were least confident enough to talk with banks. Denmark (46%) stood out with the relative highest number of SMEs that felt confident to talk to investors. The lowest proportions of SMEs that were confident to talk to investors were found in the Czech Republic (10%) and Slovakia (10%).
There exist considerable differences in the confidence among SMEs regarding talking about financing and obtaining the desired results with either banks on the one hand, and equity investors and venture capital enterprises on the other hand, even within countries. It holds for each country that SMEs find the latter to be more intimidating. The difference is, however, relatively smaller for countries such as Denmark, Malta, Hungary and Greece. The difference is particularly large in the Czech Republic and Slovakia.

figure 90 Confidence in talking with banks, equity investors and venture capital enterprises about financing and obtaining the desired results for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low by the proportion of enterprises that have such confidence in talking with banks, in 2014[21]

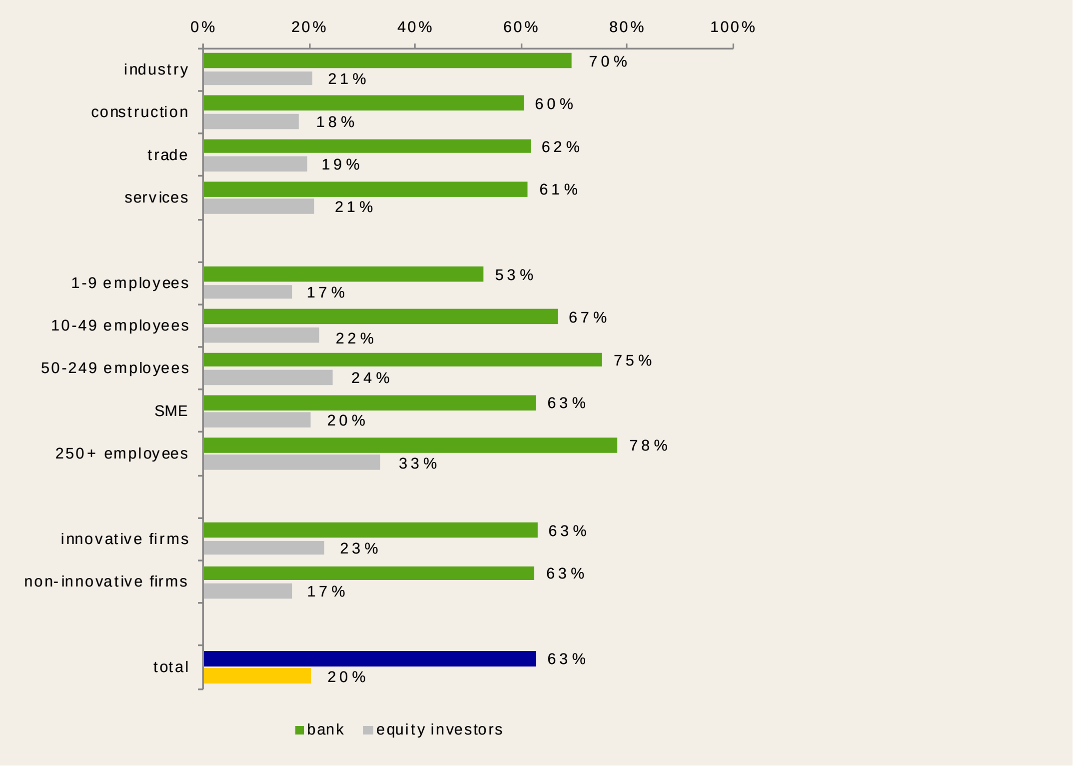


Q19: Do you feel confident talking about financing with banks and that you will obtain the desired results? And how about with equity investors/venture capital enterprises?

Source: SAFE, 2014; edited by Panteia.

[21] Please note that the unweighted number of observations was relatively low in Luxembourg, Malta, Iceland and Montenegro at around 20. These results should be interpreted with care.

figure 91 Confidence in talking with banks, equity investors and venture capital enterprises about financing and obtaining the desired results for enterprises in the EU-28, by enterprise characteristic, in 2014



Q19: Do you feel confident talking about financing with banks and that you will obtain the desired results? And how about with equity investors/venture capital enterprises?

Source: SAFE, 2014; edited by Panteia.

In 2014, there was relatively little variation across sectors in SMEs' confidence to talk with banks and investors, see figure 91. The highest proportion of SMEs that felt confident to talk to banks was in the sector group industry, with 70% of its SMEs. The largest proportion of SMEs that were confident to talk to equity investors or venture capital enterprises were found in industry and services (21% each).

The relative amount of enterprises that indicated to be confident to talk with banks and investors each increases with size. Micro enterprises had the lowest proportion of confident SMEs (53% regarding banks and 17% regarding investors). Large enterprises had the highest proportion of confident enterprises (78% regarding banks and 33% regarding investors).

Innovative and non-innovative enterprises felt equally confident in talking with banks, while innovative enterprises were more confident (23%) in talking with equity investors and venture capital enterprises than non-innovative enterprises (17%).

5.5 What is the expected future availability of funding?

SMEs were asked to indicate whether they expected the availability of various types of funds would improve, remain unchanged of deteriorate in the next six months. Please note that in 2014 a new filter was introduced in the questionnaire, which should be taken into account when making comparisons across years. The percentages in figure 92 relate to the SMEs in the EU-28 that indicated that the corresponding source of finance is relevant to their enterprise.

In 2014, half of these SMEs in the EU-28 (54%) expected no changes in the availability of ***internal funds***. Furthermore, the proportion of SMEs that expected an improvement (28%) was higher than the proportion of SMEs that expected deterioration (12%). The balance between expected improvement and deterioration increased substantially over the past years (from 0% in 2009 to 16% in 2014).

In 2014, a quarter of SMEs (23%) stated that the availability of ***equity investments in their enterprises*** was not applicable to their enterprise. About half of the EU-28 SMEs that considered equity relevant to the enterprise did not expect any changes in the availability of equity investments. 18% of the SMEs expected an improvement in availability of equity investments and only 8% predicted deterioration. In particular, the proportion of SMEs who indicated that changes in the availability of equity investments was not applicable to their enterprise decreased since 2009 (from 49% in 2009 to 23% in 2014).

In 2014, half of the SMEs (55%) that considered bank loans relevant, expected no change in the access to bank loans. The number of SMEs that expected positive change was greater (21%) than the number of SMEs that expected negative change (17%). The balance between expected improvement and deterioration increased over the past years (from -2% in 2009 to 4% in 2014).

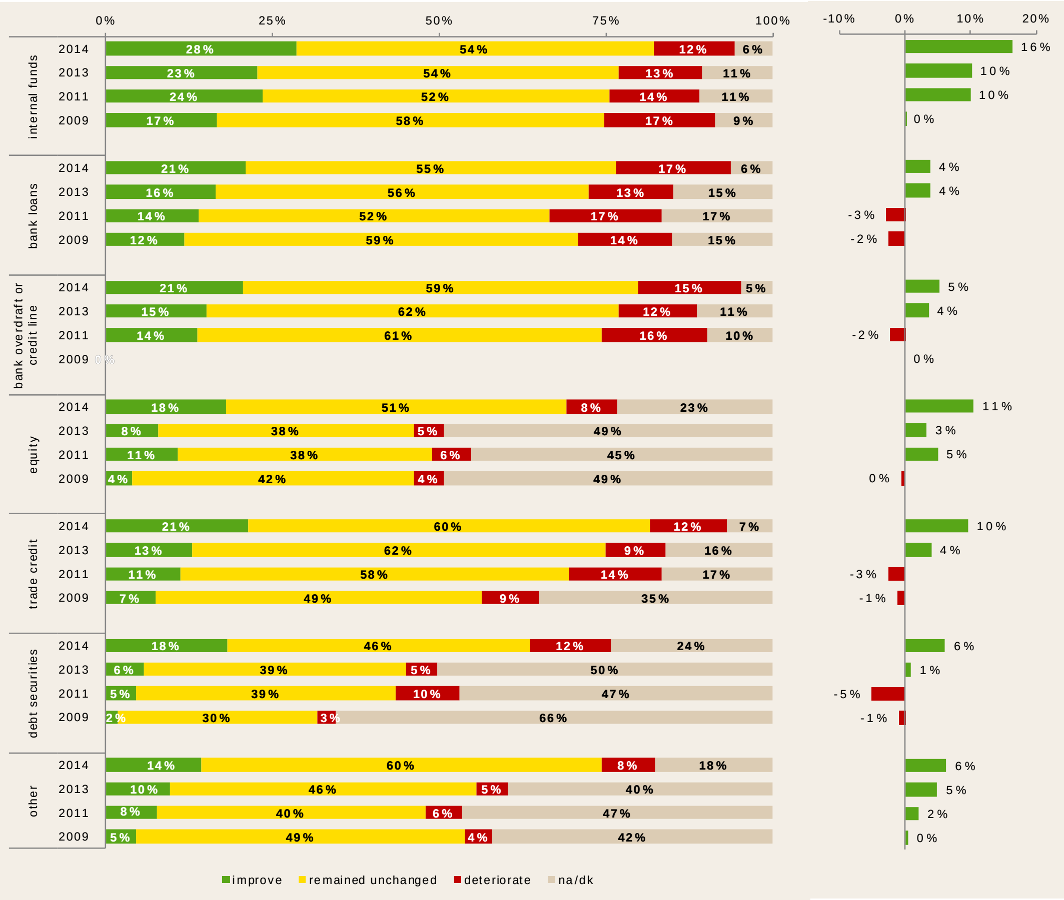
In 2014, a majority of the SMEs (59%) that consider these financing source to be relevant, expected no changes in the availability of ***bank overdraft, credit line or credit cards overdraft.*** 21% of SMEs predicted improvement of the availability of bank overdraft, credit line or credit cards overdraft and 15% predicted deterioration. Between 2011 and 2014 the balance increased from -2% to 5%.

In 2014, 60% of SMEs that deemed trade credit to be relevant to their enterprise expected no changes in the availability of ***trade credit***, 21% expected improvement and 12% expected deterioration. Over the past years the balance increased from -1% in 2009 to 10% in 2014.

A large proportion of those SMEs in EU-28 (24%) considering this type of financing relevant could not predict changes in the availability of ***debt securities issued.*** 46% of these SMEs thought the availability of debt securities would remain unchanged. More SMEs reported improvement in the availability than deteriorations, resulting in a 6% balance.

Almost two third of SMEs (60%) expected no change in the availability of ***other*** sources such as loan from a related company, leasing and factoring. The proportion of SMEs that expected improvement (14%) exceeded the proportion of SMEs that expected deterioration (8%) of the access to other sources. The balance between expected improvement and deterioration increased over the past years (from 0% in 2009 to 6% in 2014).

figure 92 Expectations regarding the availability of various types of funding (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in the EU-28, for the period 2009-2014. The proportions relate to SMEs that indicated that the corresponding source of finance is relevant to their enterprise.



Note: In 2014 a new filter was introduced in the SAFE questionnaire. This filter was simulated in the data of the previous survey rounds, nevertheless one should be cautious when making comparisons across years.

Q23: Looking ahead, for each of the following types of financing available to your firm, could you please indicate whether you think their availability will improve, deteriorate or remain unchanged over the next 6 months?

Source: SAFE, 2009-2014; edited by Panteia.

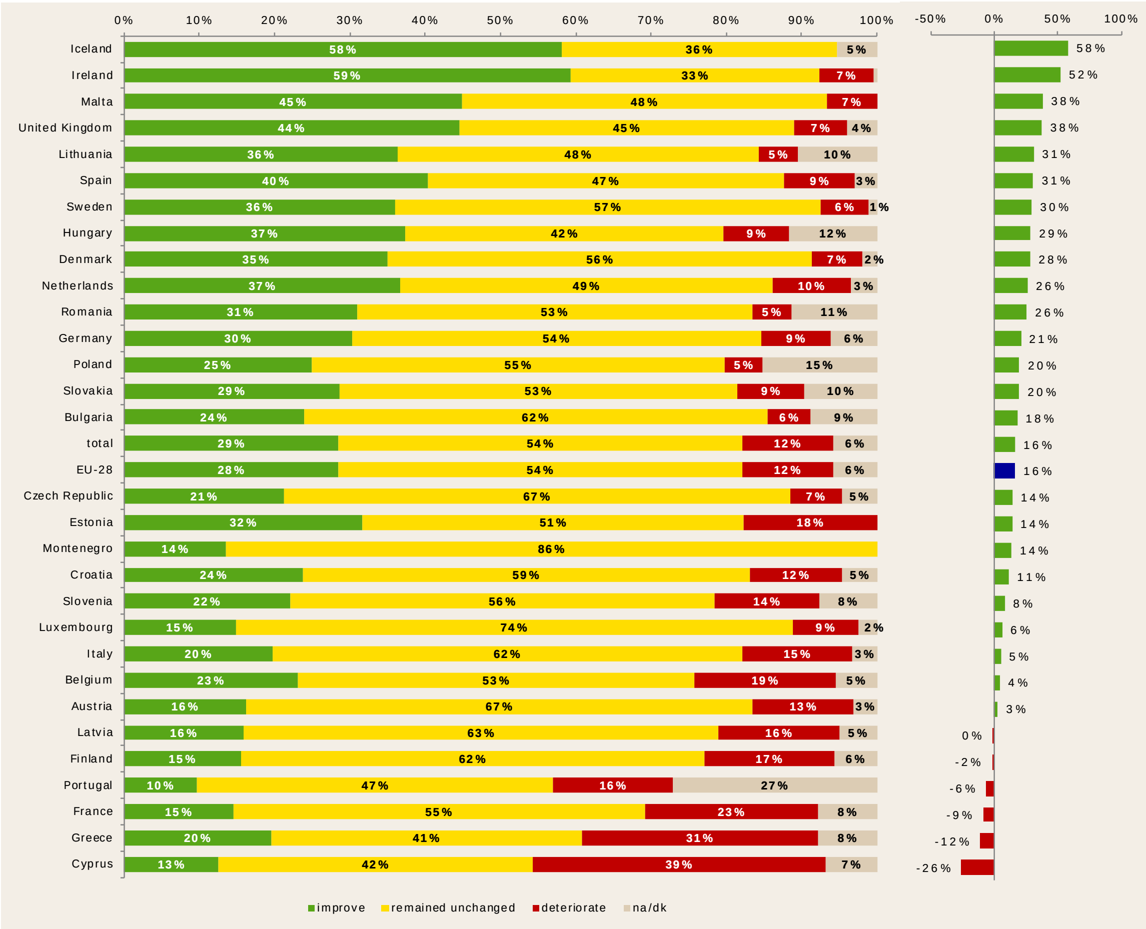
Four of the types of external funds are discussed in more detail in the following section. In the order of appearance, these are internal funding, bank loans, bank overdraft or credit line and equity.

5.5.1 Internal funding

In 2014, SMEs in Iceland, Ireland and Malta overall were most optimistic about the future availability of internal funds. In these countries the proportion of SMEs that expected improvement greatly exceeded the proportion of SMEs that expected deterioration. Also in most other countries the balance was positive (see figure 93). The proportions presented here, refer to only those SMEs that considered internal funds to be relevant to their enterprise.

In only six countries the proportion of SMEs that thought the availability would decline in the next six months was greater than the proportion of SMEs that expected improvement. The country with by far the most negative balance was Cyprus(-26%).

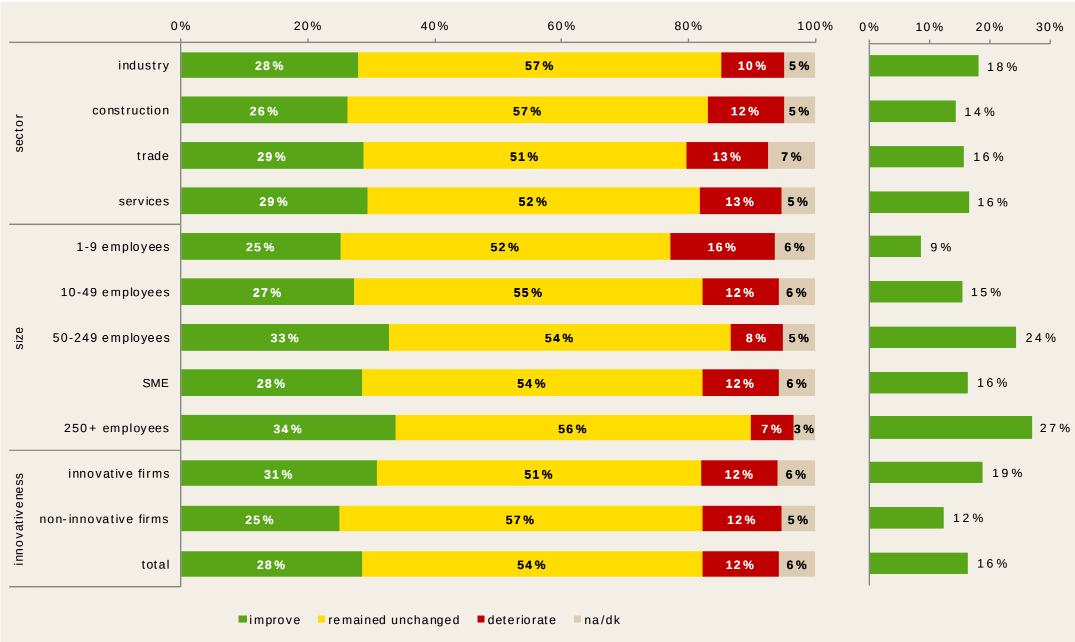
figure 93 Expectations regarding the availability of internal funding (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. The proportions relate to SMEs that indicated that internal funds are relevant to their enterprise.



Q23a: Looking ahead, for each of the following types of financing available to your firm, could you please indicate whether you think their availability will improve, deteriorate or remain unchanged over the next 6 months? Internal funds, for example from retained earning and sale of assets

Source: SAFE, 2014; edited by Panteia.

figure 94 Expectations regarding the availability of internal funding (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in the EU-28 by enterprise characteristic, in 2014. The proportions relate to enterprises that indicated that internal funds are relevant to their enterprise.



Q23: Looking ahead, for each of the following types of financing available to your firm, could you please indicate whether you think their availability will improve, deteriorate or remain unchanged over the next 6 months?

Source: SAFE, 2014; edited by Panteia.

In figure 94 the expected changes in the availability is presented by enterprise characteristics. Here too results relate to the SMEs that deemed internal funds relevant to their enterprise. SMEs in industry were most optimistic about future changes in the access to internal funding. 28% of SMEs in this sector expected improvement while 10% expected deterioration, for an 18% balance. SMEs in construction were least positive overall when compared to the other sectors. Here, 26% of SMEs expected improvement, whereas 12% expected deterioration. The balance in construction thus amounted to 14%.

The balance increases with enterprise size. Among micro enterprises 25% of the enterprises expected deterioration and 16% expected improvement; the net effect among these smallest of enterprises amounted to 9%. Among large enterprises 34% expected improvement, while 7% expected deterioration, resulting in a much larger positive balance.

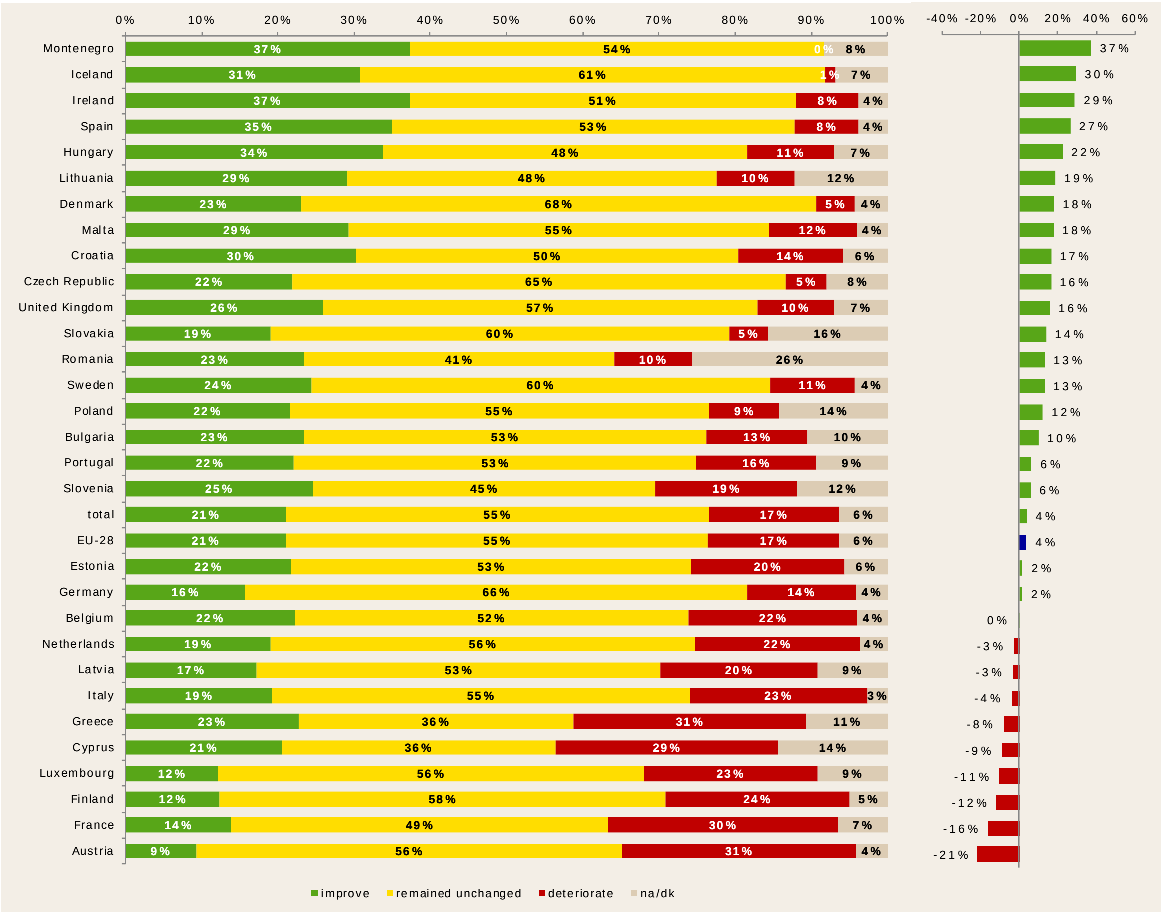
Innovative enterprises were more optimistic than non-innovative enterprises. The proportions of enterprises that expected deterioration of the availability were equal, while the proportion of enterprises that expected improvement was higher among innovative (31%) than among non-innovative enterprises (25%), so that the net effect was more strongly positive.

5.5.2 Bank loans

In 2014, in most European countries, SMEs that considered bank loans to be relevant reported that they expected improvement of the availability of bank loans more often than they reported deterioration. Looking at the balance, Montenegro (37%), Iceland (30%) and Ireland (29%) were most often optimistic. See figure 95.

In nine EU-countries the proportion of SMEs that expected deterioration exceeded the proportion of SMEs that expected improvement. Austria had the greatest negative net effect, amounting to -21%.

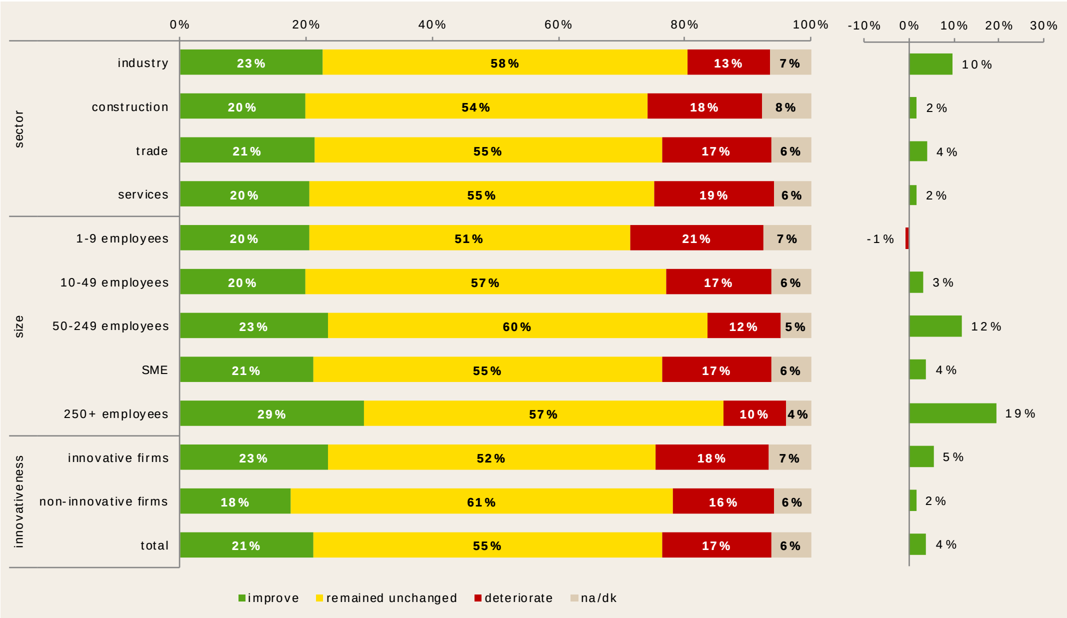
figure 95 Expectations regarding the availability of bank loans (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance between the categories *improve* and *deteriorate*, in 2014. The proportions relate to SMEs that indicated that bank loans are relevant to their enterprise.



Q23b: Looking ahead, for each of the following types of financing available to your firm, could you please indicate whether you think their availability will improve, deteriorate or remain unchanged over the next 6 months? Bank loans

Source: SAFE, 2014; edited by Panteia.

figure 96 Expectations regarding the availability of bank loans (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in the EU-28 by enterprise characteristic, in 2014. The proportions relate to enterprises that indicated that bank loans are relevant to their enterprise.



Q23: Looking ahead, for each of the following types of financing available to your firm, could you please indicate whether you think their availability will improve, deteriorate or remain unchanged over the next 6 months?

Source: SAFE, 2014; edited by Panteia.

As shown in figure 96, SMEs in all sectors were positive about changes in the availability of bank loans to them, although there existed differences in the degree to which they were positive on these developments. Again, the results only relate to those SMEs that considered bank loans relevant to their enterprise. The positive net effect was relatively small for SMEs in construction and services (2% both) and largest for the industries (10%).

As was the case for internal funding, the balance increases with enterprise size. Micro enterprises were the only group of enterprises with a negative net effect, amounting to -1%. The proportion of enterprises among the large enterprises that expected an improvement (29%) far outweighed the proportion that expected a deterioration (10%), resulting in a net effect of 19%.

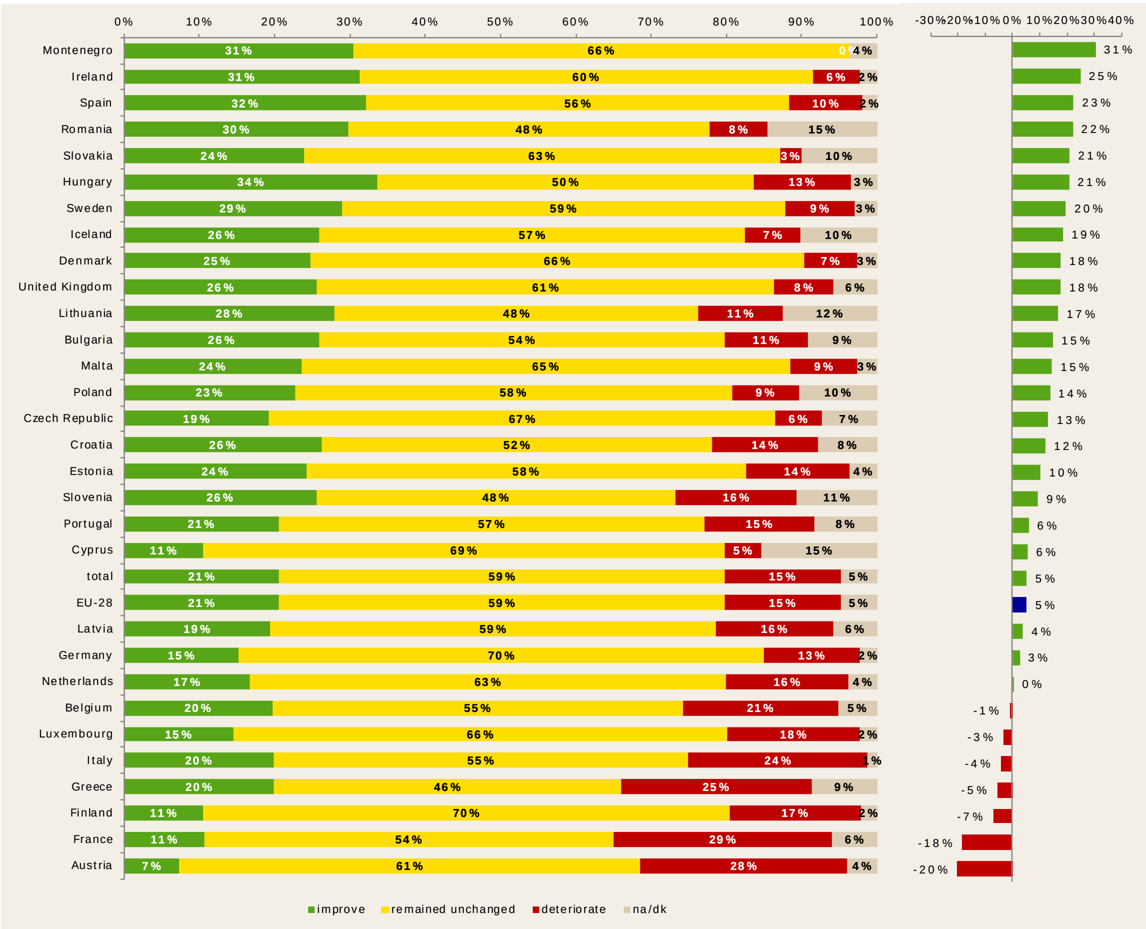
Innovative enterprises were more often optimistic than their non-innovative counterparts. Among innovative enterprises, 23% expected deterioration, while 18% expected improvement. The net effect among this group thus amounts to 5%. Among non-innovative enterprises, 18% expected improvement, while 16% expected deterioration for a net effect of 2%.

5.5.3 *Bank overdraft, credit line or credit card overdraft*

In 2014, Montenegro, Ireland and Spain had the highest proportion of SMEs that expected improvement relative to the proportion of SMEs that expected deterioration of the availability of bank overdraft, credit line or credit card overdraft (with a balance of 31%, 25% and 23% respectively). See figure 97.

In seven countries the proportion of SMEs that believed the availability would decline in the next six months was higher than the proportion of SMEs that expected improvement. Within these seven countries the balance ranged from -1% in Belgium up to -20% in Austria.

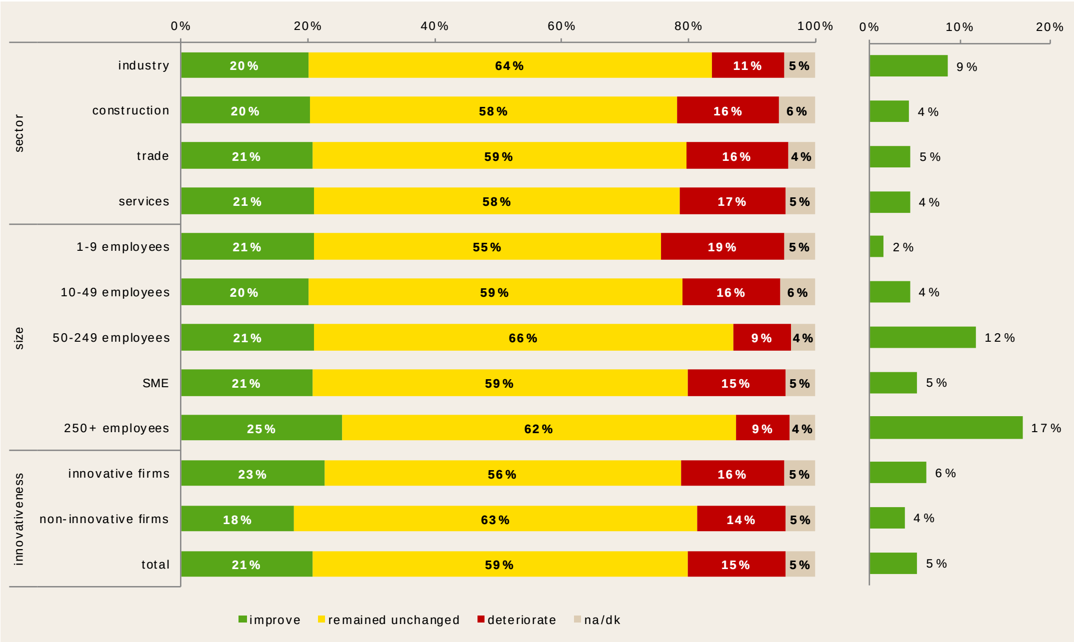
figure 97 Expectations regarding the availability of bank overdraft, credit line or credit cards overdraft (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. The proportions relate to SMEs that indicated that bank overdraft, credit line or credit card overdraft are relevant to their enterprise.



Q23g: Looking ahead, for each of the following types of financing available to your firm, could you please indicate whether you think their availability will improve, deteriorate or remain unchanged over the next 6 months? Bank overdraft, credit line or credit cards overdraft

Source: SAFE, 2014; edited by Panteia.

figure 98 Expectations regarding the availability of bank overdraft, credit line or credit card overdraft (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in the EU-28, by enterprise characteristic, in 2014. The proportions relate to enterprises that indicated that bank overdraft, credit line or credit card overdraft are relevant to their enterprise.



Q23: Looking ahead, for each of the following types of financing available to your firm, could you please indicate whether you think their availability will improve, deteriorate or remain unchanged over the next 6 months?

Source: SAFE, 2014; edited by Panteia.

figure 98 presents the expectations regarding the availability of bank overdraft, credit line or credit card overdraft by enterprise characteristic.

In all sectors, the proportion of SMEs that expected improvement was greater than the proportion of SMEs that expected deterioration of the availability of bank overdraft, credit line or credit card overdraft. Across sectors, the balance ranged from 4% in construction and services to 9% in industry.

Again, the balance increased with enterprise size. Among micro enterprises 21% of the enterprises expected improvement and 19% expected deterioration, for a net effect of 2%. Among large enterprises 25% expected improvement, while only 9% expected deterioration, resulting in a 17% balance.

Innovative enterprises were more often optimistic than non-innovative enterprises were. The proportion of SMEs that expected improvement of availability among this group was 23% and the proportion that expected deterioration totalled 16%, for a net effect of 6%. The net effect among non-innovative SMEs equalled 4%.

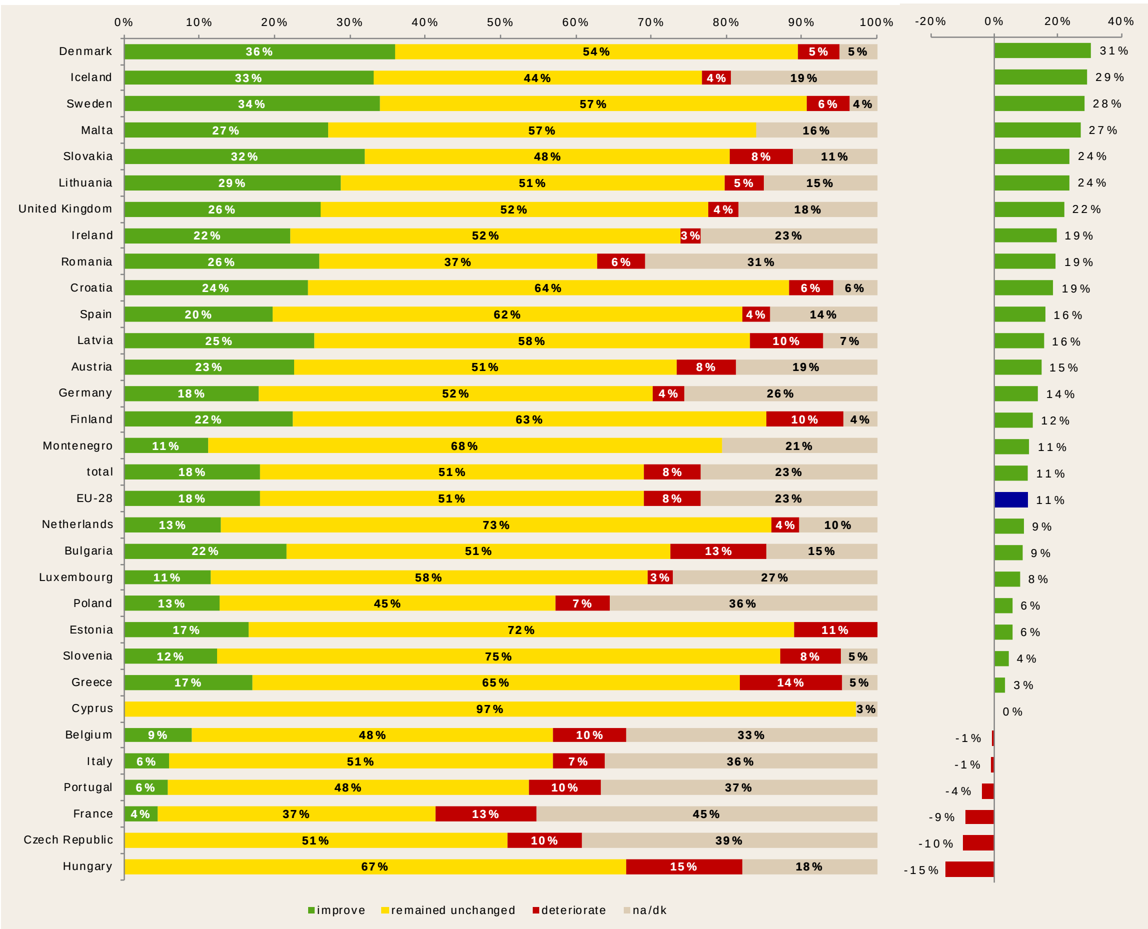
5.5.4 Equity

In 2014, SMEs in the countries of the EU-28 were generally positive about changes in the availability of equity funding to them over the next six months, as evidence by the fact that 18% expected an improvement versus 8% that expected deterioration. This results in a net, non-rounded impact of 11%. The results for individual countries for SMEs in the EU-28 plus Iceland and Montenegro that considered equity relevant to their enterprise are presented in figure 99.

The figure shows that most countries are positive on changes in the availability of equity financing. The proportion of SMEs that expected improvements was greater in 24 out of the 30 countries surveyed. The net effect ranged up to 31% for Denmark. Other examples of countries with large balances were Iceland (29%) and Sweden (28%).

On the negative end of the spectrum, countries like Hungary (-15%), Czech Republic (-10%) and France (-9%) reported negative balances, meaning that the proportion of SMEs that expected a deterioration in the availability of equity financing outweighed the proportion that expected improvement.

figure 99 Expectations regarding the availability of equity investments (left) and the balance between the categories *improved* and *deteriorated* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. The proportions relate to SMEs that indicated that equity is relevant to their enterprise. [22]



Q23c: Looking ahead, for each of the following types of financing available to your firm, could you please indicate whether you think their availability will improve, deteriorate or remain unchanged over the next 6 months? Equity investments

Source: SAFE, 2014; edited by Panteia.

The results for different types of enterprises that considered equity relevant to their enterprise are presented in figure 100. When enterprise characteristics are considered, there is not a single group with a negative balance across the EU-28. The

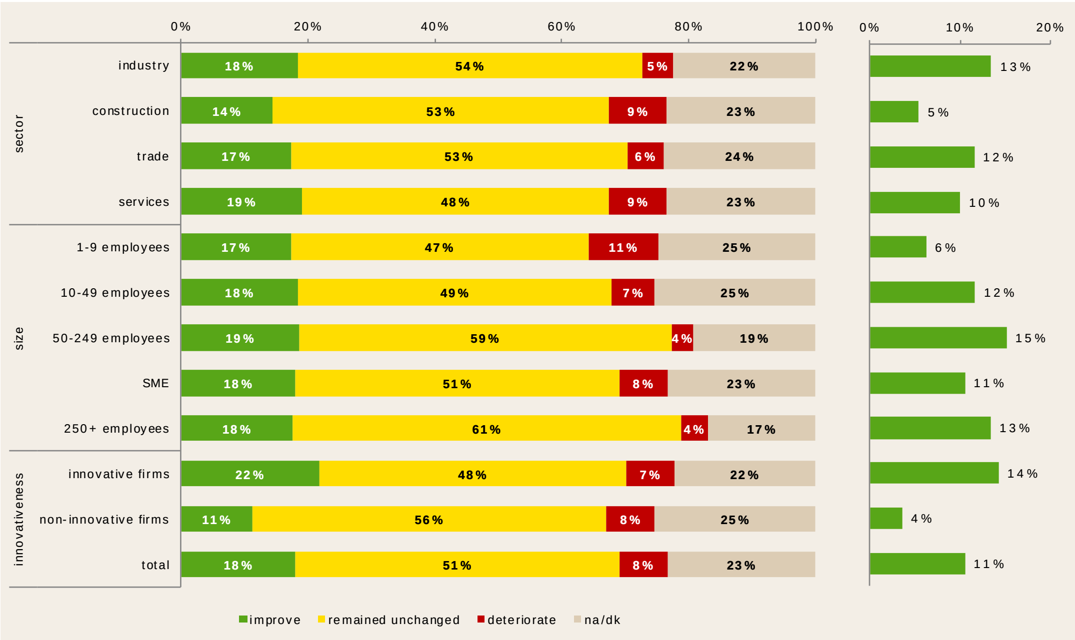
[22] Please note that the unweighted number of observations was relatively low in the Czech Republic, Estonia, Hungary, and Montenegro at below 30. These results should be interpreted with care.

balance amounted to 5% among SMEs in construction; other sectors report more positive figures (10 -13%).

Contrary to the other financing types, the balance for availability of equity funding does not increase monotonically with size of the enterprise. While it does increase with size for SMEs, the balance is slightly smaller for large enterprises (13%) than it was for medium-sized enterprises (15%).

Innovative SMEs are considerably more positive on future changes in equity funding available to them than their non-positive counterparts are. 22% of innovative SMEs expected improvements (7% expected deteriorations), while no more than 11% of non-innovative SMEs did so (and 8% expected deteriorations). As a result, the balance for innovative enterprises is notably higher than that of non-innovative enterprises (14% versus 4%).

figure 100 Expectations regarding the availability of equity investments (left) and the balance between the categories *improved* and *deteriorated* (right) for enterprises in the EU-28, by enterprise characteristic, in 2014. The proportions relate to enterprises that indicated that equity is relevant to their enterprise.



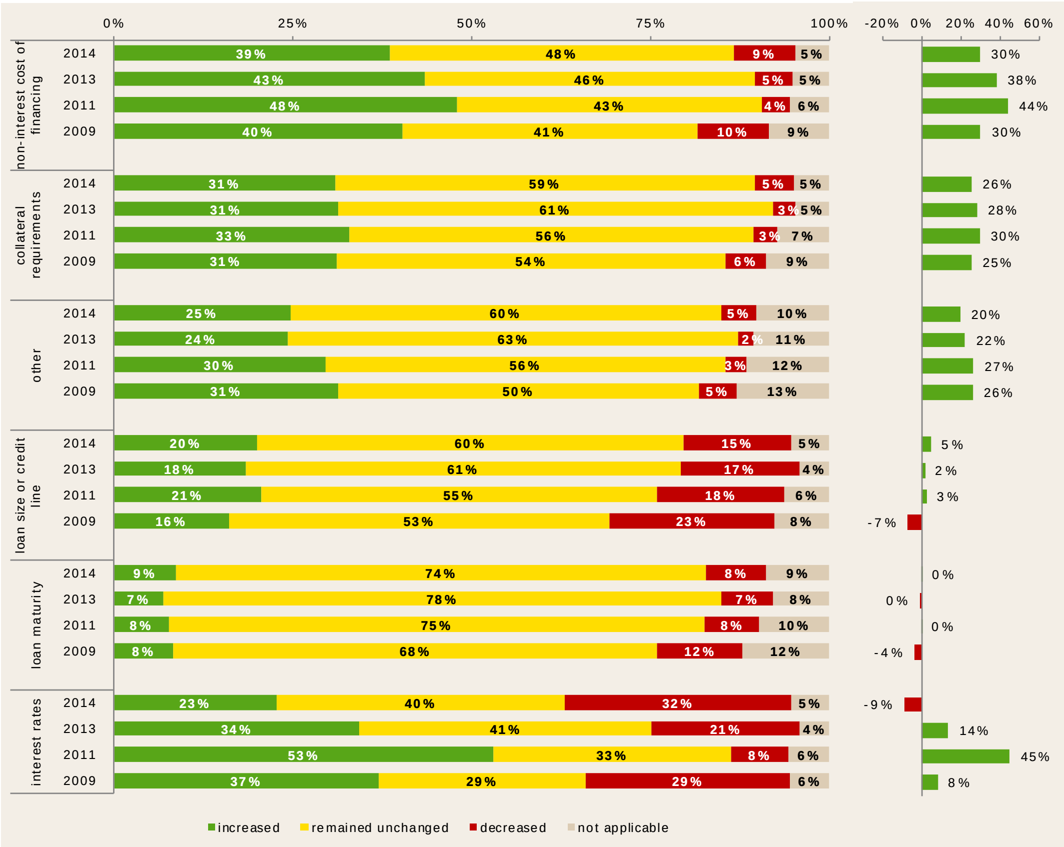
Q23: Looking ahead, for each of the following types of financing available to your firm, could you please indicate whether you think their availability will improve, deteriorate or remain unchanged over the next 6 months?

Source: SAFE, 2014; edited by Panteia.

5.6 What has changed in the terms and conditions of bank financing?

figure 101 present the changes in terms and conditions of bank financing according to SMEs in the EU-28 that indicated they applied for bank loans, credit lines, bank overdrafts or credit card overdrafts. Please not that there have been some changes in the survey design. Differences across years could be the results of these changes, therefore one should be careful when making comparisons across years. According to figure 101, most terms and conditions of bank financing SMEs face have increased for most bank products in the first half of 2014. For most terms and conditions categories, this is a continuation of trends, in particular for the non-interest cost of finance, collateral requirements, and other requirement. Regarding interest rates, historical trends seem to reverse.

figure 101 Changes in terms and conditions of bank financing (incl. bank loans, overdraft and credit line) (left) and the balance between the categories *increased* and *decreased* (right) for SMEs in the EU-28, for the period 2009-2014.



Note: In 2014 a new filter was introduced in the SAFE questionnaire. This filter was simulated in the data of the previous survey rounds, nevertheless one should be cautious when making comparisons across years.

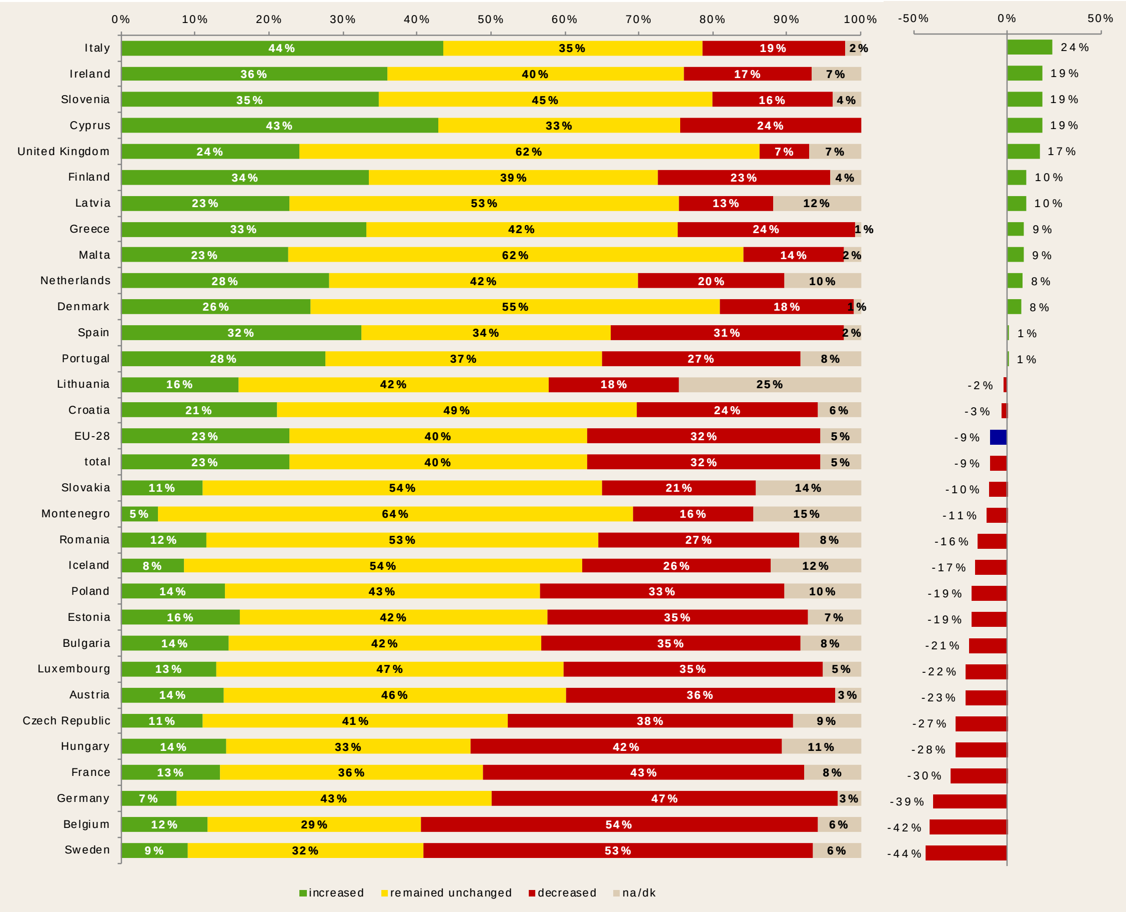
Q10: Turning to the terms and conditions of bank financing (including bank loans, overdraft and credit lines), could you please indicate whether the following items increased, remained unchanged or decreased in the past 6 months?

Source: SAFE, 2014; edited by Panteia

5.6.1 Interest rates

From figure 102 and figure 103 it can be seen that the improved interest rate conditions are not evenly spread across categories. For instance, SMEs in Italy, Ireland, Slovenia, Cyprus and the United Kingdom on balance report an increased in interest rates, while German, Belgium and Sweden on balance report a decrease. Also, the proportion of large enterprises reporting interest rate decreases (compared to those reporting increases) is higher than the corresponding figure for SMEs; in fact, micro enterprise on balance report higher interest rates. SMEs in industry most often report interest rate decreases.

figure 102 Changes in the level of interest rates of bank financing (incl. bank loans, overdraft and credit line) (left) and the balance between the categories *increased* and *decreased* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. [23]

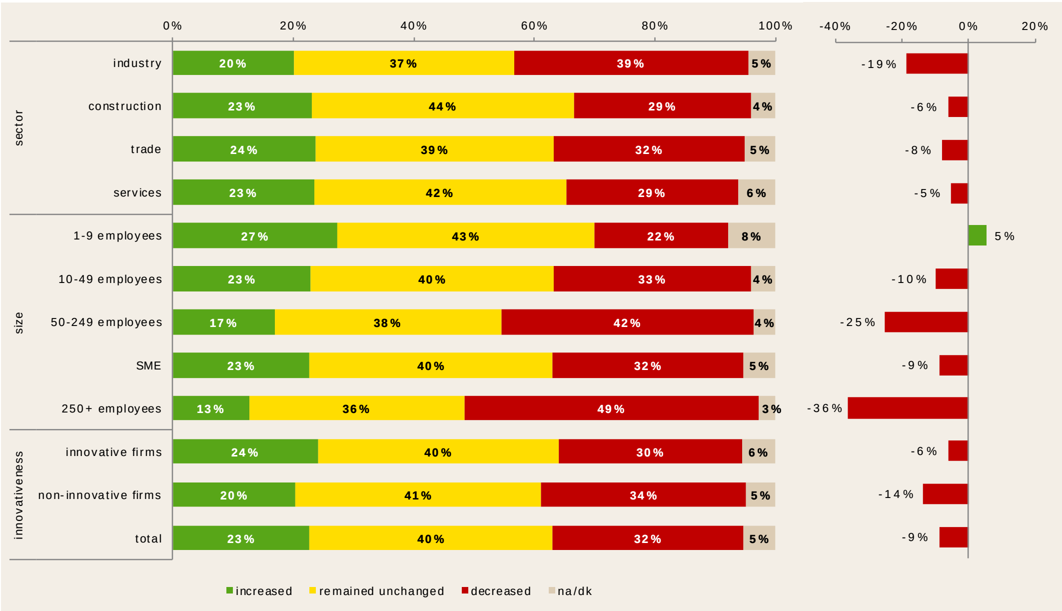


Q10a: Turning to the terms and conditions of bank financing (including bank loans, overdraft and credit lines), could you please indicate whether the following items increased, remained unchanged or decreased in the past 6 months? Level of interest rates

Source: SAFE, 2014; edited by Panteia

[23] Please note that the unweighted number of observations was relatively low Cyprus, Estonia, Luxembourg and Malta at below 30. These results should be interpreted with care.

figure 103 Changes in the level of interest rates of bank financing (incl. bank loans, overdraft and credit line) (left) and the balance between the categories *increased* and *decreased* (right) for enterprises in the EU-28, by enterprise characteristic, in 2014



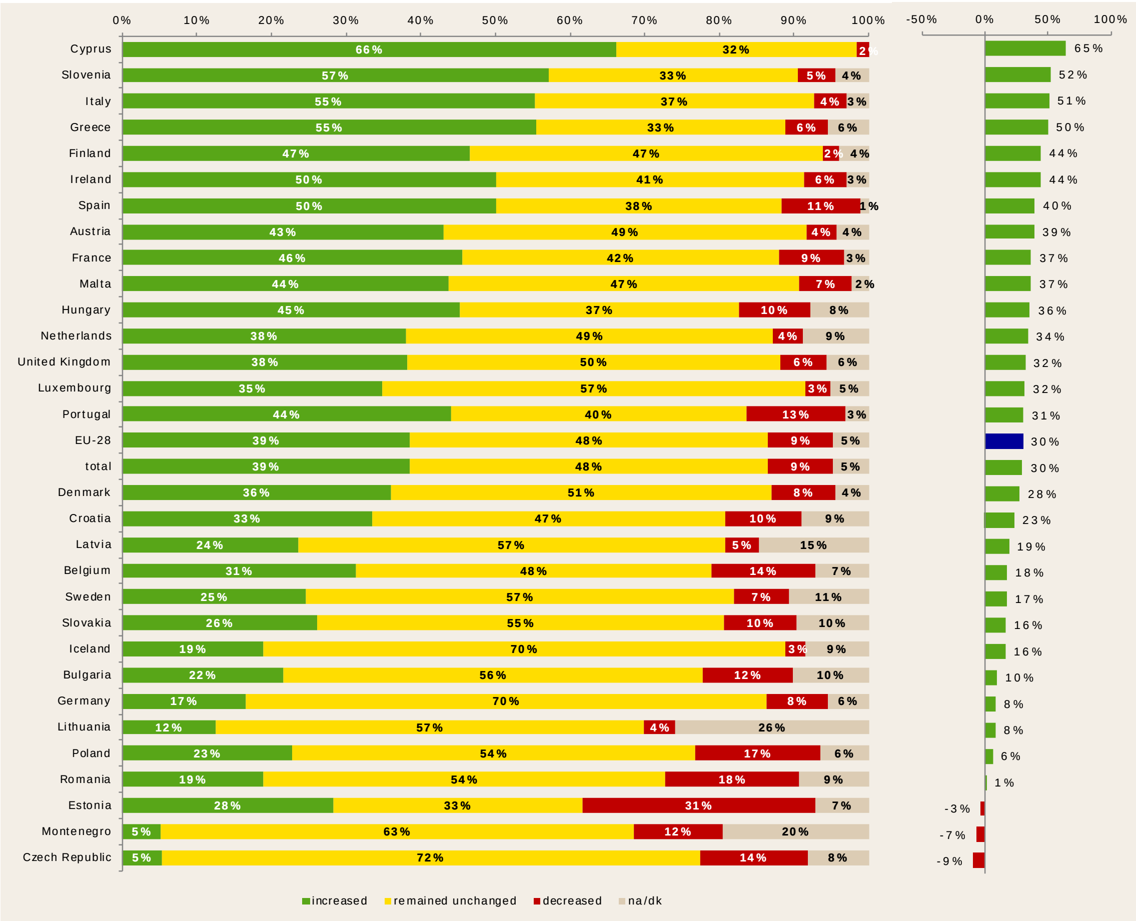
Q10a: Turning to the terms and conditions of bank financing (including bank loans, overdraft and credit lines), could you please indicate whether the following items increased, remained unchanged or decreased in the past 6 months? Level of interest rates

Source: SAFE, 2014; edited by Panteia.

5.6.2 Level of the cost of financing other than interest rates

Contrary to the interest rates, more SMEs report an increase in the other costs of finance than a decrease (figure 104, figure 105). Especially in Cyprus, Slovenia and Italy, SMEs on balance report in increase of other costs of finance; SMEs in these countries also reported an increase in interest rates. A positive balance between cost increases and decreases is most often reported by SMEs in construction and services. Large enterprises on balance report less often an increase in other costs of bank financing than SMEs do; this corresponds to the fact that large enterprises more often report interest rate decreases. The difference between the judgment of innovative and of non-innovative enterprises regarding the development of non-interest costs are minor.

figure 104 Changes in the level of non-interest costs of bank financing (incl. bank loans, overdraft and credit line) (left) and the balance between the categories *increased* and *decreased* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. [24]

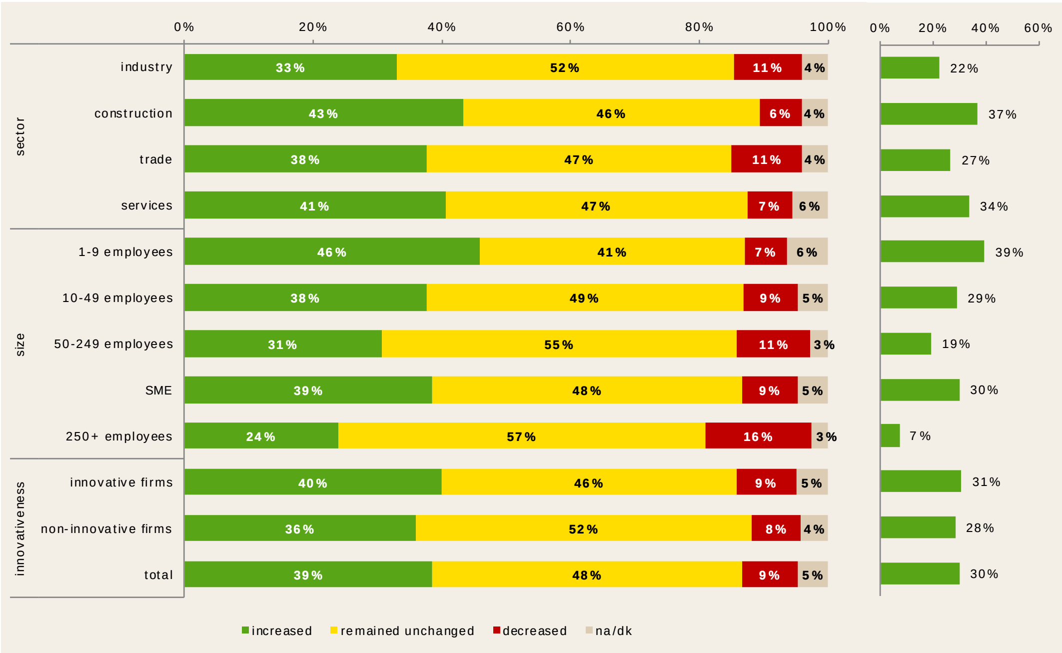


Q10b: Turning to the terms and conditions of bank financing (including bank loans, overdraft and credit lines), could you please indicate whether the following items increased, remained unchanged or decreased in the past 6 months? Level of the cost of financing other than interest rates

Source: SAFE, 2014; edited by Panteia.

[24] Please note that the unweighted number of observations was relatively low Cyprus, Estonia, Luxembourg and Malta at below 30. These results should be interpreted with care.

figure 105 Changes in the level of non-interest costs of bank financing (incl. bank loans, overdraft and credit line) (left) and the balance between the categories *increased* and *decreased* (right) for enterprises in the EU-28, by enterprise characteristic, in 2014



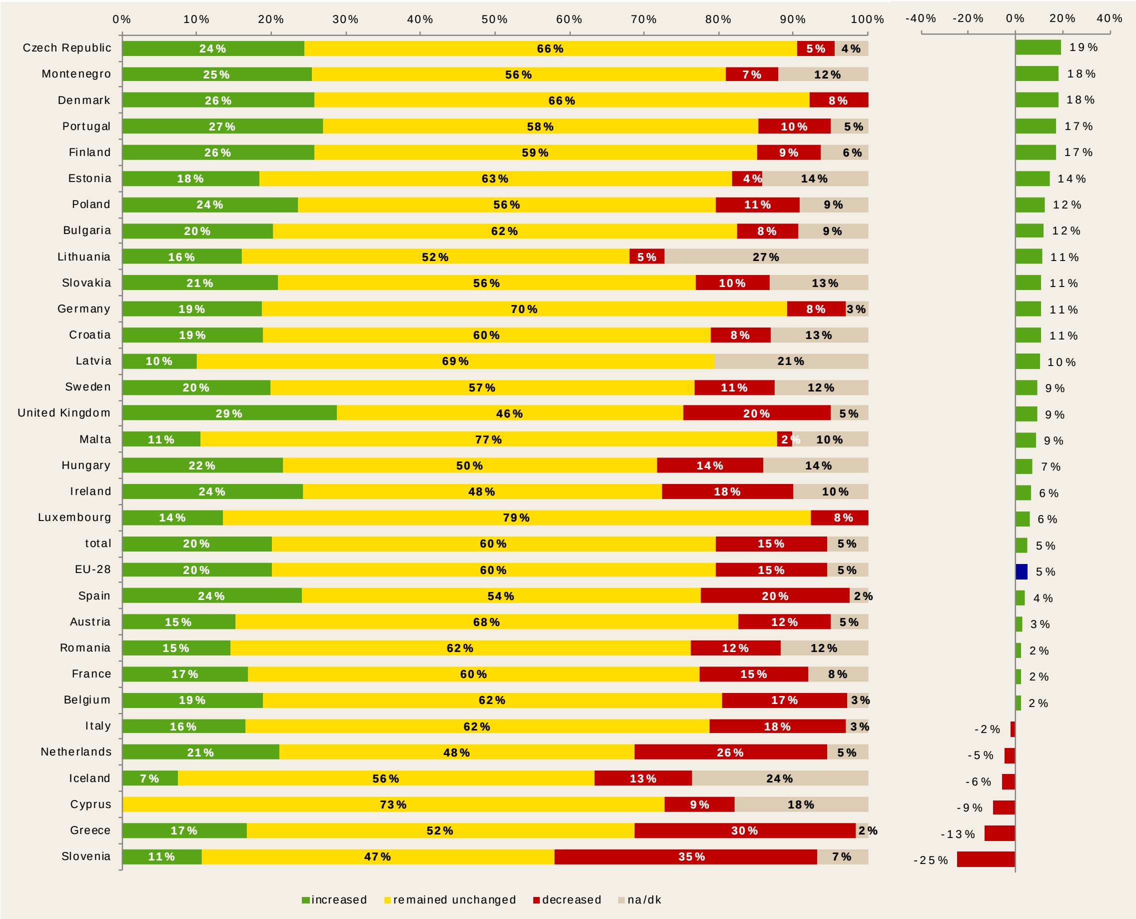
Q10b: Turning to the terms and conditions of bank financing (including bank loans, overdraft and credit lines), could you please indicate whether the following items increased, remained unchanged or decreased in the past 6 months? Level of the cost of financing other than interest rates

Source: SAFE, 2014; edited by Panteia.

5.6.3 Available size of the loan

On balance 5% of the EU SMEs report an increase in the available loan size (figure 106, figure 107). Such increases are found for most individual countries as well, with however the notable exception of Italy, the Netherlands, Iceland, Cyprus, Greece and Slovenia. Disaggregated by sector of industry, EU SMEs in manufacturing, trade and services on balance report increases in the available loan size; EU SMEs in construction do not. The positive judgment on the size of available loans is positively related to enterprise size: it is lowest in micro enterprises, and largest in large enterprises. This is again consistent with the result on cost of loans.

figure 106 Changes in the available size of bank loans or credit line (left) and the balance between the categories *increased* and *decreased* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. [25]

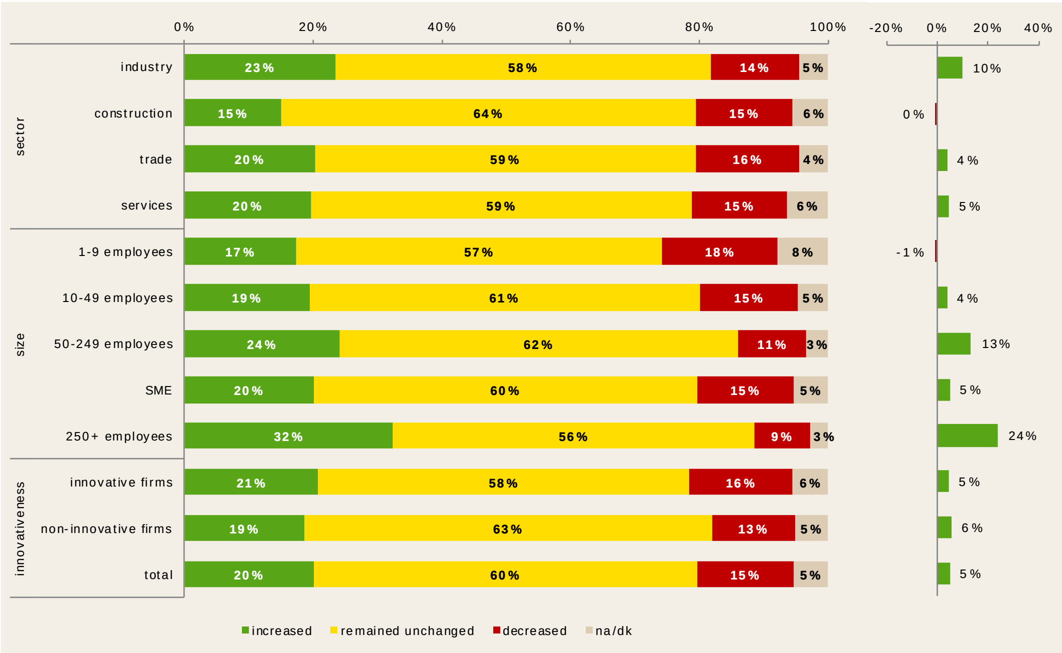


Q10c: Turning to the terms and conditions of bank financing (including bank loans, overdraft and credit lines), could you please indicate whether the following items increased, remained unchanged or decreased in the past 6 months? Available size of loan or credit line

Source: SAFE, 2014; edited by Panteia.

[25] Please note that the unweighted number of observations was relatively low Cyprus, Estonia, Luxembourg and Malta at below 30. These results should be interpreted with care.

figure 107 Changes in the available size of bank loans or credit line (left) and the balance between the categories *increased* and *decreased* (right) for enterprises in the EU-28, by enterprise characteristic, in 2014



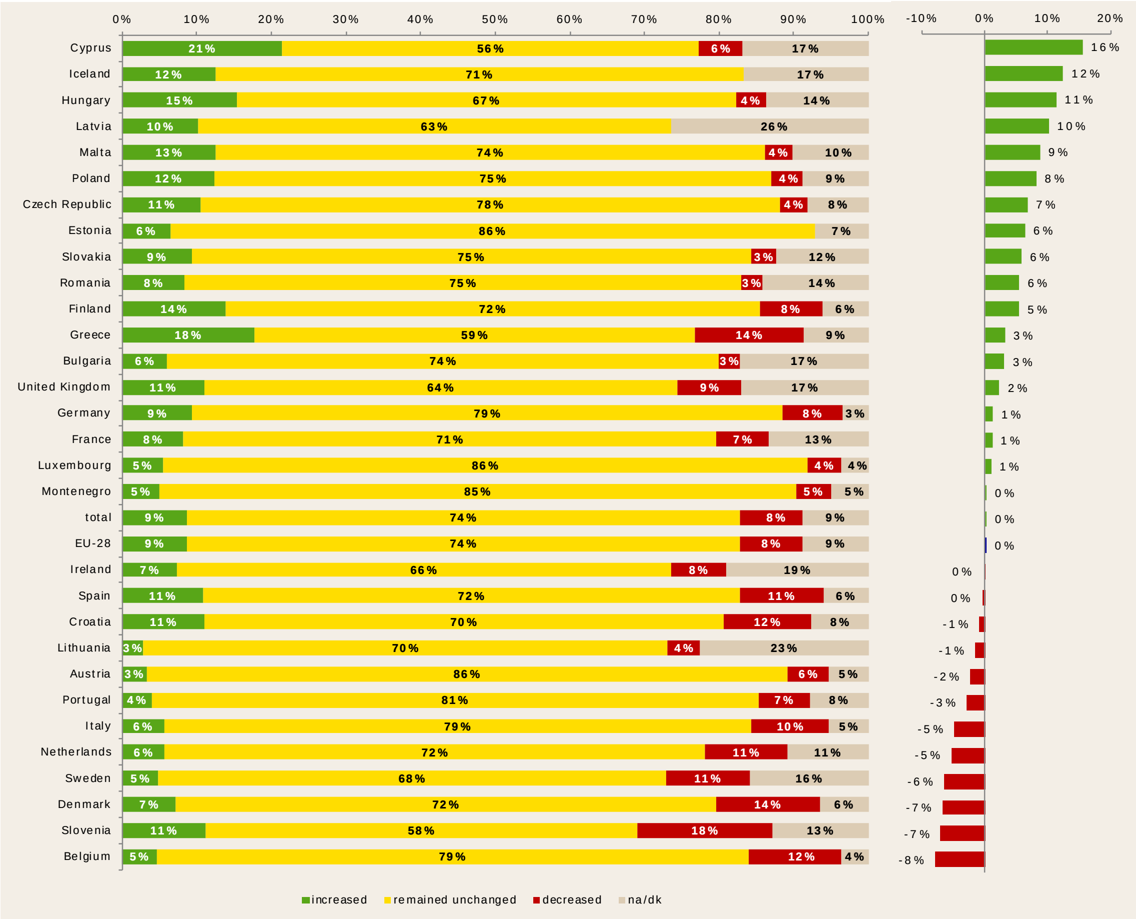
Q10c: Turning to the terms and conditions of bank financing (including bank loans, overdraft and credit lines), could you please indicate whether the following items increased, remained unchanged or decreased in the past 6 months? Available size of loan or credit line

Source: SAFE, 2014; edited by Panteia

5.6.4 Available maturity of the loan

Whereas 9% of European SMEs report an increasing maturity of loans, also 9% report a decreasing maturity of loans (figure 108, figure 109). Particularly in Cyprus, the balance regarding SMEs' judgment on loan maturity is positive, while in Sweden, Denmark, Slovenia and Belgium it is negative. Differences between SMEs in the various sectors of industry are very small; the same holds for differences between innovative and in non-innovative SMEs. Consistently with the other aspects of the cost of financing, increases in maturity are on balance most often reported in medium-sized and particularly large enterprises.

figure 108 Changes in the available maturity of bank loans (left) and the balance between the categories *increased* and *decreased* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. [26]

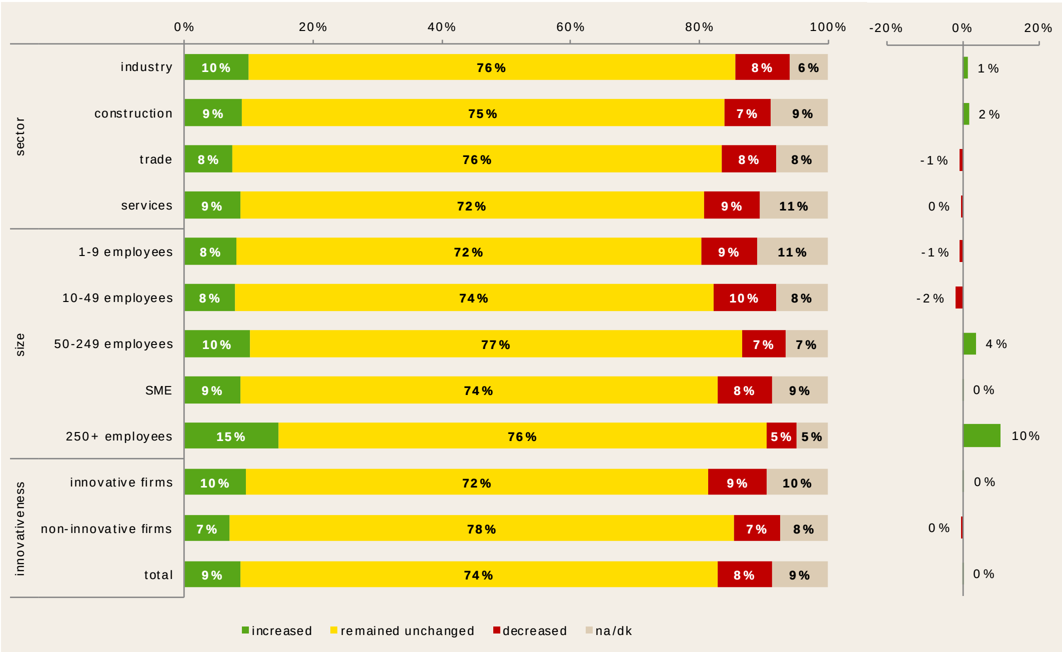


Q10d: Turning to the terms and conditions of bank financing (including bank loans, overdraft and credit lines), could you please indicate whether the following items increased, remained unchanged or decreased in the past 6 months? Available maturity of the loan

Source: SAFE, 2014; edited by Panteia.

[26] Please note that the unweighted number of observations was relatively low Cyprus, Estonia, Luxembourg and Malta at below 30. These results should be interpreted with care.

figure 109 Changes in the available maturity of bank loans (left) and the balance between the categories *increased* and *decreased* (right) for enterprises in the EU-28, by enterprise characteristic, in 2014



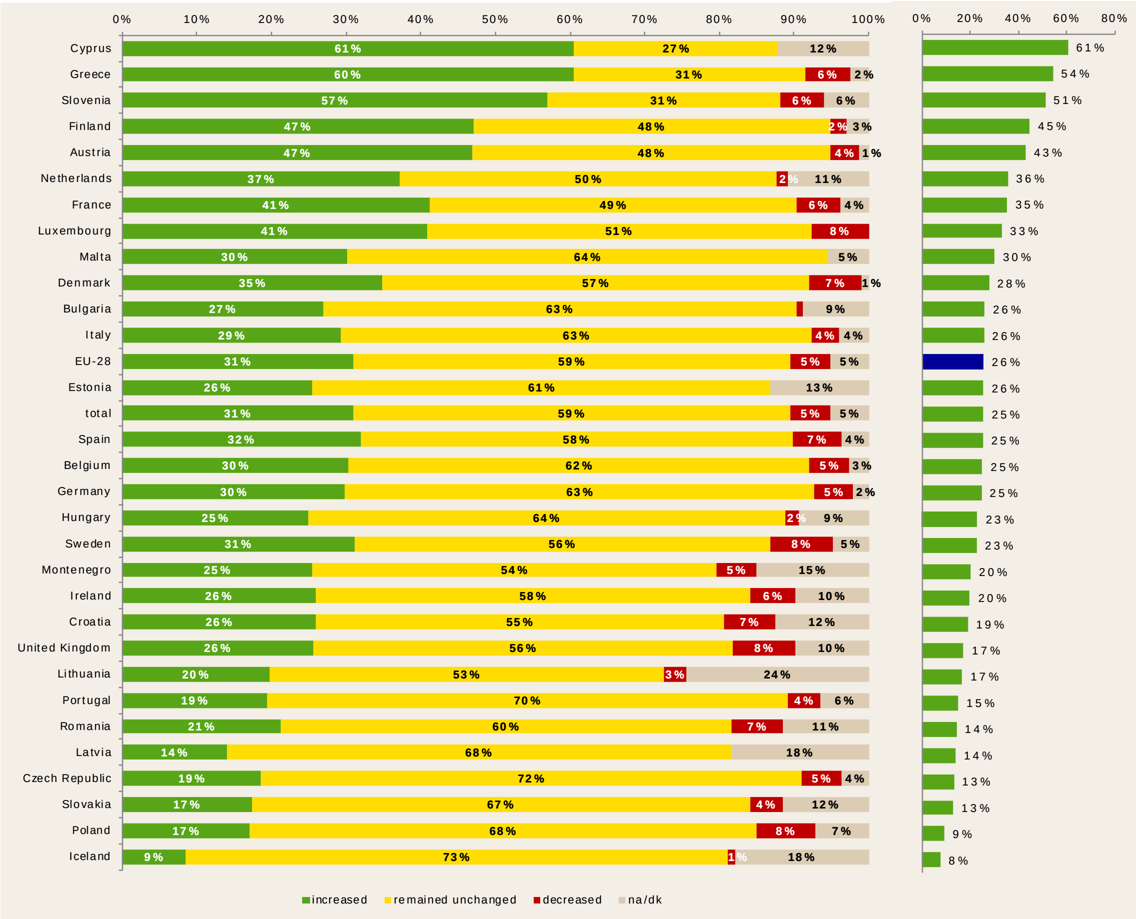
Q10d: Turning to the terms and conditions of bank financing (including bank loans, overdraft and credit lines), could you please indicate whether the following items increased, remained unchanged or decreased in the past 6 months? Available maturity of the loan

Source: SAFE, 2014; edited by Panteia.

5.6.5 Collateral requirements

On balance, collateral requirements have increased for European SMEs (figure 110). The balance between SMEs reporting increased collateral requirements and decreased collateral requirement is over 60% in SMEs in Cyprus, Greece and Slovenia, while in Poland and Iceland, this balance is less than 10%. On average, 26% of the EU SMEs experience an increase in collateral requirements. Regarding this phenomenon, differences between countries are much larger than differences between other characteristics of SMEs (figure 111). Again, large enterprises on balance experience the smallest increase of collateral requirements.

figure 110 Changes in the collateral requirements of bank financing (incl. bank loans, overdraft and credit line) (left) and the balance between the categories *increased* and *decreased* (right) for SMEs in the EU-28, Iceland and Montenegro by country, sorted from high to low based on the balance, in 2014. [27]

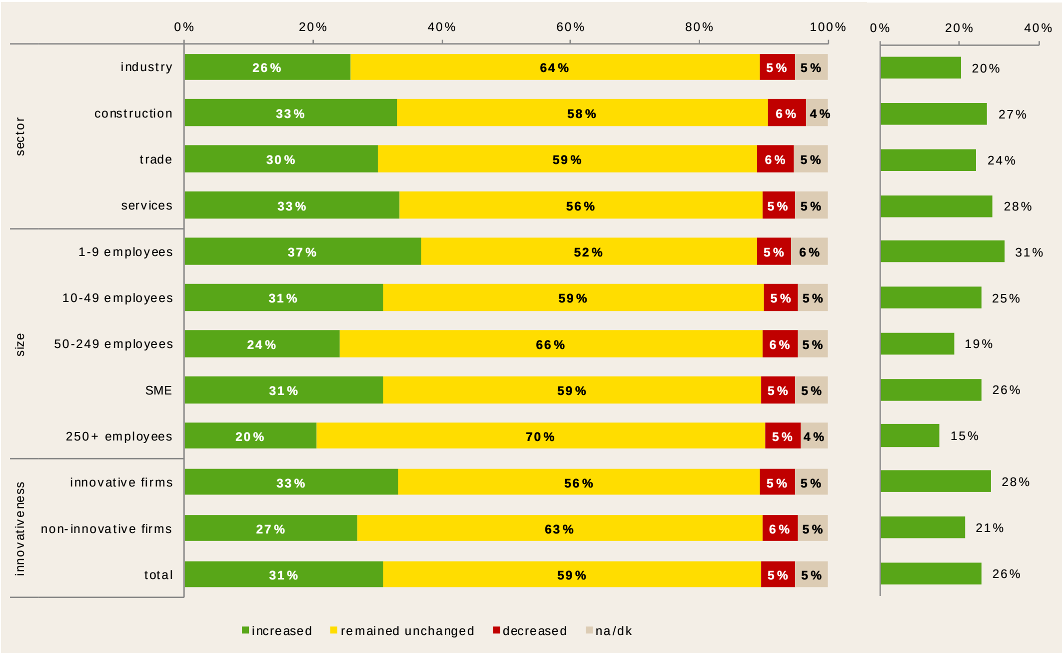


Q10e: Turning to the terms and conditions of bank financing (including bank loans, overdraft and credit lines), could you please indicate whether the following items increased, remained unchanged or decreased in the past 6 months? Collateral requirements

Source: SAFE, 2014; edited by Panteia.

[27] Please note that the unweighted number of observations was relatively low Cyprus, Estonia, Luxembourg and Malta at below 30. These results should be interpreted with care.

figure 111 Changes in the collateral requirements of bank financing (incl. bank loans, overdraft and credit line) (left) and the balance between the categories *increased* and *decreased* (right) for enterprises in the EU-28, by enterprise characteristic, in 2014



Q10e: Turning to the terms and conditions of bank financing (including bank loans, overdraft and credit lines), could you please indicate whether the following items increased, remained unchanged or decreased in the past 6 months? Collateral requirements

Source: SAFE, 2014; edited by Panteia.

6 The problems European SMEs face

This chapter first describes how SMEs in the EU-28 evaluate eight potential problems they may face and then focuses on ‘access to finance’. This gives insight in the reality European SMEs currently operate in - one strongly influenced by two successive economic crises - and puts the issue of SMEs’ access to finance in perspective by comparing its severity to that of other problems these enterprises face[28].

6.1 Key findings

In 2013 and 2014, the most pressing problem amongst SMEs in EU-28 was finding customers. From the items in the questionnaire, SMEs on average rated access to finance as the fifth most pressing problem they faced; it is mentioned by 14% of the SMEs as the most pressing problem. SMEs experience the problem of access to finance the most pressing in Cyprus, Greece and Slovenia; and the least pressing in the Czech Republic, Austria and Slovakia.

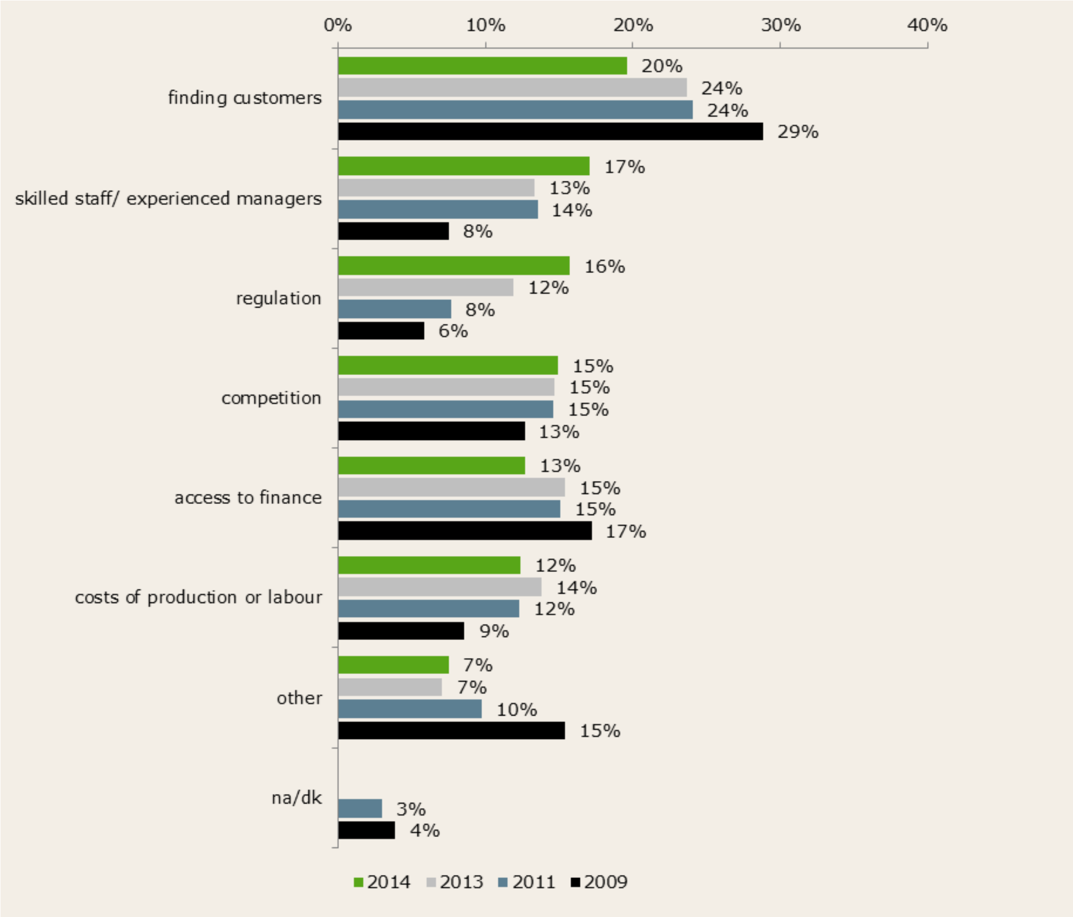
Comparing across different types of enterprises, SMEs in construction considered the problem of access to finance the most pressing. Micro enterprises consider the problem of access to finance the most pressing, whereas large enterprises find it least pressing. More innovative enterprises experience more access to finance problems than less innovative enterprises.

6.2 Where is access to finance a problem to SMEs?

figure 112 present SMEs’ most pressing problems. In 2014, as in previous years, the largest proportion of SMEs in EU-28 perceived finding as the most pressing problem (20% of all SMEs in 2014). Finding skilled and experienced staff rank second, and the importance of this problem has increased over the years; also dealing with regulation has increased in rank. Access to finance was the fifth most pressing problem SMEs faced. About 13% of all SMEs in the EU-28 indicated access to finance as the most pressing problem.

[28] The formulation of the question has changed over the survey rounds. In 2009 and 2011, the respondents were asked to select one of the categories as the most pressing problem. In 2013 and 2014, the respondents were asked to indicate how pressing a specific problem is, using a scale from 1 (not pressing) to 10 (extremely pressing). 2013 and 2014 results were recalculated to make them comparable with previously collected data

figure 112 Most pressing problems EU-28 SMEs faced during the period 2009-2014. Percentages indicate the percentage of SMEs that consider a specific problem the most urgent problem



Q0: How pressing are each of the following problems that your enterprise is facing? (survey round 2013 and 2014)

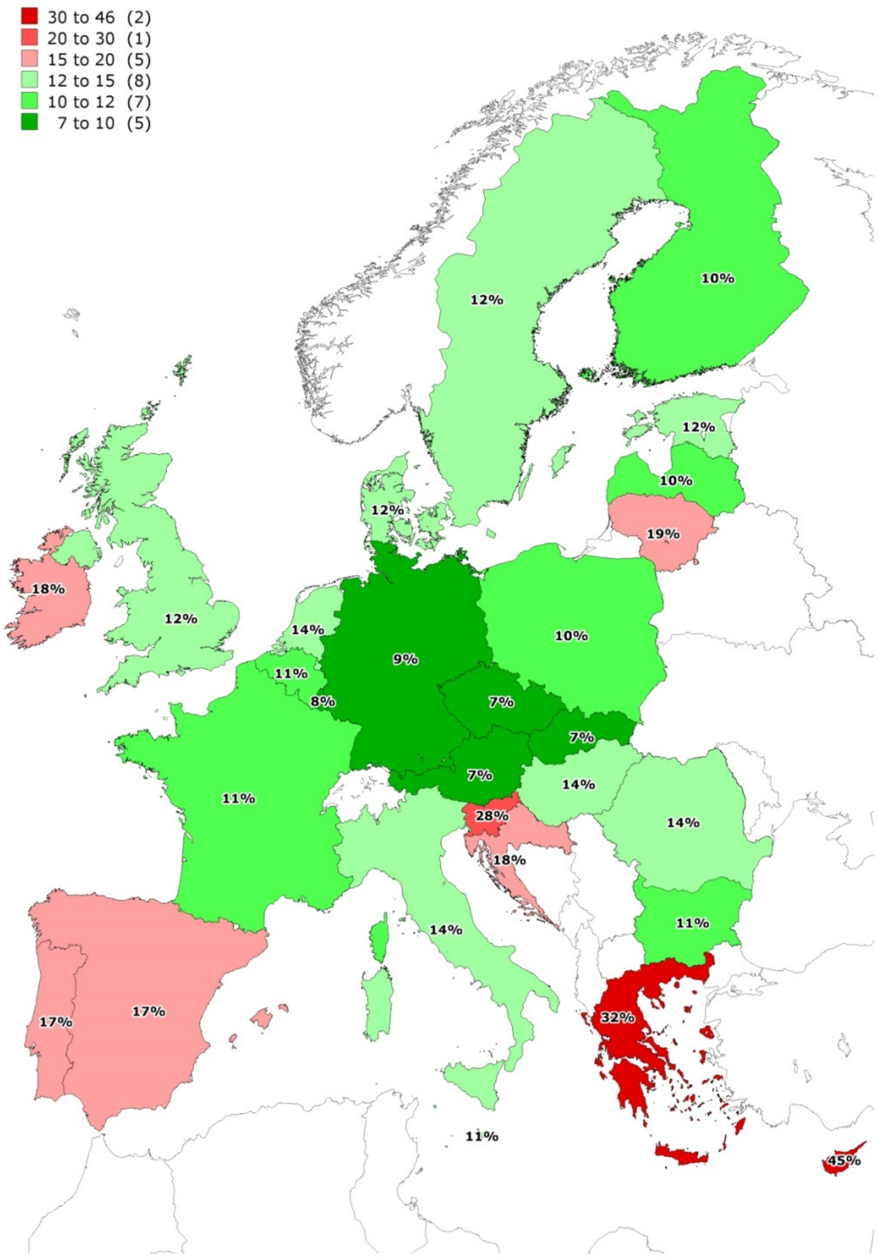
Q0: What is currently the most pressing problem your firm is facing? (survey round 2009 and 2011)

Source: SAFE, 2009 -2014; edited by Panteia

This section focuses on the specific issue of access to finance as a factor hampering European SMEs by first presenting a detailed breakdown by country for SMEs in all EU-28 Member States and Iceland and Montenegro, followed by an overall EU-28 breakdown by enterprise characteristics, sector, size and innovativeness.

As shown in figure 113 and figure 114 there has been a significant variation across countries in how pressing SMEs asses the problem of access to finance. In 2014, the proportion of SMEs considering access to finance as the most pressing problem was the largest in Cyprus, Greece and Slovenia. In the Czech Republic, Austria and Slovakia the relative lowest number of SMEs considered the problem of access to finance the most pressing.

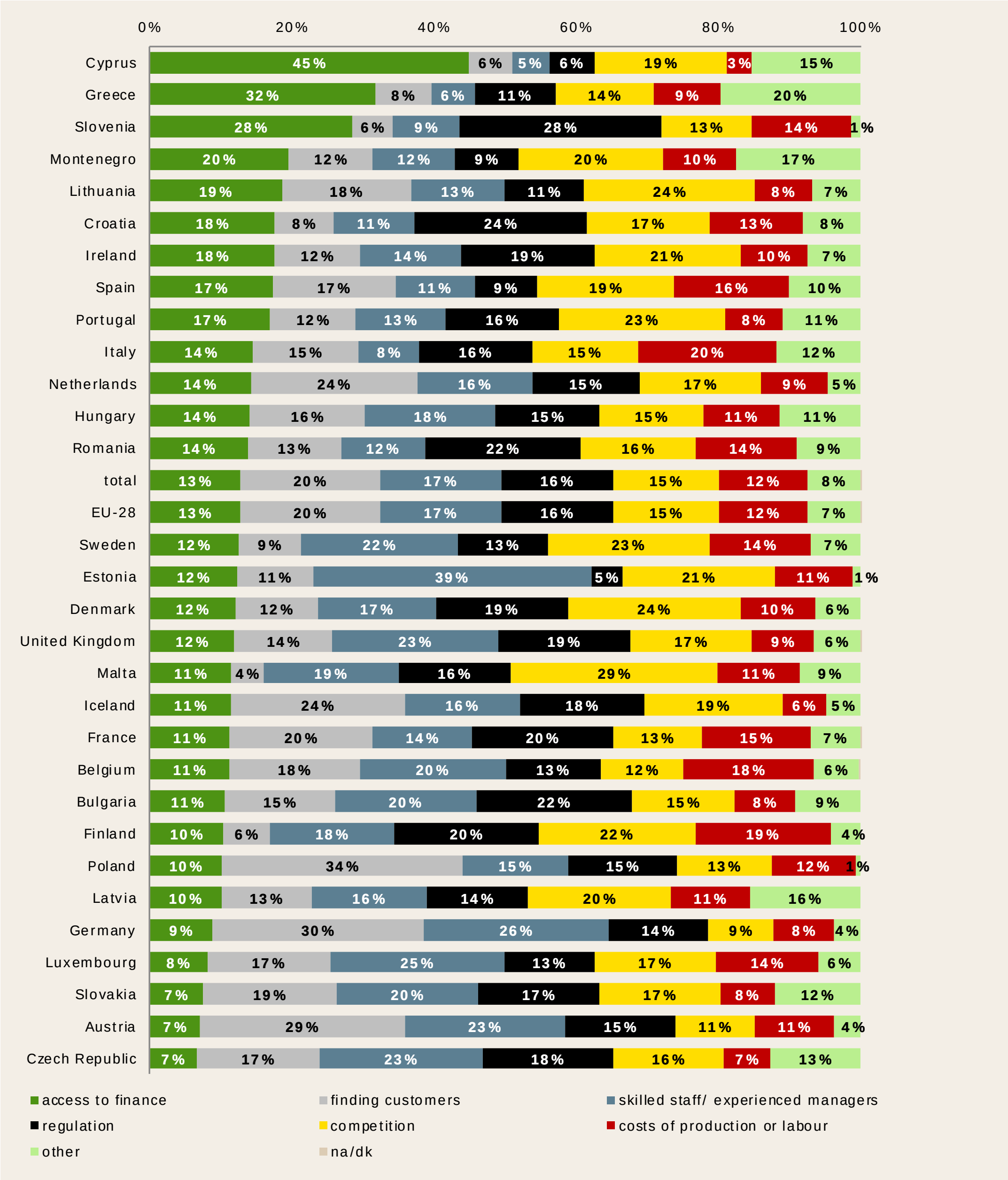
figure 113 Proportion of SMEs in EU-28, Iceland and Montenegro that consider access to finance the most pressing problem, by country in 2014



Q0: How pressing are each of the following problems that your enterprise is facing: access to finance?

Source: SAFE 2014; edited by Panteia

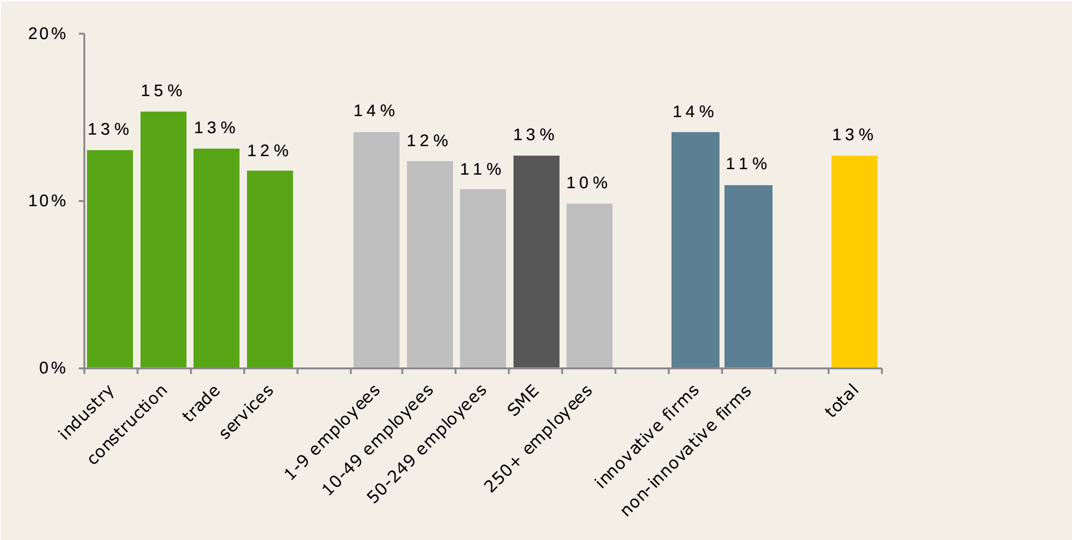
figure 114 Most pressing problems SMEs in EU-28, Iceland and Montenegro are facing. Percentages indicate the percentage of SMEs that consider a specific problem the most urgent problem, by country in 2014



Q0: How pressing are each of the following problems that your enterprise is facing

Source: SAFE, 2014; edited by Panteia

figure 115 Proportion of SMEs in EU-28, Iceland and Montenegro that consider access to finance the most urgent problem, by enterprise characteristic for 2014



Q0: How pressing are each of the following problems that your enterprise is facing: access to finance?

Source: SAFE, 2014; edited by Panteia

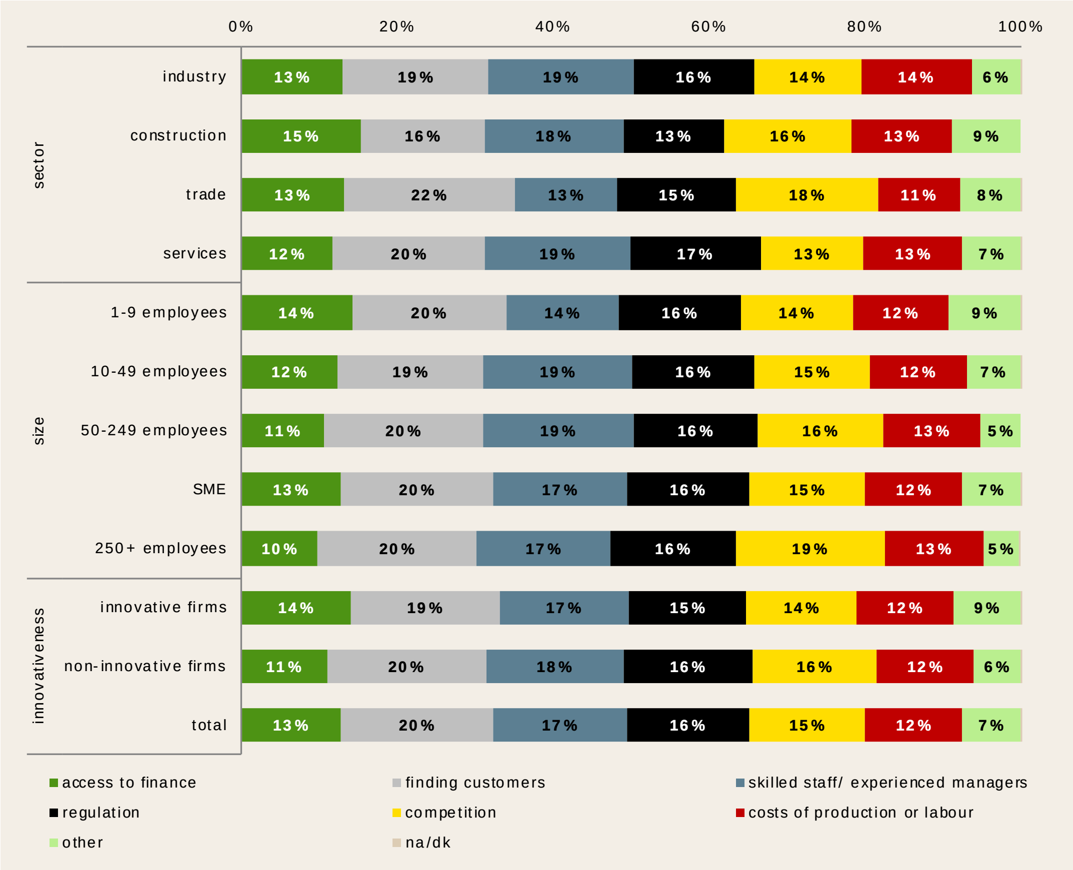
figure 115 present the proportion of SMEs indicating access to finance the most pressing problem for enterprises in EU-28 broken down by enterprise characteristic. In 2014, there was some variation across different types of SMEs.

Comparing SMEs across sectors, for SMEs in construction access to finance is considered most often the most pressing problem. SMEs in the services sector experience access to finance least often the most pressing problems.

The extent to which enterprises considered the problem of access to finance to be pressing decreased with enterprise size. Micro enterprises (1-9 employees) rated the problem highest, whereas large enterprises (250+ employees) rated it lowest.

Innovative enterprises perceived access to finance as a somewhat larger problem than non-innovative enterprises.

figure 116 Most urgent problems enterprises in EU-28 are facing. Percentages indicate the percentage of SMEs that consider a specific problem the most urgent problem, by enterprise characteristic for 2014



Q0: How pressing are each of the following problems that your enterprise is facing

Source: SAFE, 2014; edited by Panteia

Appendices

Appendix 1 Methodological notes

The survey sample was selected randomly according to three criteria:

- Country: 28 EU members states, Iceland and Montenegro.
- Enterprise size: micro (1-9 employees), small (10-49 employees), medium-sized (50-249 employees) and large (250 or more employees).
- Sector of industry. The following industries have been taken into account[29]:
  - Industry (NACE B, C, D, E).
  - Construction (NACE F).
  - Trade (NACE G).
  - Services (NACE H, I, J, L, M, N, R, S).

Sample plan and the number of completed interviews are summarised in table 1.1. Unexpected outliers have been Germany and the United Kingdom, where in both countries the response rate and strike rate (average expected number of completed interviews per hour) were lower than expected from other projects with comparable respondent types and companies. Various measures have been taken to avoid these gaps, however the number of observations is still lower than originally envisaged.

The distribution of interviews across countries, sectors of industry and enterprise size-classes is not the same as the distribution of the population of enterprises along these dimensions. Hence, calibrated weights were used with regard to company size and economic activity. Since the economic weight of the companies varies according to their size, weights that restore the proportions of the economic weight of each size class, economic activity and country. The number of persons employed is used as a proxy for economic weight.
The calibration targets were derived from the latest figures from Eurostat's structural business statistics (SBS) in terms of the number of persons employed, economic activity, size class and country, with figures from national accounts and different country-specific registers used to cover activities not included in the SBS regulations, as well as from figures from the European Commission's SME Performance Review.

The questionnaire has been included in Appendix 2. Since the last wave, some questions have been changed. Specifically, question Q4 was reformulated so that first the respondent is asked if a particular instrument is relevant, *i.e.* the enterprise used it in the past or considered using it in the future. If yes, the follow-up question is asked whether the instrument had been used in the past 6 months. Such reformulation caused an increase in the category "not relevant" and a drop in category "relevant", and introduced a structural break in the series so the past data are not directly comparable. The filter based on Q4 also affected questions Q5, Q7A, Q7B, Q9, Q10, Q11, Q8A and Q23.
For consistency reasons and to avoid structural breaks in the time series, past aggregated data were revised accordingly. The impact on the time series is minimal to small in most cases, and is only visible when the sample sizes are small. In all cases, the changes are within the confidence intervals of the survey. In particular, to enable comparison over time, the past aggregated results were aligned by excluding the responses from the enterprises for which a specific instrument was not relevant. Such ex-post filter was applied to the questions Q5, Q9, Q7A, Q11 (items f, g, h) and Q23,

[29] The NACE Rev. 2 classification of economic activities has been used.

having also an indirect impact on questions Q7B and Q10 since they are based of the newly filtered question Q7A. It also affects the question Q12, which was replaced by the question Q8A, now filtered by the question Q7B.

Detailed methodological information can be found on the ECB's website (https://www.ecb.europa.eu/stats/money/surveys/sme/html/index.en.html).

table 1.1 sample size by country

country	*completed interviews*		*completed interviews*
Austria	502	Luxembourg	102
Belgium	501	Malta	100
Bulgaria	500	Netherlands	800
Croatia	300	Poland	1305
Cyprus	101	Portugal	501
Czech Republic	500	Romania	500
Denmark	500	Slovakia	501
Estonia	100	Slovenia	200
Finland	501	Spain	1303
France	1500	Sweden	500
Germany	1337	United Kingdom	1218
Greece	501	**EU-28**	**16875**
Hungary	501		
Ireland	500	Iceland	100
Italy	1500	Montenegro	100
Latvia	200		
Lithuania	301	**grand total**	**17075**

Source: GDCC/Panteia

Appendix 2 Questionnaire

Survey on the access to finance of enterprises, April to September 2014

[INTRODUCTION TO THE ONLINE SURVEY]

Welcome to the Survey on the access to finance of enterprises: a joint initiative of the European Commission and the European Central Bank.

Your business has been selected to participate in this Europe-wide survey, which aims to assess the financing needs and the availability of financing among companies like yours. We very much appreciate your participation.

Your answers to this voluntary survey will be treated in strict confidence, used for statistical purposes and published in aggregate form only.

[INTRODUCTION TO THE TELEPHONE SURVEY]

Hello, my name is [interviewer] and I am calling from [survey company] on behalf of the European Commission and the European Central Bank. Your business has been selected to participate in a Europe-wide survey on the financing needs and the availability of financing among companies like yours.

European policy-makers want to have a better understanding of the issues and circumstances faced by small, medium-sized and large non-financial firms when it comes to accessing finance from banks and other institutions. This survey is now being conducted across Europe and your input is of the utmost importance: the responses to the survey will help shape policy decisions made by the European Commission and the European Central Bank.

[INTERVIEWER, READ OUT ONLY IF RESPONDENT IS FROM PANEL: *You may remember that we spoke to you about* [INSERT CORRECT TIME PERIOD (e.g. 6 months, one year, one and a half years)] *ago and you kindly said that you would be willing to participate again in the survey at around this time.*]

[INTERVIEWER, READ OUT ONLY IF RESPONDENTS ASK FOR MORE INFORMATION ABOUT THE PROJECT: *The results of the survey will help in the European Commission's evidence-based policy-making to improve the access to finance for businesses and in the monetary policy of the European Central Bank. Can I e-mail you some more information about the survey?*]
May I speak with the most appropriate person – the person best able to provide information on how your company is financed?
[INTERVIEWER: THIS PERSON COULD BE THE OWNER, A FINANCE MANAGER, THE FINANCE DIRECTOR OR THE CHIEF FINANCIAL OFFICER (CFO).]

Your answers to this voluntary survey will be treated in strict confidence, used for statistical purposes and published in aggregate form only.

Section 1: General characteristics of the firm (*Demographic part, common*)

FOR PANEL MEMBERS: **First a few demographic questions – you may have already answered these, but it would be good to confirm that the details are still correct.**

[COMMON] [30]

D2. How would you characterise your enterprise? Is it...

[READ OUT – ONLY ONE ANSWER IS POSSIBLE]

- a subsidiary of another enterprise [A SEPARATE, DISTINCT LEGAL ENTITY THAT IS PART OF A PROFIT-ORIENTED ENTERPRISE] 4
- a branch of another enterprise [BRANCHES ARE CONTROLLED BY A PARENT COMPANY AND ARE NOT SEPARATE LEGAL ENTITIES] 5
- an autonomous profit-oriented enterprise, making independent **financial** decisions [IN THE SENSE OF MAKING INDEPENDENT MANAGEMENT DECISIONS; THIS INCLUDES PARTNERSHIPS AND COOPERATIVES] 2
- a non-profit enterprise [FOUNDATION, ASSOCIATION, SEMI-GOVERNMENT] 3
- [DK/NA] 9

[IF 3 (NON-PROFIT) → STOP INTERVIEW → INTERVIEW NOT VALID]

[IF 4 (SUBSIDIARY) → MAKE THE FOLLOWING REQUEST]
In your replies to all the following questions, please respond on behalf of the subsidiary.

[IF 5 (BRANCH) → ASK THE FOLLOWING QUESTION]
Are you knowledgeable about the finances of the whole enterprise, that is, the head office and all branches?

[IF NO → STOP INTERVIEW → INTERVIEW NOT VALID]

[30] The tags **[COMMON], [ENTR]** and **[ECB]** indicate whether the question is common to the ECB and the European Commission (DG-ENTR), or specific to the Commission or the ECB, respectively. **[COMMON]** and **[ECB]** questions are asked every 6 months, while **[ENTR]** questions are only asked every year. **[ECB]** questions are only asked in the euro area.

[FILTER: IF D2 FEATURES 4 OR 5]
[COMMON]

D2A. In which country is the parent company of your enterprise located?

[DO NOT READ OUT – USE ISO COUNTRY CODES]

[LIST OF MAIN COUNTRY CODES]

<u>Euro area countries</u>

AT	Austria
BE	Belgium
CY	Cyprus
EE	Estonia
FI	Finland
FR	France
DE	Germany
GR	Greece
IE	Ireland
IT	Italy
LV	Latvia
LU	Luxembourg
MT	Malta
NL	Netherlands
PT	Portugal
SK	Slovakia
SI	Slovenia
ES	Spain

<u>Other EU Member States</u>

BG	Bulgaria
HR	Croatia
CZ	Czech Republic
DK	Denmark
HU	Hungary
LT	Lithuania
PL	Poland
RO	Romania
SE	Sweden
UK	United Kingdom

<u>Other countries</u>

CN	China
IS	Iceland
JP	Japan
ME	Montenegro
NO	Norway
RU	Russian Federation
CH	Switzerland
US	United States

[FILTER: ALL ENTERPRISES]

[COMMON]

D1. How many people does your enterprise currently employ either full or part time in [YOUR COUNTRY] at all its locations? [PLEASE DON'T INCLUDE UNPAID FAMILY WORKERS AND FREELANCERS WORKING REGULARLY FOR YOUR ENTERPRISE.]

[READ OUT – ONLY ONE ANSWER IS POSSIBLE]

NUMERICAL ANSWER [1-999999]
[DK/NA]

[IF 0 EMPLOYEES → STOP INTERVIEW → INTERVIEW NOT VALID]

[THE BUSINESS MUST HAVE AT LEAST ONE EMPLOYEE BEYOND THE FOUNDER(S);, IF THE FOUNDER IS THE ONLY EMPLOYEE – WE STILL CONSIDER THAT TO BE A ZERO-EMPLOYEE BUSINESS. FULL-TIME AND PART-TIME EMPLOYEES SHOULD EACH COUNT AS ONE EMPLOYEE. UNPAID FAMILY WORKERS AND EMPLOYEES WORKING LESS THAN 12 HOURS PER WEEK ARE TO BE EXCLUDED.]

[IF NA/DK → ASK ABOUT APPROXIMATE NUMBER IN BRACKETS – ONLY ONE ANSWER IS POSSIBLE] → IF STILL NA/DK → STOP INTERVIEW → INTERVIEW NOT VALID]

- From 1 employee to 9 employees .... -1
- From 10 employees to 49 employees .... -2
- From 50 employees to 249 employees .... -3
- 250 employees or more .... -4
- [DK/NA] .... -9

[COMMON]

D3. What is the main activity of your enterprise?

[READ OUT – ONLY ONE ANSWER IS POSSIBLE]

- Construction 2
- Manufacturing [also includes mining and electricity, gas and water supply] 12
- Wholesale or retail trade 4
- Transport 5
- Agriculture [STOP INTERVIEW → INTERVIEW NOT VALID] 8
- Public administration [STOP INTERVIEW → INTERVIEW NOT VALID] 9
- Financial services [STOP INTERVIEW → INTERVIEW NOT VALID] 10
- Other services to businesses or persons 13
- [None of these] [OTHER, SPECIFY → IF RECODING IS NOT POSSIBLE, STOP INTERVIEW → INTERVIEW NOT VALID] 11
- [DK/NA] [STOP INTERVIEW → INTERVIEW NOT VALID] 99

[COMMON]

D6. Who owns the largest stake in your enterprise?

[READ OUT – ONLY ONE ANSWER IS POSSIBLE]

- Public shareholders, as your enterprise is listed on the stock market 1
- Family or entrepreneurs [MORE THAN ONE OWNER] 2
- Other enterprises or business associates 3
- Venture capital enterprises or business angels [INDIVIDUAL INVESTORS PROVIDING CAPITAL OR KNOW-HOW TO YOUNG INNOVATIVE ENTERPRISES] 4
- Yourself or another natural person, one owner only 5
- Other 7
- [DK/NA] 9

[COMMON]

D4. What was the annual turnover of your enterprise in 2013?

[READ OUT – ONLY ONE ANSWER IS POSSIBLE]

[For non-euro area countries, the amounts in euro will be converted to national currency.]

- Up to €500,000 5
- More than €500,000 and up to €1 million 6
- More than €1 million and up to €2 million 7
- More than €2 million and up to €10 million 2
- More than €10 million and up to €50 million 3
- More than €50 million 4
- [DK/NA] 9

[COMMON]

D7. What percentage of your company's total turnover in 2013 is accounted for by exports of goods and services? [EXPORTS COMPRISE SALES OF GOODS OR THE PROVISION OF SERVICES TO NON-RESIDENTS, INCLUDING TO FOREIGN TOURISTS VISITING THE RELEVANT COUNTRY.]

NUMERICAL ANSWER IN PERCENTAGES [0-100]

[DK/NA]

[IF (NA/DK) → ASK WHETHER ONE OF THE FOLLOWING CATEGORIES WOULD APPLY – ONLY ONE ANSWER IS POSSIBLE]

- 0% – my enterprise did not export any goods and services last year .... -1
- Less than 25% .... -2
- Between 25% and 50% .... -3
- Over 50% .... -4
- [DK] .... -9

[COMMON]
D5. In which year was your enterprise first registered? [IN CASE OF A PAST ACQUISITION, PLEASE REFER TO THE YEAR WHEN THE ACQUIRING ENTERPRISE WAS REGISTERED OR, IN CASE OF A MERGER, TO THE LARGEST ENTERPRISE INVOLVED (IN TERMS OF EMPLOYEES)].

NUMERICAL ANSWER [1700-2014] (four digits, less or equal than [YEAR OF SURVEY])
[DK/NA]

[The age of the enterprise is calculated as 2014 minus the year of registration.]
[IF NA/DK → ASK WHETHER ONE OF THE FOLLOWING CATEGORIES WOULD APPLY – ONLY ONE ANSWER IS POSSIBLE]

- 10 years or more .... -1
- 5 years or more but less than 10 years .... -2
- 2 years or more but less than 5 years .... -3
- Less than 2 years .... -4
- [DK/NA] .... -9

<u>**Section 2: General information on the type and situation of the enterprise**</u>
We will now turn to your enterprise's current situation. When asked about the changes experienced by your enterprise over the past 6 months, please report just the changes over this period.

[FILTER: ALL ENTERPRISES]

[COMMON]
Q0b. On a scale of 1-10, where 10 means it is extremely pressing and 1 means it is not at all pressing, how pressing are each of the following problems that your enterprise is facing?

[READ OUT. ONE ANSWER PER LINE. DK/NA (CODE 99) OPTION PERMITTED]

1. Finding customers ....
2. Competition ....
3. Access to finance [FINANCING OF YOUR BUSINESS – BANK LOANS, TRADE CREDIT, EQUITY, DEBT SECURITIES, OTHER EXTERNAL FINANCING] ....
4. Costs of production or labour ....
5. Availability of skilled staff or experienced managers ....
6. Regulation [EUROPEAN AND NATIONAL LAWS, INDUSTRIAL REGULATIONS, ETC.] ....
7. Other ....

[ENTR]
Q1. During the past 12 months have you introduced...?
[READ OUT– ONE ANSWER PER LINE]

- Yes 1
- No 2
- [DK/NA] 9

... a new or significantly improved product or service to the market.............. 1 2 9
... a new or significantly improved production process or method 1 2 9
... a new organisation of management 1 2 9
... a new way of selling your goods or services 1 2 9

[COMMON]

Q2. Have the following company indicators decreased, remained unchanged or increased over the past 6 months?

[READ OUT – ONLY ONE ANSWER PER LINE]

- Increased 1
- Remained unchanged 2
- Decreased....... 3
- [NOT APPLICABLE, FIRM HAS NO DEBT] 7
- [DK/NA] 9

a) Turnover....... 1 2 3 9
b) Labour cost (including social contributions) 1 2 3 9
c) Other cost (materials, energy, other) 1 2 3 9
d) Interest expenses [WHAT YOUR COMPANY PAYS IN INTEREST FOR ITS DEBT]....... 1 2 3 9
e) Profit [NET INCOME AFTER TAXES] 1 2 3 9
g) Fixed investment [INVESTMENT IN PROPERTY, PLANT, MACHINERY OR EQUIPMENT] 1 2 3 9
h) Inventories and working capital 1 2 3 9
i) Number of employees 1 2 3 9

[AS REGARDS ITEM (j), IF THE COMPANY HAS NO DEBT, CODE 7 (NOT APPLICABLE) SHOULD BE USED.]

j) Debt compared to assets....... 1 2 3 7 9

Section 3: Financing of the enterprise

We will now turn to the financing of your enterprise.

[COMMON]

Q4. Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future? Please provide a separate answer in each case.

[READ OUT – ONE ANSWER PER LINE IS POSSIBLE (CODE 3, 7 OR 9)]

- Yes, this source is relevant to my enterprise 3
- No, this source is not relevant to my enterprise....... 7
- [DK] 9

[FOR EACH FINANCING SOURCE, IF THE ANSWER IS “YES” (CODE 3), ASK THE RELEVANT FOLLOW-UP QUESTION – ONE ANSWER PER LINE IS POSSIBLE (CODE 1, 2 OR 99)]

- Yes 1
- No 2
- [DK] 99

c) Credit line, bank overdraft or credit cards overdraft [CREDIT LINE = PRE-ARRANGED LOAN THAT CAN BE USED, IN FULL OR IN PART, AT DISCRETION AND WITH LIMITED ADVANCE WARNING; BANK OVERDRAFT = NEGATIVE BALANCE ON A BANK ACCOUNT WITH OR WITHOUT SPECIFIC PENALTIES; CREDIT CARD OVERDRAFT = NEGATIVE BALANCE ON THE CREDIT CARD] 3 7 9

IF "YES" (CODE 3) → Have you drawn on such types of credit in the past 6 months? 1 2 99

b) Grants or subsidised bank loan [INVOLVING SUPPORT FROM PUBLIC SOURCES IN THE FORM OF GUARANTEES, REDUCED INTEREST RATE LOANS ETC.] 3 7 9

IF "YES" (CODE 3) → Have you obtained new financing of this type in the past 6 months? 1 2 99

d) Bank loan (excluding subsidised bank loans, overdrafts and credit lines) 3 7 9

[FOLLOW-UP QUESTION SHOULD NOT BE ASKED – SEE QUESTION Q7A.d) AND Q7B.d)]

e) Trade credit [PURCHASE OF GOODS OR SERVICES FROM ANOTHER BUSINESS WITHOUT MAKING IMMEDIATE CASH PAYMENT] 3 7 9

[FOLLOW-UP QUESTION SHOULD NOT BE ASKED – SEE QUESTION Q7A.b) AND Q7B.b)]

f) Other loan (for instance from a related enterprise or shareholders, excluding trade credit; from family and friends) 3 7 9

IF "YES" (CODE 3) → Have you taken out or renewed such a loan in the past 6 months? 1 2 99

m) Leasing or hire-purchase [OBTAINING THE USE OF A FIXED ASSET (FOR EXAMPLE, CARS OR MACHINERY) IN EXCHANGE FOR REGULAR PAYMENTS, BUT WITHOUT THE IMMEDIATE OWNERSHIP OF THE ASSET] 3 7 9

IF "YES" (CODE 3) → Have you used this type of financing in the past 6 months? 1 2 99

h) Debt securities [SHORT-TERM COMMERCIAL PAPER OR LONGER-TERM CORPORATE BONDS] 3 7 9

IF "YES" (CODE 3) → Have you issued any debt securities in the past 6 months? 1 2 99

j) Equity capital [QUOTED OR UNQUOTED SHARES, PREFERRED SHARES OR OTHER FORMS OF EQUITY PROVIDED BY THE OWNERS THEMSELVES OR BY EXTERNAL INVESTORS, INCLUDING VENTURE CAPITAL OR BUSINESS ANGELS] 3 7 9

IF "YES" (CODE 3) → Have you issued equity in the past 6 months? 1 2 99

r) Factoring [SELLING YOUR INVOICES TO A FACTORING COMPANY; THIS COMPANY GETS YOUR DEBT AND HAS TO COLLECT IT; IT WILL MAKE A PROFIT BY PAYING YOU LESS CASH THAN THE FACE VALUE OF THE INVOICE] 3 7 9

IF "YES" (CODE 3) → Have you used factoring in the past 6 months? 1 2 99

a) Retained earnings or sale of assets [INTERNAL FUNDS LIKE CASH OR CASH EQUIVALENT RESULTING FOR INSTANCE FROM SAVINGS, RETAINED EARNINGS, SALE OF ASSETS] 3 7 9

IF "YES" (CODE 3) → Have you retained earnings or sold assets in the past 6 months? 1 2 99

p) Other sources of financing [FOR EXAMPLE, SUBORDINATED DEBT INSTRUMENTS, PARTICIPATING LOANS, PEER-TO-PEER LENDING, CROWDFUNDING] 3 7 9

IF "YES" (CODE 3) → Have you obtained such sources of financing in the past 6 months?.. 1 2 99

[FILTER: IF ITEM Q4.d) (BANK LOANS) IS "NOT RELEVANT" (CODE 7)]

[COMMON]
Q32. You mentioned that bank loans are not relevant for your enterprise. What is the most important reason for this?
[READ OUT – ONE ANSWER PER LINE]

- Insufficient collateral or guarantee.. 1
- Interest rates or price too high... 2
- Reduced control over the enterprise...................................... 3
- Too much paperwork is involved 6
- No bank loans are available 4
- I do not need this type of financing....................................... 8
- Other 5
- [DK] 9

[FILTER: FOR EACH Q4 ITEMS THAT IS "RELEVANT" (CODE 1, 2, 3, 99), NAMELY Q4.c), Q4.d), Q4.b), Q4.e), Q4.h) AND Q4.j), FILL THE RELEVANT ITEM IN Q5]

[COMMON]
Q5. For each of the following types of external financing, please indicate if your needs increased, remained unchanged or decreased over the past 6 months?
[READ OUT – ONE ANSWER PER LINE IS POSSIBLE]

- Increased 1
- Remained unchanged 2
- Decreased... 3
- [INSTRUMENT NOT APPLICABLE TO MY FIRM] 7
- [DK] 9

[FILTER: IF Q4.c) FEATURES CODE 1, 2 OR 99]

f) Credit line, bank overdraft or credit cards overdraft...1 2 3 7 9

[FILTER: IF Q4.d) FEATURES CODE 3 OR Q4.b) FEATURES CODE 1, 2 OR 99]

a) Bank loans (excluding overdraft and credit lines) 1 2 3 7 9

[FILTER: IF Q4.e) FEATURES CODE 3]

b) Trade credit..1 2 3 7 9

[FILTER: IF Q4.j) FEATURES CODE 1, 2 OR 99]

c) Equity [INCLUDING PREFERRED SHARES, VENTURE CAPITAL OR BUSINESS ANGELS] 1 2 3 7 9

[FILTER: IF Q4.h) FEATURES CODE 1, 2 OR 99]

d) Debt securities issued [SHORT-TERM COMMERCIAL PAPER OR LONGER-TERM CORPORATE BONDS] 1 2 3 7 9

[FILTER: IF AT LEAST ONE OF THE Q4 ITEMS Q4.f), Q4.m), Q4.r) OR Q4.p) IS "RELEVANT" (CODE 1, 2, 99)]

e) Other [FOR EXAMPLE, LOANS FROM A RELATED COMPANY, SHAREHOLDERS OR FAMILY AND FRIENDS, LEASING, FACTORING, GRANTS, SUBORDINATED DEBT INSTRUMENTS, PARTICIPATING LOANS, PEER-TO-PEER LENDING, CROWDFUNDING] 1 2 3 7 9

[FILTER: FOR EACH Q4 ITEM THAT IS "RELEVANT" (CODE 1, 2, 3, 99), NAMELY Q4.c), Q4.d), Q4.b) AND Q4.e), FILL THE RELEVANT ITEM IN Q7A]

[COMMON]

Q7A. Have you applied for the following types of financing in the past 6 months? Please provide a separate answer in each case.

[READ OUT ITEMS AND SCALE – ONE ANSWER PER LINE IS POSSIBLE]

- Applied 1
- Did not apply because of possible rejection 2
- Did not apply because of sufficient internal funds 3
- Did not apply for other reasons 4
- [DK/NA] 9

[FILTER: IF Q4.c) FEATURES CODE 1, 2 OR 99]

d) Credit line, bank overdraft or credit cards overdraft 1 2 3 4 9

[FILTER: IF Q4.d) OR Q4.b) FEATURE CODE 1, 2, 3 OR 99]

a) Bank loan (excluding overdraft and credit lines) 1 2 3 4 9

[FILTER: IF Q4.e) FEATURES CODE 3]

b) Trade credit 1 2 3 4 9

[FILTER: IF AT LEAST ONE OF THE Q4 ITEMS Q4.f), Q4.h), Q4.j), Q4.m), Q4.r) OR Q4.p) IS "RELEVANT" (CODE 1, 2, 99)]

c) Other external financing [FOR EXAMPLE, LOANS FROM A RELATED COMPANY, SHAREHOLDERS OR FAMILY AND FRIENDS, LEASING, FACTORING, GRANTS, SUBORDINATED DEBT INSTRUMENTS, PARTICIPATING LOANS, PEER-TO-PEER LENDING, CROWDFUNDING, AND ISSUANCE OF EQUITY AND DEBT SECURITIES] 1 2 3 4 9

[FILTER: FOR EACH Q7A ITEM THAT IS "APPLIED" (CODE 1), FILL THE RELEVANT ITEM IN Q7B]

[COMMON]

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; receive only part of the financing you requested; refuse to proceed because of

unacceptable costs or terms and conditions; or have you not received anything at all?
[READ OUT – ONLY ONE ANSWER PER LINE IS POSSIBLE]

- Received everything 1
- Received most of it [BETWEEN 75% AND 99%] 5
- Only received a limited part of it [BETWEEN 1% AND 74%] 6
- Refused because the cost was too high 3
- Was rejected 4
- Application is still pending 8
- [DK] 9

[FILTER: IF Q7A.d) FEATURES CODE 1]
d) Credit line, bank overdraft or credit cards overdraft 1 3 4 5 6 8 9

[FILTER: IF Q7A.a) FEATURES CODE 1]
a) Bank loan (excluding overdraft and credit lines) 1 3 4 5 6 8 9

[FILTER: IF Q7A.b) FEATURES CODE 1]
b) Trade credit 1 3 4 5 6 8 9

[FILTER: IF Q7A.c) FEATURES CODE 1]
c) Other external financing [FOR EXAMPLE, LOANS FROM A RELATED COMPANY, SHAREHOLDERS OR FAMILY AND FRIENDS, LEASING, FACTORING, GRANTS, SUBORDINATED DEBT INSTRUMENTS, PARTICIPATING LOANS, PEER-TO-PEER LENDING, CROWDFUNDING, AND ISSUANCE OF EQUITY AND DEBT SECURITIES] 1 3 4 5 6 8 9

[FILTER: IF Q7B.a) FEATURES CODE 1, 3, 4, 5, 6 OR 8]
[COMMON]
Q8A. What is the size of the last bank loan that your enterprise…

[IF Q7B. a) FEATURES CODE 1, 5 or 6]
…obtained or renegotiated in the past 6 months?

[IF Q7B. a) FEATURES CODE 3, 4 or 8]
…attempted to obtain in the past 6 months?

[READ OUT– ONLY ONE ANSWER IS POSSIBLE]

[For non-euro area countries, the amounts in euro will be converted to national currency.]

- Up to €25,000 1
- More than €25,000 and up to €100,000 2
- More than €100,000 and up to €250,000 5
- More than €250,000 and up to €1 million 6
- Over €1 million 4
- [DK/NA] 9

[FILTER: IF Q7B.d) FEATURES CODE 1, 3, 5 OR 6]

[COMMON]

Q8B. What interest rate was charged for the credit line or bank overdraft for which you applied?

NUMERICAL ANSWER IN PERCENTAGES [0-100]
[DK/NA]

[FILTER: ALL ENTERPRISES]

[COMMON]

Q6A. For what purpose was external financing used by your enterprise during the past 6 months?

[READ OUT – SEVERAL ANSWERS POSSIBLE. DK/NA (CODE 99) OPTION PERMITTED]

1) Fixed investment [INVESTMENT IN PROPERTY, PLANT, MACHINERY OR EQUIPMENT]
2) Inventory and working capital
3) Hiring and training of employees
4) Developing and launching new products or services
5) Refinancing or paying off obligations
6) Other
7) [DK/NA]

[FILTER: ALL ENTERPRISES]

Section 4: Availability of finance and market conditions

In this part of the survey, we would like to ask about your firm's experience in accessing finance. Your views on market conditions will be helpful in shaping the policies of the European Central Bank and the European Commission.

[COMMON]

Q11. The availability of external financing may depend on a number of factors, some of which are specific to your enterprise and others which are of more general relevance. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?

[READ OUT – ONE ANSWER PER LINE]

- Improved 1
- Remained unchanged 2
- Deteriorated 3
- [NOT APPLICABLE TO MY ENTERPRISE - ONLY FOR b), f), g), h)] 7
- [DK] 9

a) General economic outlook [INSOFAR AS IT AFFECTS THE AVAILABILITY OF EXTERNAL FINANCING] 1 2 3 9
b) Access to public financial support including guarantees 1 2 3 7 9
c) Your firm-specific outlook with respect to your sales and profitability or business plan [INSOFAR AS IT AFFECTS THE AVAILABILITY OF EXTERNAL FINANCING FOR YOU] 1 2 3 9
d) Your enterprise's own capital 1 2 3 9
e) Your enterprise's credit history 1 2 3 9

[FILTER: IF THE ITEM Q4.c) (CREDIT LINE, BANK OVERDRAFT, CREDIT CARD OVERDRAFT), Q4.d) (BANK LOAN) OR Q4.b) (SUBSIDISED BANK LOAN) IS “RELEVANT” (CODE 1, 2, 3, 99)]
[CODE 7 IS NOT TO BE USED FOR ENTERPRISES HAVING “APPLIED” (CODE 1) IN Q7A.d), OR Q7A.a)]

f) Willingness of banks to provide credit to your enterprise [LENDER'S ATTITUDE] 1 2 3 7 9

[FILTER: IF THE ITEM Q4.e) (TRADE CREDIT) IS “RELEVANT” (CODE 3)]
[CODE 7 IS NOT TO BE USED FOR ENTERPRISES HAVING “APPLIED” (CODE 1) IN Q7A.b)]

g) Willingness of business partners to provide trade credit [BUSINESS PARTNERS' ATTITUDE] 1 2 3 7 9

[FILTER: IF ONE OF THE Q4 ITEMS Q4.f) (OTHER LOAN), Q4.h) (DEBT SECURITIES), Q4.j) (EQUITY CAPITAL) OR Q4.p) (OTHER SOURCES OF FINANCING) IS “RELEVANT” (CODE 1, 2, 99)]

h) Willingness of investors to invest in your enterprise [INVESTORS' ATTITUDES TOWARDS, FOR EXAMPLE, INVESTING IN EQUITY OR DEBT SECURITIES ISSUED BY YOUR ENTERPRISE] 1 2 3 7 9

[FILTER: FOR EACH OF THE Q4 ITEMS THAT ARE “RELEVANT” (CODE 1, 2, 3, 99), NAMELY Q4.c), Q4.d), Q4.b), Q4.e), Q4.h) AND Q4.j), FILL THE RELEVANT ITEM IN Q9]

[COMMON]
Q9. For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated <u>for your enterprise</u> over the past 6 months?
[READ OUT – ONE ANSWER PER LINE]

- Improved 1
- Remained unchanged 2
- Deteriorated 3
- [NOT APPLICABLE TO MY FIRM] 7
- [DK] 9

[FILTER: IF Q4.c) FEATURES CODE 1, 2 OR 99]
[CODE 7 IS NOT TO BE USED FOR ENTERPRISES HAVING “APPLIED” (CODE 1) IN Q7A.d)]

f) Credit line, bank overdraft or credit cards overdraft 1 2 3 7 9

[FILTER: IF Q4.d) FEATURES CODE 3 OR Q4.b) FEATURES CODE 1, 2 OR 99]
[CODE 7 IS NOT TO BE USED FOR ENTERPRISES HAVING “APPLIED” (CODE 1) IN Q7A.a)]

a) Bank loans (excluding overdraft and credit lines) 1 2 3 7 9

[FILTER: IF Q4.e) FEATURES CODE 3]
[CODE 7 IS NOT TO BE USED FOR ENTERPRISES HAVING "APPLIED" (CODE 1) IN Q7A.b)]

b) Trade credit 1 2 3 7 9

[FILTER: IF Q4.j) FEATURES CODE 1, 2 OR 99]

c) Equity [INCLUDING PREFERRED SHARES, VENTURE CAPITAL OR BUSINESS ANGELS] 1 2 3 7 9

[FILTER: IF Q4.h) FEATURES CODE 1, 2 OR 99]

d) Debt securities issued [SHORT-TERM COMMERCIAL PAPER OR LONGER- TERM CORPORATE BONDS] 1 2 3 7 9

[FILTER: IF AT LEAST ONE OF THE Q4 ITEMS Q4f.), Q4.m), Q4.r) OR Q4.p) IS "RELEVANT" (CODE 1, 2, 99)]

e) Other [FOR EXAMPLE, LOANS FROM A RELATED COMPANY, SHAREHOLDERS OR FAMILY AND FRIENDS, LEASING, FACTORING, GRANTS, SUBORDINATED DEBT INSTRUMENTS, PARTICIPATING LOANS, PEER-TO-PEER LENDING, CROWDFUNDING].......... 1 2 3 7 9

[FILTER: Q7A.A) OR Q7A.D) IS "APPLIED" (CODE 1) (BANK LOANS, AND CREDIT LINES, BANK OVERDRAFT AND CREDIT CARD OVERDRAFTS)]

[COMMON]

Q10. Turning to the terms and conditions of <u>bank financing</u> (including bank loans, overdraft and credit lines), could you please indicate whether the following items increased, remained unchanged or decreased in the past 6 months?

[READ OUT – ONE ANSWER PER LINE]

- Was increased by the bank.......... 1
- Remained unchanged 2
- Was decreased by the bank.......... 3
- [DK/NA] 9

Price terms and conditions:

a) Level of interest rates.......... 1 2 3 9
b) Level of the cost of financing other than interest rates [CHARGES, FEES, COMMISSIONS] 1 2 3 9

Non-price terms and conditions:

c) Available size of loan or credit line.......... 1 2 3 9
d) Available maturity of the loan 1 2 3 9
e) Collateral requirements [THE SECURITY GIVEN BY THE BORROWER TO THE LENDER AS A PLEDGE FOR THE REPAYMENT OF THE LOAN] 1 2 3 9
f) Other, for example, loan covenants [AN AGREEMENT OR STIPULATION LAID DOWN IN LOAN CONTRACTS UNDER WHICH THE BORROWER PLEDGES EITHER TO TAKE CERTAIN ACTION OR TO REFRAIN FROM TAKING CERTAIN ACTION], required guarantees, information requirements, procedures, time required for loan approval 1 2 3 9

[FILTER: FOR EACH Q4 ITEM THAT IS “RELEVANT” (CODE 1, 2, 3, 99), NAMELY Q4.c), Q4.d), Q4.e), Q4.h), Q4.j) and Q4.a), FILL THE RELEVANT ITEM IN Q23]

[COMMON]

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

[READ OUT – ONE ANSWER PER LINE]

- Will improve 1
- Will remain unchanged.. 2
- Will deteriorate 3
- [INSTRUMENT NOT APPLICABLE TO MY FIRM] 7
- [DK] 9

[FILTER: IF Q4.c) FEATURES CODE 1, 2 OR 99]
[CODE 7 IS NOT TO BE USED FOR ENTERPRISES HAVING “APPLIED” (CODE 1) IN Q7A.d)]

g) Credit line, bank overdraft or credit cards overdraft...1 2 3 7 9

[FILTER: IF Q4.d) OR Q4.b) FEATURES CODE 1, 2, 3 OR 99]
[CODE 7 IS NOT TO BE USED FOR ENTERPRISES HAVING “APPLIED” (CODE 1) IN Q7A.a)]

b) Bank loans (excluding overdraft and credit lines) 1 2 3 7 9

[FILTER: IF Q4.e) FEATURES CODE 3]
[CODE 7 IS NOT TO BE USED FOR ENTERPRISES HAVING “APPLIED” (CODE 1) IN Q7A.b)]

d) Trade credit..1 2 3 7 9

[FILTER: IF Q4.j) FEATURES CODE 1, 2 OR 99]

c) Equity [INCLUDING PREFERRED SHARES, VENTURE CAPITAL OR BUSINESS ANGELS] 1 2 3 7 9

[FILTER: IF Q4.h) FEATURES CODE 1, 2 OR 99]

e) Debt securities issued [SHORT-TERM COMMERCIAL PAPER OR LONGER-TERM CORPORATE BONDS]..1 2 3 7 9

[FILTER: IF Q4.a) FEATURES CODE 1, 2 OR 99]

a) Retained earnings or sale of assets [INTERNAL FUNDS] 1 2 3 7 9

[FILTER: IF AT LEAST ONE OF THE Q4 ITEMS Q4.f), Q4.m), Q4.r) OR Q4.p) IS “RELEVANT” (CODE 1, 2, 99)]

f) Other [FOR EXAMPLE, LOANS FROM A RELATED COMPANY, SHAREHOLDERS OR FAMILY AND FRIENDS, LEASING, FACTORING, GRANTS, SUBORDINATED DEBT INSTRUMENTS, PARTICIPATING LOANS, PEER-TO-PEER LENDING, CROWDFUNDING] 1 2 3 7 9

Section 5: Future, growth and obstacles to growth

Finally, we would like to ask you a few questions about the longer-term prospects for your enterprise.

[FILTER: ALL ENTERPRISES]

[ENTR]

Q16. Over the past three years (2011-2013), how much did your enterprise grow on average per year …?

[READ OUT– ONE ANSWER PER LINE]

- Over 20% per year 1
- Less than 20% per year 2
- No growth 3
- Got smaller 4
- [NOT APPLICABLE, THE ENTERPRISE IS TOO RECENT] 7
- [DK/NA] 9

A. …in terms of employment regarding the number of full-time or full-time equivalent employees ? 1 2 3 4 7 9

B. …and in terms of turnover? 1 2 3 4 7 9

[ENTR]

Q17. Considering the turnover over the next two to three years (2014-2016), how much does your enterprise expect to grow per year?

[READ OUT– ONLY ONE ANSWER IS POSSIBLE]

- Grow substantially – over 20% per year in terms of turnover 1
- Grow moderately – below 20% per year in terms of turnover 2
- Stay the same size 3
- Become smaller 4
- [DK/NA] 9

[ENTR]

Q19. Do you feel confident talking about financing with banks and that you will obtain the desired results? And how about with equity investors/venture capital enterprises?

[READ OUT– ONE ANSWER PER LINE]

- Yes 1
- No 2
- [NOT APPLICABLE] 7
- [DK] 9

A. ...with banks 1 2 7 9
B. ...with equity investors/venture capital enterprises 1 2 7 9

[FILTER: IF Q17 FEATURES CODE 1 OR 2 (ENTERPRISE EXPECTS TO GROW)]

[ENTR]

Q20. If you need external financing to realise your growth ambitions, what type of external financing would you prefer most?

[READ OUT–ONLY ONE ANSWER IS POSSIBLE]

- Bank loan 1
- Loan from other sources (FOR EXAMPLE, TRADE CREDIT, RELATED ENTERPRISE, SHAREHOLDERS, PUBLIC SOURCES) 2
- Equity investment [INCLUDING PREFERRED SHARES, VENTURE CAPITAL OR BUSINESS ANGELS] 3
- Other 5
- [DK/NA] 9

[ENTR]

Q21. If you need external financing to realise your growth ambitions, what amount of financing would you aim to obtain?

[READ OUT– ONLY ONE ANSWER IS POSSIBLE]

[For non-euro area countries, the amounts in euro will be converted to national currency.]

- Up to €25,000 1
- More than €25,000 and up to €100,000 2
- More than €100,000 and up to€250,000 5
- More than €250,000 and up to €1 million 6
- Over €1 million 4
- [DK/NA] 9

[FILTER: IF Q20 FEATURES A BANK LOAN, A LOAN FROM OTHER SOURCES OR EQUITY INVESTMENT RESPECTIVELY (CODE 1, 2 OR 3)]

[ENTR]

Q22C. What do you see as the most important limiting factor to get this financing?

[READ OUT – ONLY ONE ANSWER IS POSSIBLE]

- There are no obstacles 8
- Insufficient collateral or guarantee [NOT TO BE USED IF Q20 FEATURES EQUITY INVESTMENT (CODE 3)] 1
- Interest rates or price too high 2
- Reduced control over the enterprise 3

- Too much paperwork is involved 6
- Financing not available at all 4
- Other 5
- [DK/NA] 9

[FILTER: ALL ENTERPRISES]

[ENTR]
Q24. On a scale of 1-10, where 10 means it is extremely important and 1 means it is not at all important, how important are each of the following factors for your enterprise's financing in the future?
[READ OUT – ONE ANSWER PER LINE. DK/NA OPTION PERMITTED]

a) Guarantees for loans
b) Measures to facilitate equity investments (FOR EXAMPLE, SUPPORT FOR VENTURE CAPITAL OR BUSINESS ANGEL FINANCING)
c) Export credits or guarantees
d) Tax incentives
e) Business support services (FOR EXAMPLE, ADVISORY SERVICES, TRAINING, BUSINESS NETWORKS, CREDIT MEDIATION, MATCH-MAKING SERVICES ETC.)
f) Making existing public measures easier to obtain (FOR EXAMPLE, THROUGH THE REDUCTION OF ADMINISTRATIVE BURDENS)

C1/ Would you like to receive a copy of the published results? SINGLE CODE

Yes 1 → READ OUT: Please confirm your e-mail address and we will send you the link for the publication. WRITE IN E- ADDRESS. Confirm e-mail address.

No 2

C3/ This survey will be repeated in around 6 months. Your input is an important part of the findings that the European Central Bank and the European Commission use to inform their policies towards smoothing businesses' access to finance. Are you willing to be contacted on this topic again?
SEVERAL ANSWERS POSSIBLE (NOT IN COMBINATION WITH CODE 2)

- Yes, via telephone [→ CONFIRM AND MAKE A NOTE OF THE RESPONDENT'S FULL NAME AND JOB TITLE] 3
- Yes, via e-mail (for web-based survey) [→ CONFIRM AND MAKE A NOTE OF THE RESPONDENT'S FULL NAME, JOB TITLE AND E-MAIL ADDRESS] 4
- No 2

[IF C3 FEATURES 3 OR 4]

Please confirm the details below.

1 Name

2 Job title

3 Telephone [IF C3 FEATURES 3]

4 E-mail [IF C3 FEATURES 4]

[IF C3 FEATURES 2]

For quality control purposes, may I please note down your name and job title?

1 Name

2 Job title

C4/ Do you agree to share your contact details with the European Central Bank and the European Commission in order to complement other information already present in business registers? Please note that any information you may provide will be used solely for scientific and policy research purposes.

SINGLE CODE

- Yes 1
- No 2

Appendix 3

Glossary of terms

Capital structure	The way enterprises finance their assets, investments and operations is captured by their capital structure and is characterised by the dichotomy between equity and debt. Equity financing can be generated internally, by using profits as a source of capital, and externally by issuing equity shares to investors.
Credit line	A line of credit is a source of financing and when extended to a business, it allows the business to withdraw funds up to a certain pre-determined amount. It differs from a regular loan in that the business need not use the entire amount and will only pay interest on the money withdrawn, making it particularly suitable to absorb immediate cash flow problems.
Debt securities	Debt financing need not necessarily be obtained from financial institutions. Instead, businesses can also issue securities with debt-like properties. Buyers are entitled to payment of a fixed principal and accrued interest. In contrast to bank loans or other types of debt, securitised debt is a tradable financial asset.
Equity investments	An equity investment refers to the money that is invested in a firm through buying shares of stock by individuals and firms. These shares of stock may be bought and sold among stockholders in response to changes in market price.
Export credits	A credit opened by an importer with a bank in the country of the exporter to pay for the export operation.
External financing	Enterprises can finance their operations and investments in assets using both internal and external sources. External financing consists of debt and shares of the enterprise issued to investors.
Guarantees for loans	Loans for which a third party (mostly government agency) guarantees to repay the loan in case the borrower defaults. This is done to assume debt obligation.
Internal financing	Enterprises can finance their operations and investments in assets using both internal and external sources. Internal financing uses internally generated cash flows as a source. Such retained earnings are comprised of net income plus depreciation and minus dividends paid out to shareholders.
Overdraft	Overdraft of a bank account or credit card occurs when its balance dips below zero as a result of a business overextending its account or credit card. This will usually result in higher interest rates or overdraft fees paid.

Trade credit	Outside of financial institutions, businesses provide another potential source of financing. Trade credit is a type of short-term financing where one business extends funds to another to help the latter purchase its goods or services, allowing for delayed payment.
Tax incentives	A tax incentive is a reduction in taxes to encourage a particular economic activity.
Venture capital firms	Financing provided by investors to start-up firms and small businesses with high growth potential. The investor takes this risk in the hopes of earning money by owning equity in the companies it invests in.