2013 SMEs' Access to Finance survey

Analytical Report

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Ipsos MORI

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14 November 2013

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Legal notice

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

The survey was conducted by Ipsos MORI.

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Introduction

Access to finance is a key determinant for business start-up, development and growth for small and medium sized enterprises (SMEs[1]) and they have very different needs and face different challenges with regard to financing compared to large businesses[2]. The latter have ready access to equity capital markets, which are not accessible to the vast majority of small businesses. The lack of equity capital invested in small firms makes these businesses more reliant on other sources such as bank lending and other types of financial products.

The differing financial characteristics of SMEs compared with larger ones require different policy responses to foster a functioning finance market for them. Reflecting this and the importance of SMEs within the overall economy and economic success of Europe[3], addressing the needs of SMEs has been given increasing focus within European policy making. Over the past two decades the European Commission (EC) has aimed to develop a comprehensive range of financial policies and instruments to support SMEs with the most appropriate sources and types of financing at each stage of their life.

The current economic environment has brought SME needs into particular focus given the significantly tightened credit supply conditions arising from the reduced ability and willingness of banks to provide the financing on which this sector is particularly reliant.

The EC and the European Central Bank (ECB) decided in 2008 to collaborate on a survey on the access to finance of SMEs in the European Union and established the Survey on the Access to Finance of Small and Medium-sized Enterprises (SAFE). The survey, conducted across 37 countries, including the 28 European Union (EU) and 17 euro area countries was undertaken in June-July 2009, in August-October 2011 and most recently in August-October 2013.

This report details the feedback from the 2013 wave and examines wave-on-wave significant changes between the surveys.

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[1] SMEs are defined in this report as firms with 1-249 employees; LSEs as firms with 250+ employees
[2] Association of Chartered Certified Accountants UK Small Business Committee including Chittenden, F. Manchester Business School et al (March 2006): *Policy Briefing Paper: Improving access to finance for small firms.*
[3] Small and Medium-sized Enterprises (SMEs) are a key part of the European Union corporate sector accounting for more than 99% of all business and two-third of employment

It focuses on the findings from the 28 EU countries. Other countries participating in the Entrepreneurship and Innovation Programme (EIP)[4] are also included in this survey and are therefore shown in the report's charts and with some commentary.

In detail, the survey examines SMEs':

- Financial situation, growth (past and future), innovative activities and need for external financing
- Use of internal funds and external sources of finance
- Experiences when applying for different types of external financing
- Use of loans, the size and reasons behind taking out specific loans
- Views about the extent to which different types of financing are available to them
- Expectations about future financing with banks and other sources of finance

Further details of the interviewing methods, sampling and weights applied can be found in the Appendix 1.

Characteristics influencing access to finance

A range of business characteristics can impact on the ability to access finance and in this survey, managers from a range of companies were interviewed to allow us to analyse the findings by those key demographic details. Previous waves of this study have indicated that smaller companies, for example, have greater difficulties in this regard. In this report, the data was analysed by a range of profiling characteristics:

- *Company size* – micro (1-9 employees), small (10-49), medium (50-249) and large (250+)
- *Turnover* – up to €2 million per annum, €2-10 million per annum, €10-50 million per annum and more than €50 million per annum
- *Sector* – industry, construction, trade and services

[4]Norway, Iceland, Liechtenstein, Croatia, FYROM (the former Yugoslav Republic of Macedonia), Montenegro, Turkey and Serbia all participate fully in the EIP, while Israel and Albania are involved in certain parts, see:http://ec.europa.eu/enterprise/policies/international/competitiveness-innovation/participation/index_en.htm

- *Type of enterprise* – autonomous and part of an enterprise (e.g. a subsidiary or branch)

- *Length of time active* – under two years, two to four, five to nine years and 10 years or more

- *Ownership structure* – listed company, family or entrepreneurs, other firms or business associates, venture capital (VC) companies or business angels and businesses with only one owner

The analysis of the SME results in this report is based on the employment criterion. We also examined innovative5 companies and those showing higher levels of growth. High-growth companies are defined as those SMEs which are experiencing growth of more than 20% per year over a period of three years. The term "gazelle" is used for high-growth companies that are young, which is defined as all those that are up to five years old. Both types of SMEs often have particular issues around securing the necessary additional funding to maintain their high growth.

In each of the report's sections that follow, we look first at experiences, attitudes and behaviours of SMEs, and how these may have changed over time, at an EU-wide level (i.e. across all 28 countries) before examining significant differences between the countries covered and across the aforementioned company characteristics (i.e. size, turnover, sector, etc.). We have also charted the results for other covered countries. Some totals, in the charts or elsewhere, may not sum to 100%, this is due to the inclusion of some questions allowing multiple answers and/or due to rounding of individual percentages.

[5] Innovative' SMEs are defined as having introduced innovation in at least one area, such as products, services, marketing, production or management – see *Section 5* for further details

Summary

Most pressing problem

- *Access to finance* was the second most pressing problem mentioned by 15% of EU SME managers. Only *finding customers* was a greater problem. *Access to finance* was mentioned as the most pressing problem by 40% of SMEs in Cyprus, 32% in Greece, 23% in Spain and Croatia, 22% in Slovenia, and 20% each in Italy, Ireland and the Netherlands. It was least likely to be mentioned in Germany (8%), Austria (7%) and Luxembourg (6%).

- When rated on a 10 point scale, the severity of the problem of getting *access to finance* was most pressing in Slovakia (42% of SMEs rating it as 10 out of 10, i.e. extremely pressing), followed by Greece (28%) and Cyprus (26%). It was least likely to be judged as extremely pressing in Estonia (only 3%), Finland (5%) and the Czech Republic (5%).

Use of financing

- When looking at sources of financing used in the last six months, just over half of EU SMEs (54%) said that they had used only external financing, which was slightly lower than 2011 levels (56%). Just over one in five had used both internal and external sources of financing, whilst only 4% had used only internal sources (unchanged from 2011 levels).

- SMEs (i.e. firms with 1-249 employees) were more likely than larger enterprises (i.e. LSEs - firms with 250+ employees) to have only used external financing (54% compared with 43%). LSEs were more likely to have used both internal and external sources of financing (47% compared with just 22% of SMEs).

- The most widely used external sources of financing in 2013 were bank overdrafts (39%), leasing/hire purchasing/factoring (35%), trade credit (32%) and bank loans (32%). These were very similar to 2011 levels. Overall, 75% of EU SMEs had used at least one form of debt financing (excluding debt securities and equity) in the past six months and this is unchanged from 2011 levels.

- Equity financing was little used, by just 5% of EU SMEs in the past six months. This was slightly lower than the 2011 level of 7%. It was most likely to be used by SMEs with a stock market listing (17%), by the largest SMEs (10% of those with a turnover exceeding €50 million) and by 9% of *gazelles* (i.e. SMEs less than five years old which have grown at over 20% per annum).

Experiences with applications for external finance

- Just over a fifth (21%) of EU SMEs had applied for a *bank loan* in the past six months, up from 19% in 2011. The same level (21%) had applied for a *bank overdraft.* One in six (16%) had applied for *trade credit* and one in seven (14%) for some *other form of external financing*.

- SMEs in Luxembourg (32%), France (30%) and Slovenia (30%) were most likely to have applied for a *bank loan* in the past six months and those in Denmark (8%), Estonia (8%) and Latvia (5%) were least likely. *Bank overdrafts/credit lines/credit card overdrafts* were most likely to have been applied for by SMEs in Italy (35%) and Slovenia (32%) and least likely in Estonia (4%), Sweden (4%) and Greece (5%). *Trade credit* was most likely to have been requested by SMEs in Greece (34%) and Italy (30%) and least likely by SMEs in Estonia (2%) and Latvia (3%).

- The most common reason for not applying for *bank loans* or *bank overdrafts* was having sufficient internal funds, but a minority did not apply because of possible rejection. In the case of bank loans 7% of EU SMEs did not apply because of possible rejection. This was most likely to have occurred for SMEs in Ireland (16% not applying for loans, 12% for overdrafts), Greece (15% for loans, 12% for overdrafts) and Cyprus (15% for both loans and overdrafts). Young SMEs active between 2 and 5 years were also more likely than average not to apply for a loan because of possible rejection (11%).

- Larger SMEs with 50+ employees were more likely to have applied for bank loans than micro-SMEs (with only 1-9 employees) and less likely to be concerned about rejection, either for a bank loan or a bank overdraft.

- Nearly two-thirds of EU SMEs who applied for external finance got everything they applied for from banks or trade credit. However, about one third of SMEs applied but got only part of the *bank loan or overdraft* applied for, were rejected or refused the loan/overdraft because the cost was too high.

- The proportion getting everything requested has increased slightly since 2011 for *bank overdrafts* (from 61% to 62%) and *bank loans* (from 63% to 65%). There was a much bigger increase for wholly successful applications for *other external financing* (from 71% in 2011 to 80% in 2013) but a slight tightening for *trade credit* (down from 69% to 67% getting everything).

- Applying for *bank loans* and/or *overdrafts* were the most likely types of finance to be rejected (13% for *loans*, 10% for *overdrafts*). In the case of *bank loans* 16% of SMEs who applied received less than applied for, 13% were rejected and 2% declined the loan offer because the cost was too high.

- SMEs in Germany (87%), Finland (81%) and Austria (80%) were the most likely to have got everything they requested when applying for a *bank loan*. The highest levels of rejection for bank loans were seen in the Netherlands (31%), Greece (31%), Lithuania (24%) and Cyprus (23%).

- *Bank loans* were also most likely to be given in full to the largest companies (72% for LSEs compared with 65% for SMEs) and larger SMEs rather than micro-SMEs. Younger and smaller firms were more likely to get only some of the bank loan requested or to be rejected. 18% of micro-SMEs had bank loans rejected compared to only 3% of LSE applications, and the rejection level was 27% for SMEs active for less than two years.

Loans as external source of financing

- Half (50%) of EU SMEs have taken out a loan in the past two years, the same overall level as seen in 2011 but still up on 2009 (46%). SMEs in Greece, Denmark, Cyprus and Latvia were least likely to have taken out a loan in that time (under one-third had done so), whilst those in Slovenia, France and Belgium were the most likely (over

60%). Micro-SMEs were the least likely to have done so – 43% of those with just 1-9 employees compared with 59% of the largest SMEs (50+ staff).

- Among those SMEs which had borrowed, the most common amount (36% of all loans) was €100,000 to €1 million, but just over half (52%) had borrowed less than €100,000. The size of loan has gradually increased from 2009 and 2011 to 2013, 33% borrowing €100,000 to €1 million in 2011 and 29% borrowing €100,000 to €1 million in 2009.

- Loans of over €1 million were most likely to be taken out by SMEs in Malta (12% of all SMEs borrowing that amount in the last two years) and the Netherlands (11%) whilst at the other end of the scale, the smallest loans (under €25,000) were most likely in Croatia (18% of all SMEs), Poland (18%) and Slovakia (16%).

- Clearly the most common provider of loans to EU SMEs were banks, providing the loan to 85% of all SMEs who had borrowed in the last two years. This was slightly lower than the 2011 level (87%). Only one in seven borrowed from non-bank sources, either from a private individual such as family or friend (5%) or from another source, such as microfinance institutions or government sources (9% of loans). SMEs in Luxembourg and Greece were the most likely to have relied on a bank providing the loan (98% and 96% respectively).

- The most frequent reasons for taking out the loan in the last two years were for *land, buildings, equipment or vehicles* (44%) or as *working capital* (43%). This was similar to the overall EU SME ratio seen in 2011 and 2009. However, the loan was most likely to be needed for working capital in Cyprus (73%) where the level of need for this had risen considerably from 2011 (from 41%). In contrast the need to use the loan for working capital had fallen since 2011, particularly in Greece (down from 85% to 59%) and Latvia (from 67% to 43%).

Financial outlook and availability of external financing

- Overall EU SME managers were more pessimistic than optimistic about the *general economic outlook* by about 2:1, with 34% saying that the economic outlook had deteriorated in the past six months whilst 16% felt it had improved, and 44% thought it remained unchanged. The overall balance of opinion (proportion improved less deteriorated) in 2013 was -18%. The most optimistic opinions came from EU SME managers in Denmark (+16%), Latvia (+7%) and the UK (+7%). The most pessimistic views came from Slovenia (-50%), Cyprus (-48%) and France (-46%).

- The balance of opinion has become less negative compared to 2011 when the net balance of opinion was -30% and in 2009 when it was -56%. Results have improved or stayed about the same in the majority of countries since 2011, except for some big increases in negative opinions in Cyprus (from -6% to -48% net balance), Latvia (+35% to +7%), Lithuania (+24% to +1%) and Finland (-20% to -39%).

- Overall, SME managers were a little more likely to be optimistic about their own *firm-specific outlook with regard to sales and profitability* in the past six months compared to the general economic outlook. Across the EU, 22% felt their firm's outlook had improved whilst the same proportion (22%) judged it to have deteriorated, giving a net balance of opinion of 0%. This has improved on the 2011 level of -6%. In 2013, managers were most optimistic in Denmark (net balance of +26%) and the UK (+20%), and outside the EU in Turkey (+29%). The least optimistic countries were

France (-23%) and Cyprus (-45%) where the net balance of opinion had clearly worsened since 2011. Views were generally more positive the larger the company.

- Overall, EU SME managers were more likely to consider that their *firm's own capital* had improved (27%) rather than deteriorated (19%) over the past six months giving a net balance of opinion of +8%, but only a little better than the +5% result in 2011. Managers were most positive in Denmark (+37%), Germany (+30%) and Norway (+40%). They were most negative in Cyprus (-25%) and Greece (-18%), followed by Spain (-13%) and France (-12%). Opinions had improved from 2011 in only a few countries, in particular Romania, Iceland and Ireland. However, results had particularly worsened in Cyprus (from –12% to -25%) and France (from +7% to –12%).

- Almost twice as many managers judged that their *firm's own credit history* had improved over the past six months (23%) rather than worsened (12%), giving a net balance of opinion of +11%. This was only slightly higher than the 2011 EU average of +9%. Managers in Germany (+27%), Estonia (+27%) and the UK (+26%) had the most positive net balance results, whilst the lowest were reported from Cyprus (-19%) and Italy (-14%).

- Opinions of EU SME managers as to *banks willingness to provide a loan* in the past six months showed a negative net balance of opinion (-11%) with 25% reporting that banks had become less willing compared with only 14% more willing and 35% stating that the level was unchanged. The net balance of opinion was slightly worse in 2011 (-14%). There was a positive balance of opinion as to improved willingness to lend in eleven EU countries, with the highest scores from Bulgaria (+23%) and Estonia (+14%). Results were worst from Cyprus (-60%), Greece (-47%), Italy (-35%) and the Netherlands (-34%). Generally, managers in larger SMEs and those in industry tended to have more positive views.

- Over two-fifths of EU managers (44%) could not give an opinion as to whether *access to public financial support* had changed in the past six months since this had not applied to their firm. Among those able to give a view they were four times as likely to report that it had deteriorated (17%) rather than improved (4%), i.e. a net balance of opinion of -13%. This was a less negative balance than in 2011 (-20%). Only three EU countries had a positive net balance of opinion – Latvia (+3%), Estonia (+2%) and Malta (+1%). The biggest net deterioration over the past six months was reported from managers in Spain (-36%) and Cyprus (-31%).

- Nearly half of EU managers (45%) were unable to give an opinion as to the willingness of *business partners to provide trade credit* over the past six months, but when they could they were a little more likely to report deterioration (11%) than an improvement (7%) with a net balance of opinion of -4%. This was slightly better than the 2011 level of -7%. The biggest net improvements were seen in Lithuania (+15%) and the UK (+10%), but the trade credit situation had worsened most in Cyprus (-35%), Greece (-21%) and Hungary (-16%).

Changes in availability of external financing

- Where able to give an opinion, the most common viewpoint among EU SME managers was that the availability of bank loans had not changed over the past six months (43%). The net balance of opinion was that availability had worsened (-6%) with 15% reporting deterioration and 9% an improvement. There was a very similar balance of opinion as to the availability of bank overdrafts, credit lines or credit card overdrafts (also a net balance of opinion of -6%). The situation was only slightly better for trade credit (8% deteriorated, 5% improved, -3% net balance) among the 50% of SMEs able to give an opinion.

Changes in the need for external financing

- The overall balance of opinion was that EU SMEs' need for a bank loan was little more likely to have increased (16%) than decreased (12%) over the past six months. The most common opinion (43%) was that the level of need had not changed, and the remainder did not consider that this was relevant to their firm. This balance of opinion was almost unchanged from 2011 (12% decreased need, 15% increased).
- There were similar results for the need for bank overdrafts/credit lines/card overdrafts (11% decreased need, 18% increased). There was also a slightly greater level reporting increased need for trade credit (10%) rather than decreased need (6%). Results for both forms of financing were very similar to 2011.
- The highest levels of increased need for a bank loan were seen in Cyprus (29% increased), Greece (26%) and France (23%). The biggest levels of decreased need were in Finland (23%), Slovenia (19%) and Austria (18%).
- There was little difference in the balance of changed needs for bank loans between different sizes of SME from the smallest (1-9 employees) to those with 50-249 staff, and only a slightly greater level of increased need from micro-SMEs for a bank overdraft compared to bigger firms.

Terms and conditions of bank financing

- Among those EU SMEs that had applied for bank financing, one in three (34%) reported that interest rates had been increased in the past six months compared to 20% reporting a decrease and 41% no change. This was a marked shift from 2011 when over half (52%) reported that rates had been increased and only 8% that they had decreased, with 33% seeing no change.
- The smallest SMEs (1-9 employees) were the most likely to report increased interest rates when applying for a bank loan (38%) than the largest SMEs (29% of those with 50-249 employees) and LSEs.
- Non-interest related costs (fees, charges, commission) when EU SMEs applied for bank loans were much more likely to be reported to have increased (43%) than decreased (only 5%) over the past six months, with 46% reporting no change. This was a slightly lower level of increase than seen in 2011 when 48% reported an increase and 4% a decrease. These costs were also more likely to have increased for the smallest SMEs (49%) than the largest SMEs (34%) and LSEs with 250+ staff (33%).
- Overall, opinions about the available size of bank loans among SME borrowers were evenly balanced with 18% reporting that it had increased, 17% decreased and 59% seeing no change over the past six months. This was similar to the 2011 results. The size was more likely to have increased for the largest SMEs (21%) and LSEs (24%) than the smallest (15%).

- There was a similarly balance and even greater stability reported for the available maturity of the loan in 2013 by SME bank borrowers (7% increase, 7% decrease and 77% no change).

- However, collateral requirements for SME loans were clearly more likely to have increased (32%) than decreased (3%) over the past six months (though with 60% seeing no change), very similar to the 2011 results.

- Similarly, the other conditions attached to bank loans to SMEs were more likely to have increased (25%) than decreased (2%), although 61% reported no change. This was slightly better than the 2011 results when 29% reported an increase.

Outlook for the future

- Nearly three out of five (56%) EU SME managers in 2013 expected their turnover to grow in the next two to three years, the same proportion as in 2011 (also 56%). Just under a third (29%) expected turnover to remain the same size whilst 11% expected it to get smaller.

- Managers were most optimistic in Denmark (72% expecting growth) and least optimistic in Cyprus (only 16%). Managers in Lithuania were the most likely to predict strong growth (24% expecting growth of over 20% per year). The most pessimistic predictions came from managers in Spain, with 26% expecting turnover to shrink although this was lower than in 2011 (35%). The biggest fall in confidence was in Cyprus.

- Managers of LSEs were significantly more likely to expect growth (71%) than SMEs (56%), with the largest SMEs being more optimistic than micro-SMEs. The construction sector was the most pessimistic (17% expecting to shrink) and industrial SMES the least pessimistic (only 9% expecting turnover to fall).

Confidence in being able to get future financing

- Nearly two-thirds of EU SMEs (63%) said they felt confident about talking with banks about financing and obtaining the desired results, whilst 24% were not confident. This was almost identical to the balance of opinion in 2011.

- Most managers were unable to give an opinion about talking with equity investors/venture capital firms about financing as it was not relevant to their firm, but when they could do so they tended not to be confident (19%) rather than confident (15%).

- Confidence in talking to banks and getting the desired finance was strongest from SME managers in Malta, Slovenia and Luxembourg (all over 80%). The least confident country results were Cyprus and Greece (53% and 51% of managers respectively were not confident). Cyprus has seen a big fall in confidence since 2011.

- The most confident about talking to banks were the largest SMEs (74%) and those in the industry sector (69%) compared to just 54% of managers of micro-SMEs and 61% for the construction sector.

External financing in the future

- Among those SMEs expecting to grow in the next few years bank loans were clearly the most preferred source (among 67%) of external financing. This was slightly higher than the level seen for banks in 2009 and 2011 (both 63%). Bank loans were the preferred choice in most EU countries (ranging from 50% to over 80%) except in Cyprus and Romania, and by most different types of SME.

- The second most popular option (but preferred by just 12%) were loans from other sources such as trade credit, related companies, shareholders or public sources. Only 6% preferred equity investment.

- There was considerable variation in the amount of financing that SMEs would aim to obtain. The highest proportion (32%) would aim to borrow from €100,000 up to €1 million, but 15% would aim to borrow considerably less (under €25,000), 24% for €25,000 to €99,999 and one in ten (11%) would look for significant loans of over €1 million.

- The most likely perceived limiting factors to getting external funding to realise growth plans among SMEs expecting to grow were insufficient collateral or guarantee (20%) and interest rates or the price being too high (also 20%). In 2013 37% saw no obstacle to getting this funding, slightly higher than in 2011 (35%).

- Managers who would prefer equity investment or mezzanine financing to achieve growth saw a range of barriers, in particular interest rates or the loan price being too high (25%) and the financing not being available (16%) or reduced control of the firm (12%). Only 24% saw no barriers for this type of external funding.

- Managers were most likely to see no barriers to external financing when the SMEs were well established (more than ten years old). Interest rates were more likely to be seen as a barrier by the smallest SMEs than larger firms.

Expected availability of internal funds and external financing

- When all SMEs were asked for their predictions as to whether the availability of various types of financing would improve, worsen or stay unchanged over the next six months, the majority of all firms able to give an opinion predicted no change for all the various possible sources. Just over half (52%) of SME managers anticipated that the availability of internal funds would remain unchanged. Slightly more expected that there would be greater availability of internal funds (17%) rather than a decrease (11%). This balance was very similar to 2011. Managers in the UK and Latvia were the most positive about availability of internal funds, whilst the net balance of opinion in Cyprus, Greece and France was that they would become less available.

- About half of SME managers thought there would be no change in the availability of bank loans (50%) or bank overdrafts/credit lines (52%). Similarly slightly more thought availability of bank loans (14%) or bank overdrafts (11%) would increase rather than decrease (11% for loans, 9% for overdrafts). The net balance of opinion for both types has shifted from being slightly negative in 2011 to slightly positive in 2013.

- Managers were most optimistic about the availability of bank loans in Latvia and most pessimistic with the net balance of opinion that they would become less available in Cyprus and Slovenia. Pessimism about availability was much lower in 2013 than 2011 in Greece and Portugal.

- A majority of EU SME managers able to express an opinion about trade credit thought its availability would be stable (40%) rather than increase (8%) or decrease (6%) over the next six months. The net balance of opinion was most positive in Latvia and the UK and most negative in Cyprus and Greece.

- The availability of equity investment was also most likely to be predicted to remain stable (21%) rather than increase (4%) or decrease (2%) by managers able to give an opinion. A similar balance was seen for views on other sources of funding (38% no change, 8% increase, 4% decrease).

Importance of factors on future financing

- Asked to rate from 1 to 10 the importance of various mechanisms to help their company's financing in the future (10 meaning extremely important and 1 not at all important), EU SME managers rated the most important factor to be *making existing public measures easier to obtain* with a mean score of 6.9 out of 10.

- This was closely followed in strength of importance by *tax incentives* (6.6) and then by *guarantees for loans* (5.8) and *business support services* (5.7). The overall mean scores and relative importance of the top four mechanisms is virtually the same as in 2011.

- Measures to facilitate equity investments (4.0) and export credits or guarantees (3.2) were of rather less importance in the overall view of EU managers, as seen in 2011.

The current state of companies

- Overall, well over half (57%) of EU SMEs had introduced at least one type of innovation (to products, services, production methods, sales or management) over the past 12 months in the way they ran their business. This is unchanged from the level of innovation seen in 2011 which was also 57%. Innovation was most likely in Malta (74%) and Finland (72%), but clearly lowest in Estonia (35%).

- Larger businesses tended to be more innovative, 70% of LSEs having introduced an innovation in the last 12 months compared with 57% of SMEs. SMEs in the industry sector were the most likely to have innovated (66%), well ahead of levels in the construction sector (44%).

- Just over half of EU SMEs (51%) reported that their turnover had grown in the last three years, 38% growing by up to 20% per year and 13% growing over 20% per year. However, one in four (24%) said that their turnover had declined. The levels of rapid growth (over 20% per year) reported have gradually declined since 2009. Rapid growth in turnover was most likely in Bulgaria, Poland and Lithuania whilst SMEs in Greece (48%) and Spain (47%) were the most likely to have falling turnover levels.

- Over a third (36%) of EU SMEs have grown in staff numbers (full and part time) over the last three years which is very similar to 2011 levels (37%). Lithuania, Romania and Bulgaria had the highest levels of strong growth in employee numbers but there were high levels reporting falling numbers in Spain (41%) and Greece (35%). The construction sector was the most likely to report falling numbers. SMEs were twice as likely as LSEs to report stable employee numbers, and the smallest SMEs were the least likely to report any growth in employee numbers.

The financial situation of companies

- High levels of EU SMEs reported that their *labour costs* and *other costs (such as materials and energy)* had increased in the past six months, with net increase figures (those reporting an increase less those who have seen a decrease) of +43% and +60% respectively. *Net interest expenses*, however, have not risen so widely (net increase level of +16%). *Labour cost* increases were most likely in France (+67%) and Malta (+63%). They decreased only in Cyprus (-38%). *Other costs* rose in all countries, especially in the UK (+78%) and Ireland (+75%).

- Only slightly more SMEs reported that *turnover* had increased (35%) rather than decreased (32%), i.e. net increase balance of +3%. This has fallen markedly since 2011 when there was a net increase of +12%. LSEs were much more positive (+29%) about turnover than SMEs overall, as were the largest SMEs and those in the industrial sector. The UK (+29%), Sweden, Germany and Denmark (all +26%) were the most positive countries about *turnover* whilst Cyprus (-61%), Italy (-29% and Spain (-26%) were the most negative.

- There were net decreases for both *profit* (-17% net balance) and *profit margin* (-27%) for EU SMEs, very similar to the 2011 results. Over two-fifths reported that each of these had decreased in the last 6 months. The only marked improvements in *profit* were reported in Denmark (+19% net balance) and Sweden (+11%). The biggest negative net balances were reported by Italian and Cypriot SME managers. Denmark and Sweden were also the only countries to report a positive net balance for *profit margin,* i.e. the only countries where more SMEs' reported profit margins have risen rather than fallen. Decreased *profit margins* were most likely in Cyprus, Greece, Italy and Spain.

1. SMEs' most pressing problems

All SME managers who participated in the survey were asked to evaluate a pre-supplied list of eight potential problems that their companies may currently be facing on a 10 point scale. Fifteen per cent of SMEs in the EU cited ***access to finance***, which placed it second just after finding customers (22%).

Please note that due a change in the question design, the 2013 survey results for SMEs' most pressing problems gave the results on a 10 point scale for a pre-coded list of potential problems. The question asked in the 2011 and 2009 surveys asked respondents to choose the most pressing problem out of a pre-coded list. The 2013 results for this question were recalculated to make them more comparable to the previous waves.

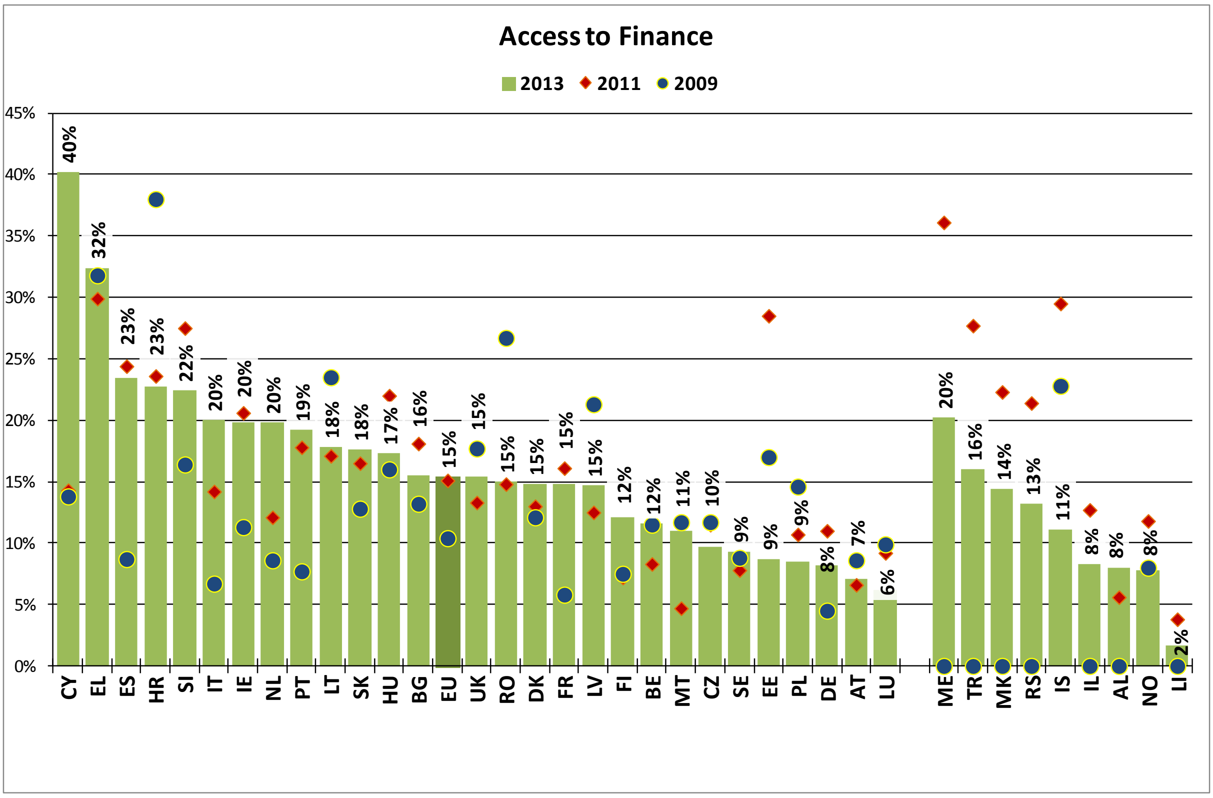
Access to finance - Country Variations

There was a lot of variation across countries with respect to the evaluation of SMEs for access to finance. (40% of SMEs in Cyprus, 32% in Greece, 23% in Spain and Croatia, 22% in Slovenia, 20% in Ireland, Italy and the Netherlands, compared with just 7% in Austria or 8% in Germany and 9% in Poland)

In Cyprus, there was a significant increase in 2013 (40%) compared to what the SME managers reported in 2009 and 2011(both 14%). Greece had the second highest percentage of SME managers reporting *access to finance* (32%) as the most pressing problem, which stayed in line with the 2011 level (30%) with no statistically significant difference between the two years.

Cyprus (40%), Greece (32%) and Croatia (23%) were the three countries that reported access to finance as the most pressing problem amongst the pre-supplied list of 8 potential problems. While Spain ranked third compared to the rest of the EU in terms of highest percentage of SMEs reporting access to finance as the most pressing problem, within Spain, access to finance (23%) ranked second after finding customers (27%).

Companies' most pressing problem – **Access to finance**



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 firm is facing?

Q0c: I see that you have given an equally high score to several problems. If you compare them, which one of them is more pressing than the other[s], even if it is by a very small margin?

*All SMEs, % by country**

*Please note that Q0 wording has been revised for Wave 9 to give results on a 1 to 10 point scale for all of the eight potential problems in a pre-coded list. The Q0 asked in Wave 5 did not give results on a point scale, the question asked respondents to choose the most pressing problem out of a pre-coded list. (Q5 wording: What is currently the most pressing problem your firm is facing?)

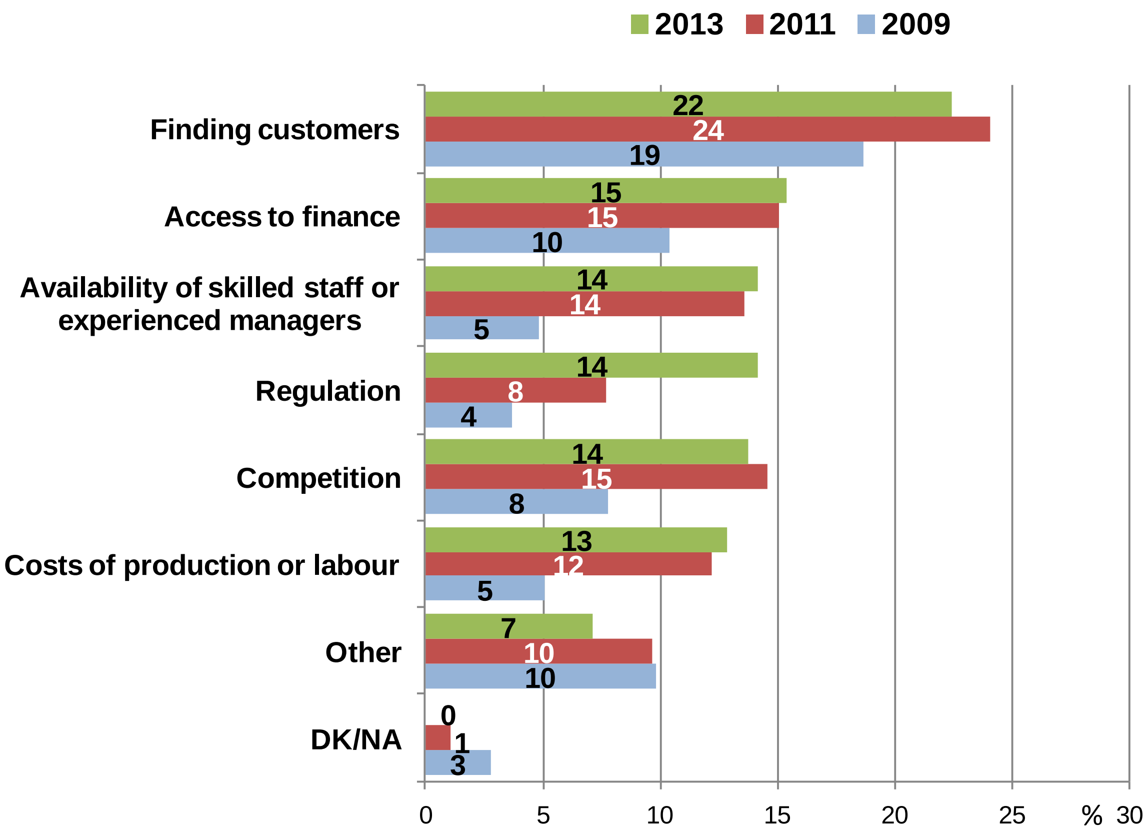
Access to finance – company characteristics

As expected, micro SMEs (18%, i.e. 1-9 employees) were more likely to report access to finance as the most pressing problem compared to larger SMEs (12%-15%, i.e. 10 – 49 employees and 50 – 249 employees). Similarly, as the company turnover increased, the likelihood to report access to finance as the most pressing problem decreased; with 18% of SMEs with up to €2 million turnover citing it as the most pressing problem in 2013 while it was cited by between 13% and 14% of companies with turnover between €2 million and €50 million.

The figures differentiated by level of innovation as well, with 17% of innovator SMEs (introduced a new product or practice in the last 12 months) reporting it as the most pressing problem whilst it was only 13% for the non-innovators. There was also a significant difference between SMEs in terms of level of growth. Gazelles were most likely to report access to finance as their most pressing problem (23%) while high-growth (18%) and medium growth SMEs (12%) were less likely to do so.

Companies' most pressing problems – Changes by Year

As mentioned previously, *finding customers* remained the most frequently-cited problem by SMEs across the EU, although there was a slight decline in the frequency in 2013 (22%) compared to 2011 (24%). Availability of skilled staff or experienced managers ranked three and remained stable compared to 2011. Regulation ranked fourth in the list of most pressing problems (14%) and showed a significant increase compared to 2011 (5%).



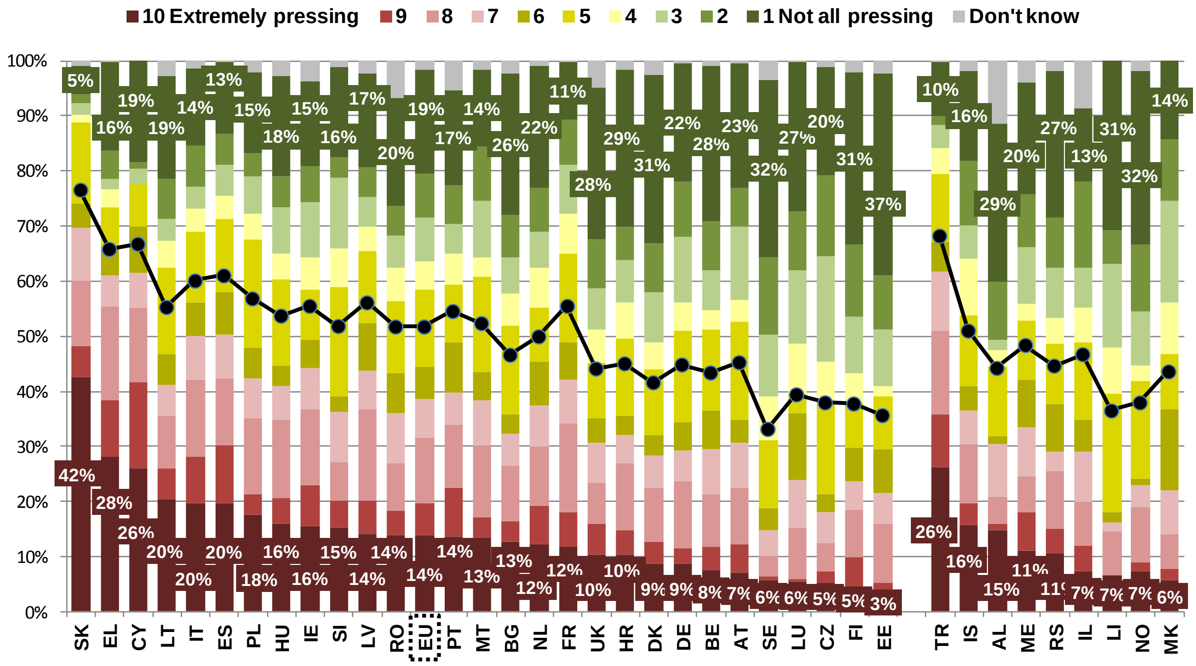
Q0b: On a scale of 1-10, where 10 means it is extremely pressing and 1 means it is not at all pressing, how pressing are each of the following problems that your firm is facing?

Q0c: I see that you have given an equally high score to several problems. If you compare them, which one of them is more pressing than the other[s], even if it is by a very small margin?
All SMEs, % EU-28

Access to finance – Country Variations

Please note the bar graph below indicates the results for how pressing the SMEs find the problem of "access to finance" on a 10 point scale and the line series indicates the mean scores achieved in each of the countries.

The results presented below are according to the new design of the question introduced in the 2013 survey.



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 firm is facing?

Q0c: I see that you have given an equally high score to several problems. If you compare them, which one of them is more pressing than the other[s], even if it is by a very small margin?

All SMEs, % by country

The EU average for reporting "extremely pressing" for *access to finance* was 14% while the average for reporting "not at all pressing" was slightly higher (19%).

When looking at the variation across the countries in terms of the severity of *access to finance* problem on a 10 point scale, Slovakia was most likely report the issue as "extremely pressing" (42%), followed by Greece (28%) and Cyprus (26%). On the other hand, Estonia was the least likely to report *access to finance* as "extremely pressing" (3%), followed by Finland (5%) and the Czech Republic (5%).

2. SMEs’ use of external financing

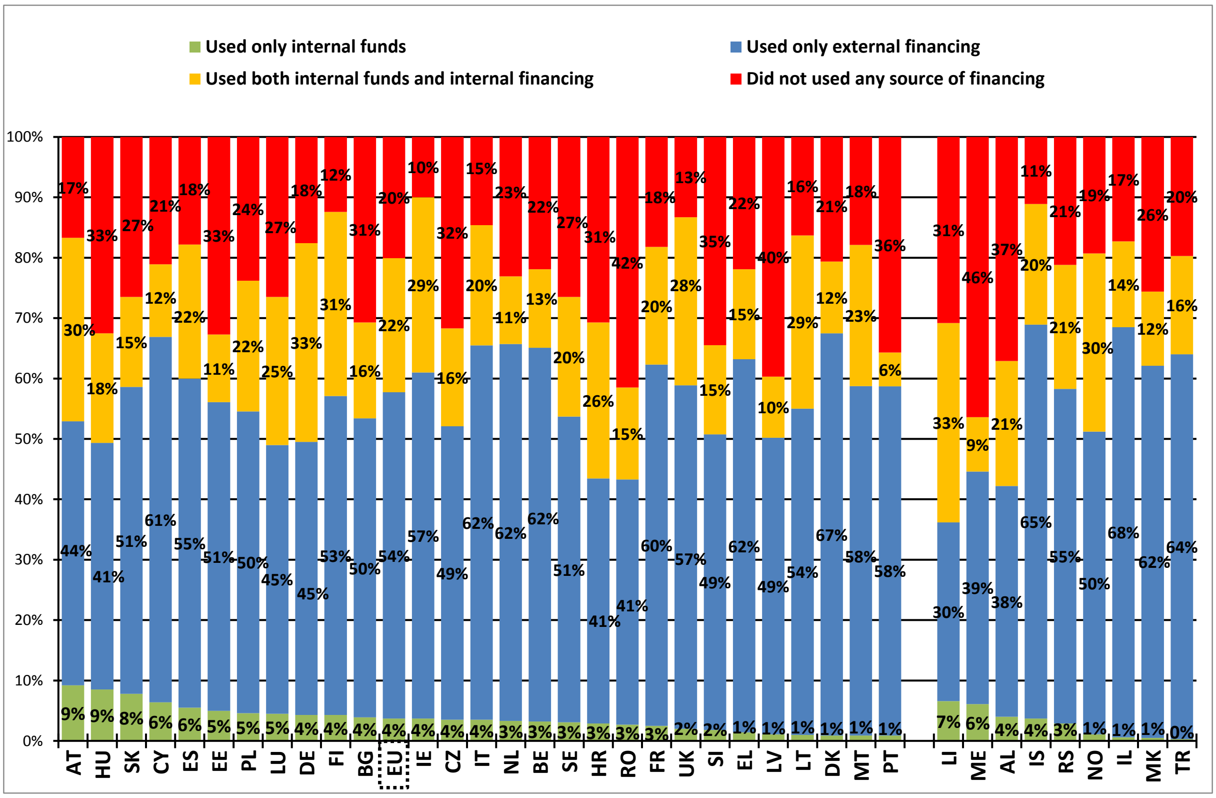
This chapter looks at companies’ use of various sources of financing, comparing usage of internal funds, debt financing and equity financing. The first section examines the use of different types of external financing used in the past six months by SMEs. The second section looks at their experience when applying for external finance and the outcome of the application. In the final section, a more detailed description is given of companies’ usage of bank loans (level of use, size of loans and purpose of loan) compared with other sources of loans (e.g. private individuals or government loans).

2.1 Use of different sources of financing

When looking at recent sources of financing, external and internal, it was most common for EU SMEs to have only used external financing in the previous six months. Just over half (54%) looked for external financing only, slightly lower than in 2011 (56%). A further 22% of SMEs used both internal[6] and external sources of funding, while only a few (4%) used only internal funding sources. One in five (20%) had not used any source of financing[7] in the past six months, the same level as seen in 2011.

[6] Internal financing was defined in the survey as ‘Retained earnings or sales of assets’. External financing included various sources of financing, including grants/subsidised bank loans, bank overdrafts, bank loans, trade credits, leasing/hire purchasing/factoring, debt securities, subordinated loans and equity.
[7] Note this includes a small number of respondents who could not answer the question.

Financing structure: use of internal funds and external financing



Q4. For each of the following sources of financing, could you please say whether you used them during the past 6 months, did not use them but have experience with them, or did not use them because this source of financing has never been relevant to your firm?
Base: All SMEs, % by country

The highest levels for relying on internal funds only were in Austria, Hungary and Slovakia (8%+, i.e. twice the EU average). Avoidance of usage of any form of financing was especially high among SMEs in Romania, Latvia and Portugal (36%-42%, i.e. almost twice the EU average of 20%). Avoidance was also high outside the EU in Montenegro and Albania.

Avoidance of any use of financing was highest among the smallest EU SMEs, rising to 28% among those with 1-9 employees compared to just 11% among the biggest SMEs with 50-249 employees. Internal financing did not make up much of the difference, although it was slightly higher (5%) among the smallest SMEs than those with 10+ employees (3%).

A similar pattern was also seen by turnover with SMEs of €2 million or less being the most likely to manage without financing (23%) compared with the biggest (11% of those with a turnover of more than €50 million).

Industrial SMEs were least likely to have managed without any form of financing over the last six months (14%) and service providers the most likely (22%).

SMEs were more likely to have only used external financing (54%) than LSEs (43%), which were more reliant on using both internal and external financing (47%).

Sources of financing

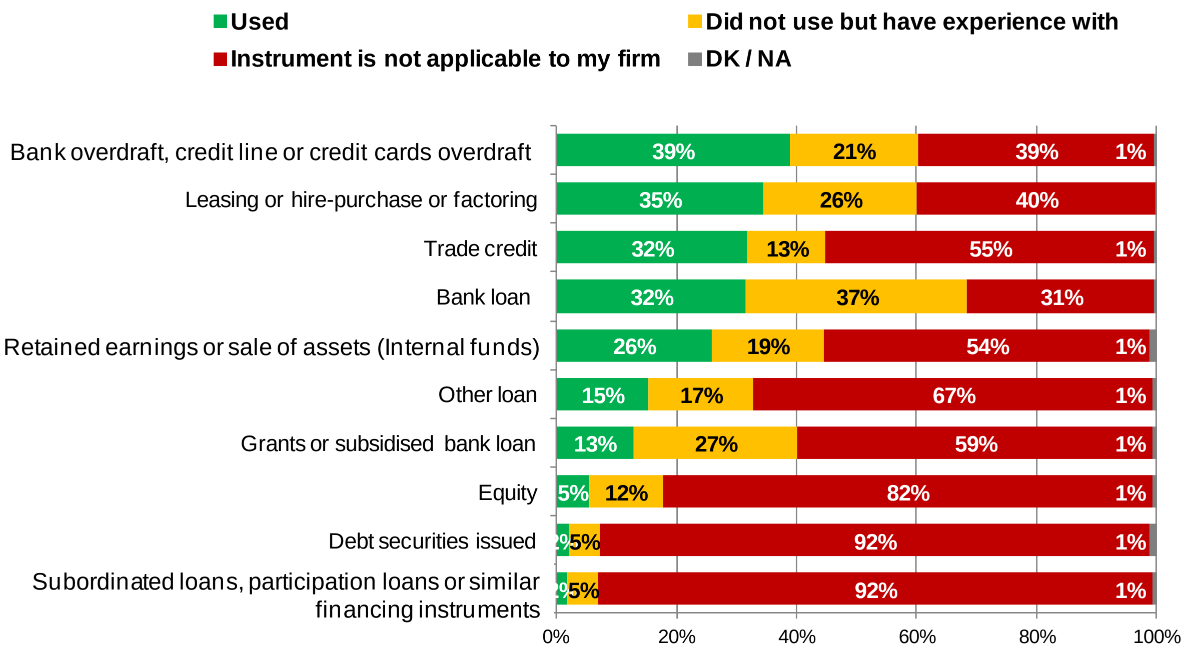
Internal funds were used as one of (or the only) source of financing by 26% of EU SMEs in the previous six months. This is only slightly above 2011 levels (24% for the EU 27) suggesting that the need for retained earnings and assets followed a rather stable trend.

Many other sources of financing continue to be widely used, as in 2011 - in particular, bank overdrafts (39%, comparable to the 2011 level of 40%). Close behind were leasing/hire purchase/factoring (35%, very close to 2011 level of 36%), trade credit (32%, the same as 2011 levels) and bank loans (32%, very close to 2011 level of 30%).

About one in seven (15%) SMEs used other loans from related companies, shareholders, family or friends. One in eight (13%) had used grants or subsidised bank loans. Five per cent had used equity and a few had used subordinated loans (2%) and debt securities issued (2%).

Levels of use of other sources of finance were similar to 2011 levels, with only a small increase in the level of bank loans (up from 30% in 2011 to 32% in 2013), retained earnings (also up 2% from 2011) and other loans (up 2% from 2011). Use of equity was slightly lower, down 2% from 2011.

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



Q4. For each of the following sources of financing, could you please say whether you used them during the past 6 months, did not use them but have experience with them, or did not use them because this source of financing has never been relevant to your firm?
Base: All SMEs, % EU-28

Leaving aside company characteristics for use of internal funds, debt securities and equity, which will be analysed separately, grants or subsidised bank loans (used by 13% overall) were more commonly used by larger SMEs, rising from 10% for micro SMEs (1-9 employees) to 18% for those with 50-249 employees and 19% for the industrial sector businesses.

Bank overdrafts, credit lines or credit card overdrafts (39% overall) also rose with company size (34% for micro SMEs to 43% for those with 10+ employees). They were least common among service sector SMEs (36% compared to over 40% for all other sectors).

Usage of bank loans (excluding overdrafts) in the last six months (32% overall) was clearly highest among the larger SMEs (42% for those with 50+ employees) compared with micro SMEs (24%), and more likely by those in industry (37%) and construction (36%) than in service providers (29%).

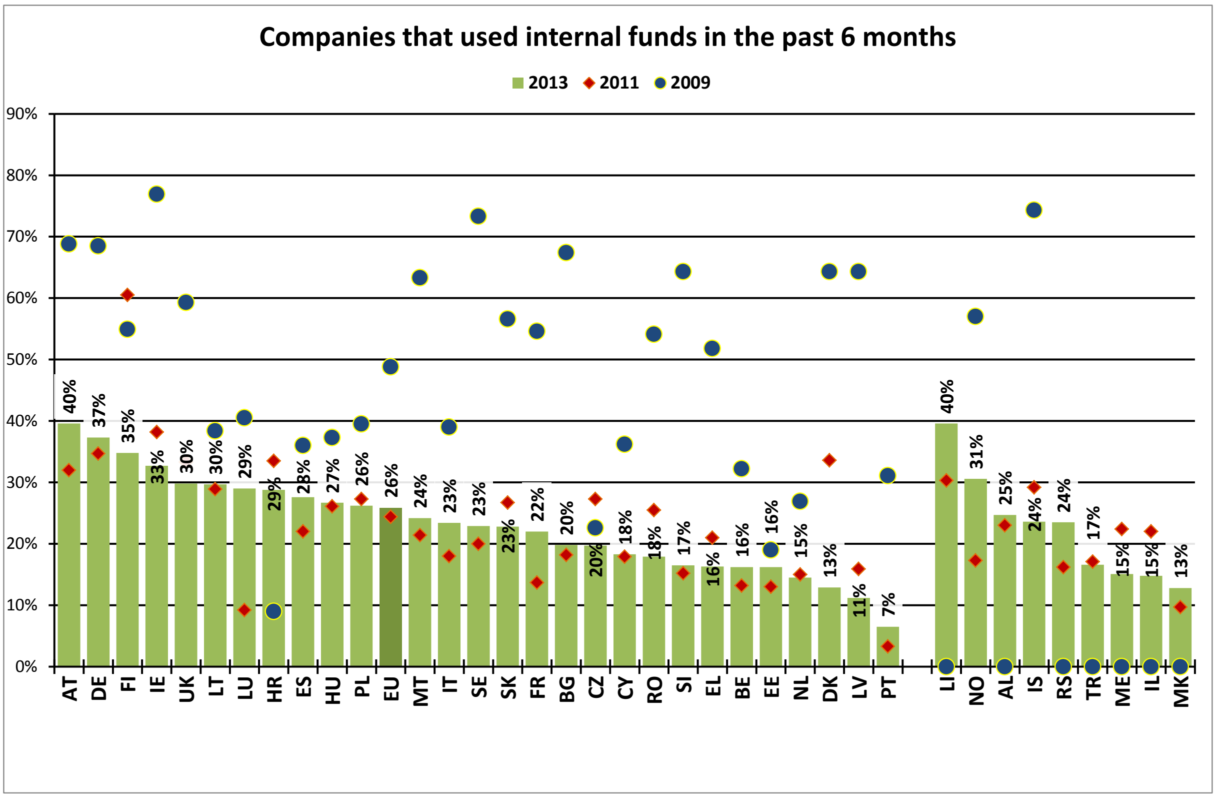
Trade credit usage (32% overall) also rose with company size (27% micro SMEs to 39% for 50+ employee firms). Unsurprisingly, it was also more commonly used by SMEs in construction, industry and trade (+36%) than by service providing SMEs (27%).

Leasing, hire purchasing or factoring were half as likely to be used by micro SMEs (19%) than those with 10+ employees (rising to 54% among those with 50+ employees) and especially by industrial sector SMEs (42%).

Other loan types from related companies, family or friends (15% overall) also rose by size (12% from micro SMEs to 22% for the largest businesses).

Internal funds (country variations)

Companies that had used internal funds in the past 6 months



Q4. For each of the following sources of financing, could you please say whether you used them during the past 6 months, did not use them but have experience with them, or did not use them because this source of financing has never been relevant to your firm?
Base: All SMEs,% by country

SMEs in Austria, Germany and Finland were the most likely to have used internal funds (over a third), followed by a second tier group (Ireland, UK, Lithuania, Luxembourg, Croatia, Spain, and Hungary) where 27% to 33% had done so, above the EU average. SMEs in Portugal continue to be the least likely to have used internal funds (7%), followed by those in Latvia (11%) and Denmark (13%).

Usage of internal financing was much higher in 2009 in nearly all countries. There was considerably less difference between 2013 and 2011 levels with only a few exceptions. Internal financing has fallen considerably among Finland's SMEs from 61% to 35% in 2013, and also in Denmark, from 34% to only 13%. Usage has risen the most from 2011 levels in Luxembourg (from 9% to 29%), France (from 14% to 22%) and Austria (from 32% to 40%).

Among non-EU countries, usage has risen markedly in Norway (17% to 31%) and Liechtenstein (30% to 40%), although the latter result is based on just 50 interviews

When making comparisons with 2009, it should be noted that in the 2011 survey this category was renamed from "internal funds" to "retained earnings or sale of assets" in the questionnaire, but with an explanatory note in the script that this refers to internal funds like cash or cash equivalent resulting from savings, retained earnings or sale of assets. The likelihood of having used internal funds (i.e. retained earnings/sale of assets) rose with company size from 20% among micro SMEs (1-9 employees) to 37% among those with 50-249 employees and those with the biggest turnover (48% for more than €50 million). It was also a little higher in the industrial sector (31%) than other sectors (varying between 25% and 26%).

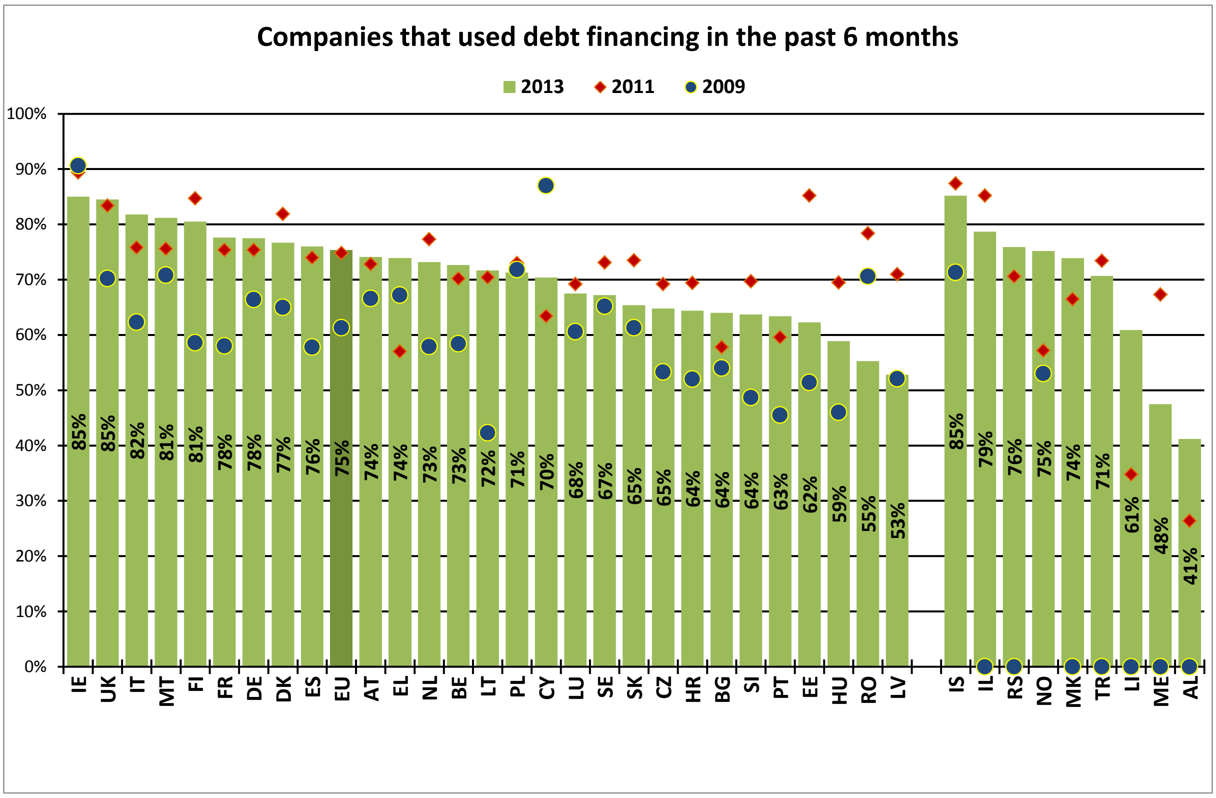
SMEs that are owned by a single owner (male or female) were significantly less likely (22% or less) to have used internal funds than SMEs which have shareholders (30%) or which are family owned (28%) or owned by other firms or business associates (30%). This may in part reflect the generally smaller size of the single owner SMEs.

There was also a significant difference in levels of usage of internal funds between SMEs categorised as “innovators” (28%, i.e. that introduced a new product or practice in the last 12 months) versus non-innovators (23%). Similarly, there is a significant difference between high growth SMEs (30%, i.e. firms who have grown at more than 20% per annum) versus those that are not growing (22%) or are getting smaller (25%).

External sources (Country Variations)

Overall, 75% of EU SMEs used at least one form of debt financing (defined in the same way as external financing but excluding debt securities and equity) in the past six months. This is the same level as seen in 2011. There has been a marked increase in debt financing since 2011 in Greece, from 57% to 74% in 2013, bringing it into line with the EU average, and also in Italy, rising from 76% to 82%. Levels have dropped a little in some countries but big falls were seen in Estonia (from 85% to 62%) and Romania (from 78% to only 55%), followed by Latvia (from 71% to 53%).

Companies that had used debt financing in the past six months



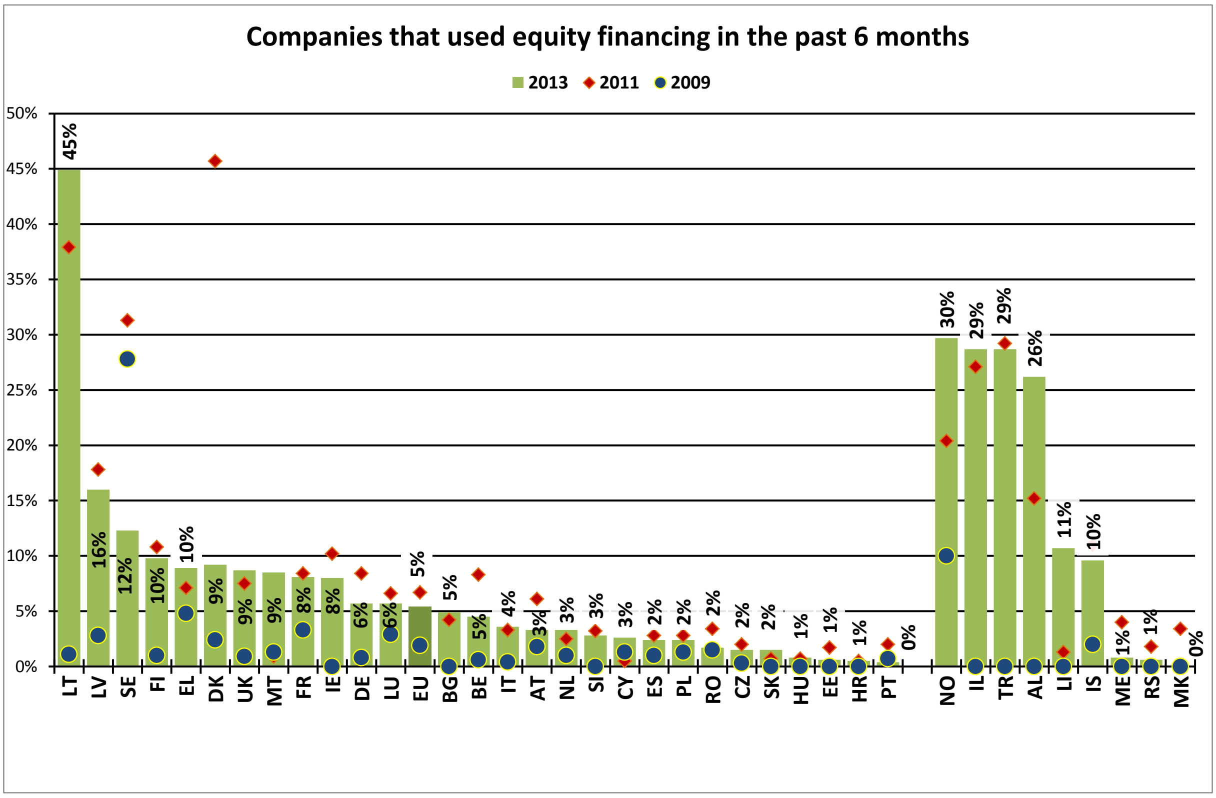
Q4. For each of the following sources of financing, could you please say whether you used them during the past 6 months, did not use them but have experience with them, or did not use them because this source of financing has never been relevant to your firm? Base: All SMEs, % by country

Of the EU countries, SMEs in Ireland remain the most likely to have used debt financing in the last six months (85%). Debt financing was also relatively common in the UK (85%, now matching levels in Ireland), Italy (82%), Malta (81%) and Finland (81%). It was least used in Hungary (59%), Romania (55%) and Latvia (53%) after a big drop in levels used since 2011 in all three countries.

Debt financing was relatively less common among the smallest SMEs (67% of those with 1-9 employees compared to 80% or more where there were at least 10 employees) and those with the lowest turnover (72% of those with €2 million or less compared with 84% for all SMES with bigger turnovers). It was also less common among the newest SMEs (60% if they were less than two years old) and those with only one owner (69% for a male owner and 63% for women owners).

Companies that had used equity financing in the past six months

Only 5% of EU SMEs had used equity financing in the last six months. It was nearly twice as common among larger businesses (9% of those with 250+ employees) in the EU.



Q4. For each of the following sources of financing, could you please say whether you used them during the past 6 months, did not use them but have experience with them, or did not use them because this source of financing has never been relevant to your firm?
Base: All SMEs, % by country

Equity financing was the most common among SMEs in Lithuania (45%) and had even increased since 2011 levels (38%). Well behind this level, but above average levels were seen in Latvia (16%), Sweden (12%) and Finland (10%). It was very little used though in Hungary, Estonia, Croatia and Portugal (all 1% or less). Levels have changed little since 2011 in most EU countries except Lithuania (up) and there has been a considerable drop in Denmark (from 46% to 9%) and Sweden (from 31% to 12% in 2013).

Company characteristics – equity financing

Equity financing was more likely among larger SMEs (rising from 4% among those with only 1-9 employees to 7.5% among those with 50-249 employees) and those with the highest revenue levels (10% for SMEs with more than €50 million). It was also more likely among "gazelles" (9%) and stock market-listed firms (17%).

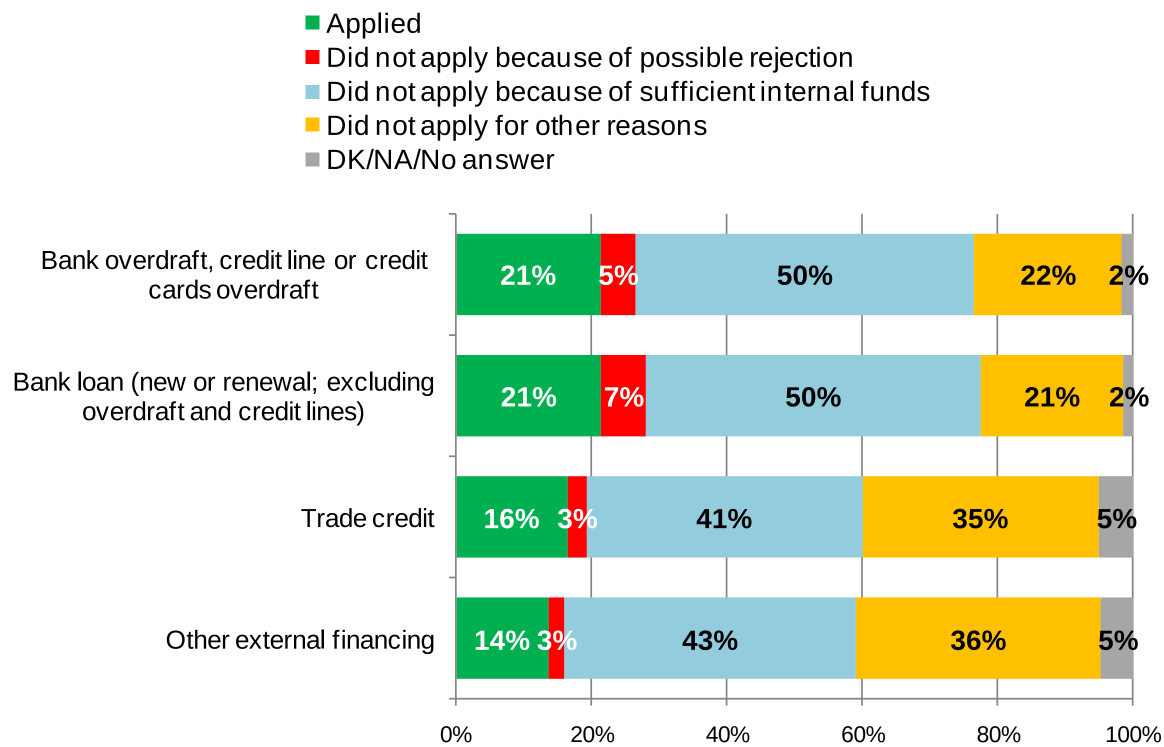
2.2 Experiences with applications for external financing

2.2.1 Applying for various types of external financing

Just over one in five SMEs in the EU applied for a bank overdraft and/or a bank loan in the last six months. Slightly fewer applied for trade credit (16%) and one in seven (14%) for other external financing. A small proportion (7% or less for each loan type) might have considered applying but did not do so because of possible rejection.

Most often, the main reason for not applying was because the SMEs already had sufficient internal funds.

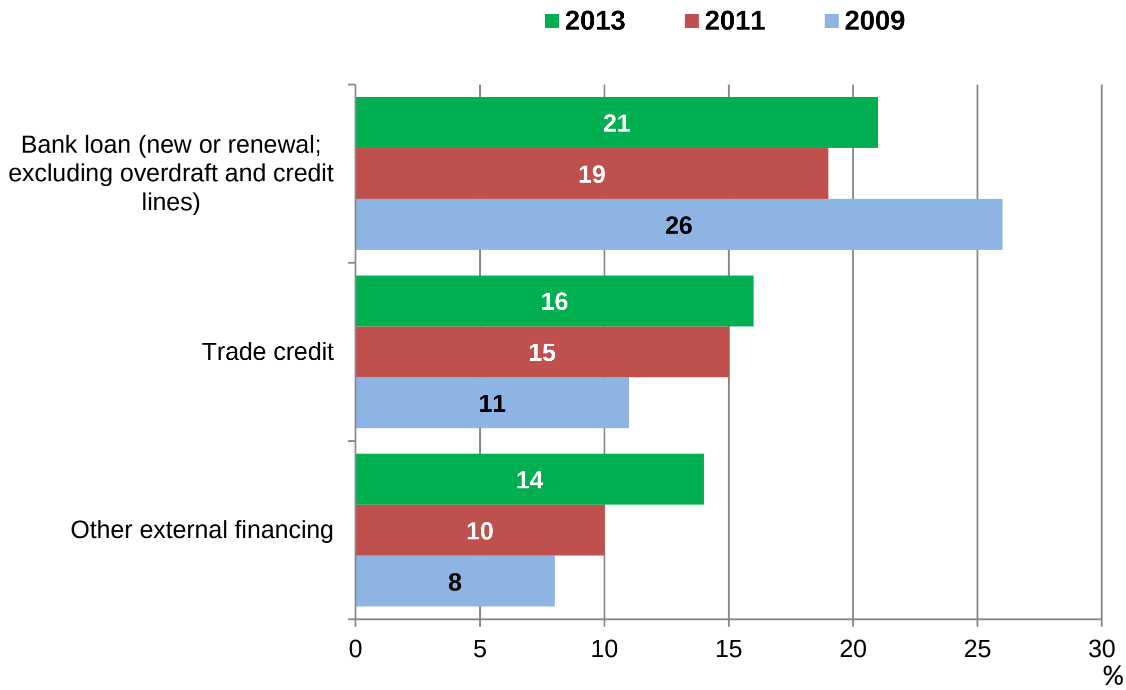
Types of external financing applied for in the past six months



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

Base: All SMEs, % EU-28

Types of external financing applied for in the past six months (% applying for compared by year)



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

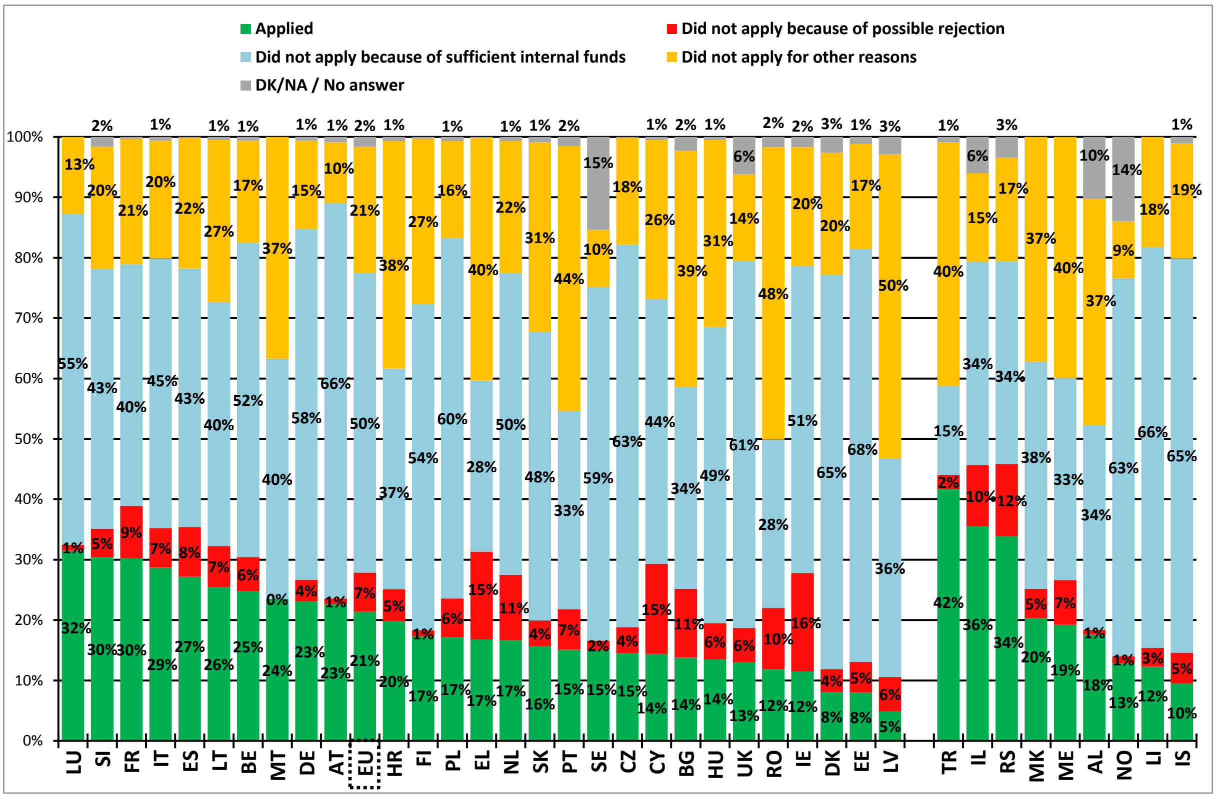
Base: All SMEs, % EU-28

The proportion of SMEs in the EU applying for bank loans or trade credit in 2013 was similar to 2011 levels, but application levels for other external financing has risen from 10% in 2011 to 14% in 2013.

Country variations

Bank loan

Applying for a bank loan (new or renewal)



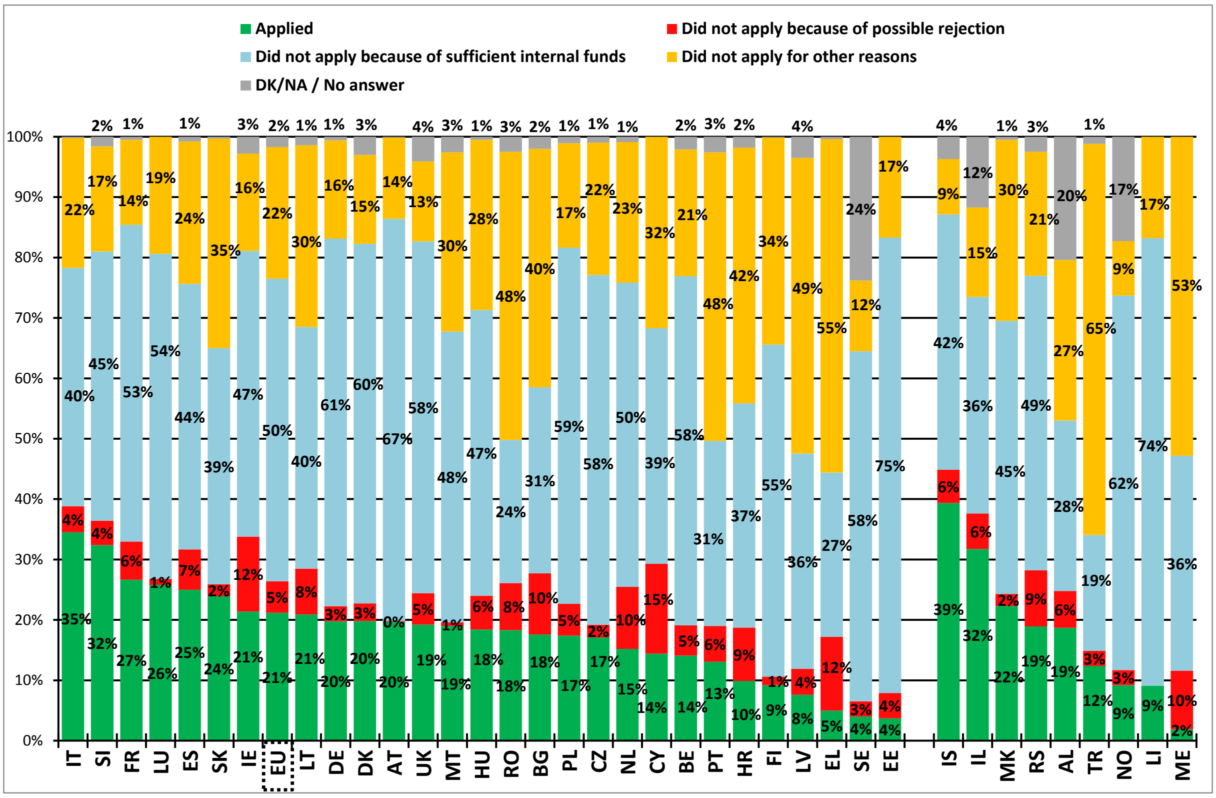
Q7A. For each of the following ways of financing, could you please indicate whether you: applied for them over the past 6 months; did not apply because you thought you would be rejected; did not apply because you had sufficient internal funds; or did not apply for other reasons?
Base: All SMEs,% by country

Applications for bank loans were commonest in Luxembourg (32%), Slovenia (30%), and France (30%) but rarest in Latvia (5%), Estonia (8%) and Denmark (8%). Not applying for fear of rejection was again most likely in Cyprus (15%), Greece (15%) and Ireland (16%). In Ireland and Cyprus, the level of those not applying because of possible rejection slightly exceeded the level of those who applied, implying a considerable level of potential need among the SMEs.

Outside the EU, SMEs in Turkey had the highest level of bank loan applications (42%) and Iceland the lowest (10%).

Bank overdraft

Applying for a bank overdraft



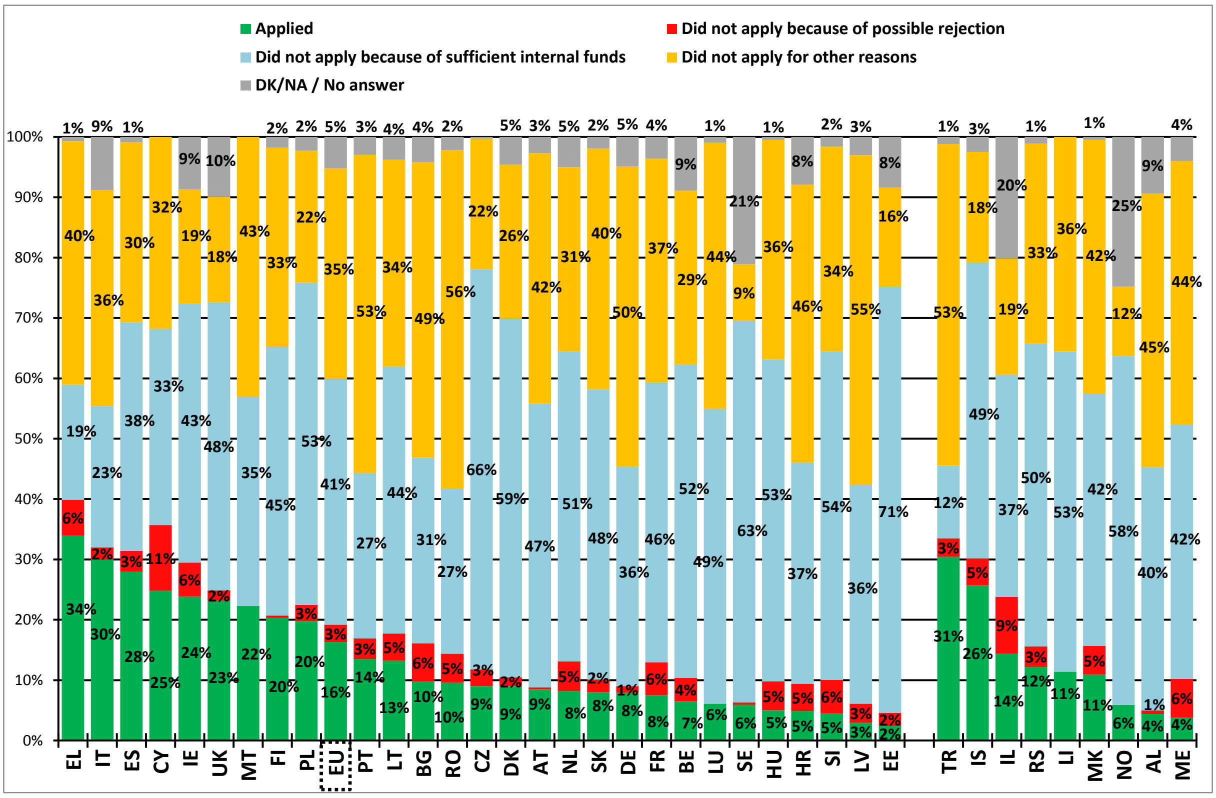
Q7A. For each of the following ways of financing, could you please indicate whether you: applied for them over the past 6 months; did not apply because you thought you would be rejected; did not apply because you had sufficient internal funds; or did not apply for other reasons?
Base: All SMEs,% by country

Applications for bank overdrafts, credit lines or credit card overdrafts were commonest in Italy (35%) and Slovenia (32%) and least common in Estonia (4%), Sweden (4%) and Greece (5%). Not applying because of possible rejection (5% overall in the EU) was most likely to have been a concern in Cyprus (15%), Greece (12%) and Ireland (12%).

Outside the EU, SMEs in Iceland were most likely to have applied for a bank overdraft (39%), as opposed to a bank loan (see previous chart).

Trade credit

Applying for trade credit



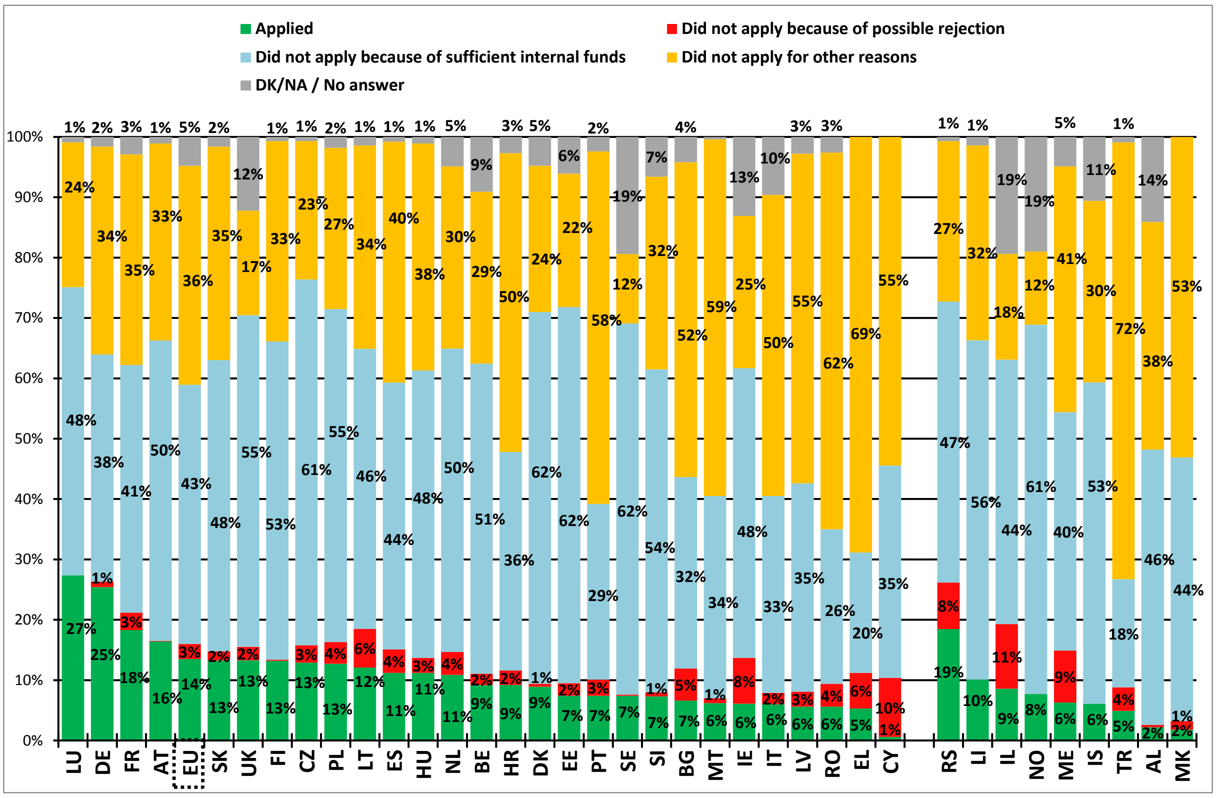
Q7A. For each of the following ways of financing, could you please indicate whether you: applied for them over the past 6 months; did not apply because you thought you would be rejected; did not apply because you had sufficient internal funds; or did not apply for other reasons?
Base: All SMEs,% by country

Applications by SMEs for trade credit were especially high in Spain (28%), Italy (30%) and Greece (34%) and lowest in Estonia (2%) and Latvia (3%), followed by Slovenia, Croatia and Hungary (all at 5%).

Trade credit was particularly widely used outside the EU by SMEs in Turkey (31%).

Other sources

Applying for other external financing



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

Base: All SMEs,% by country

Other external financing was most likely to be applied for in Germany (25%) and Luxembourg (27%) and comparatively rarely used in Cyprus (1%), Greece (5%), Romania (6%), Malta (6%), Italy (6%), Ireland (6%) and Latvia (6%).

Company characteristics

The levels of applications for bank/credit card overdrafts were almost as high in the smallest SMEs (19%) as the largest (22% of those with 50+ employees), but micro SMEs were twice as likely not to have applied for concern about possible rejection (7%) as the biggest SMEs (only 3% concerned). Application levels were highest in the construction sector (25%), but industry SMEs were not far behind (23%). “Innovators” were a little more likely to have applied (24%) than non-innovators (18%). SMEs that were getting smaller were also more likely to have applied (28%) than those which were stable or growing (20%). The application level was highest where the SMEs were owned by venture capitalists/business angels (33%).

Applications for bank loans were clearly lower among micro SMEs (17%) than bigger firms (27% for those with 50+ employees) and failure to apply because of concerns about rejection were higher in the smallest (9%) and younger companies, with 11% of those active between

2 and 5 years not applying for a loan because of possible rejection. Application levels were highest among medium sized SMEs by turnover (29% to 33% for €2 million to €50 million firms) than among bigger firms (26%) or those under €2 million (21%). Growth levels of SMEs (high, moderate or none) or whether the business was a “gazelle” made little difference to application levels. Innovators (24%), on the other hand, had higher application levels compared to non-innovators (18%).

Trade credit application levels were only slightly higher among bigger SMEs, but at least 20% for industry, trade and construction compared with 13% among service providers.

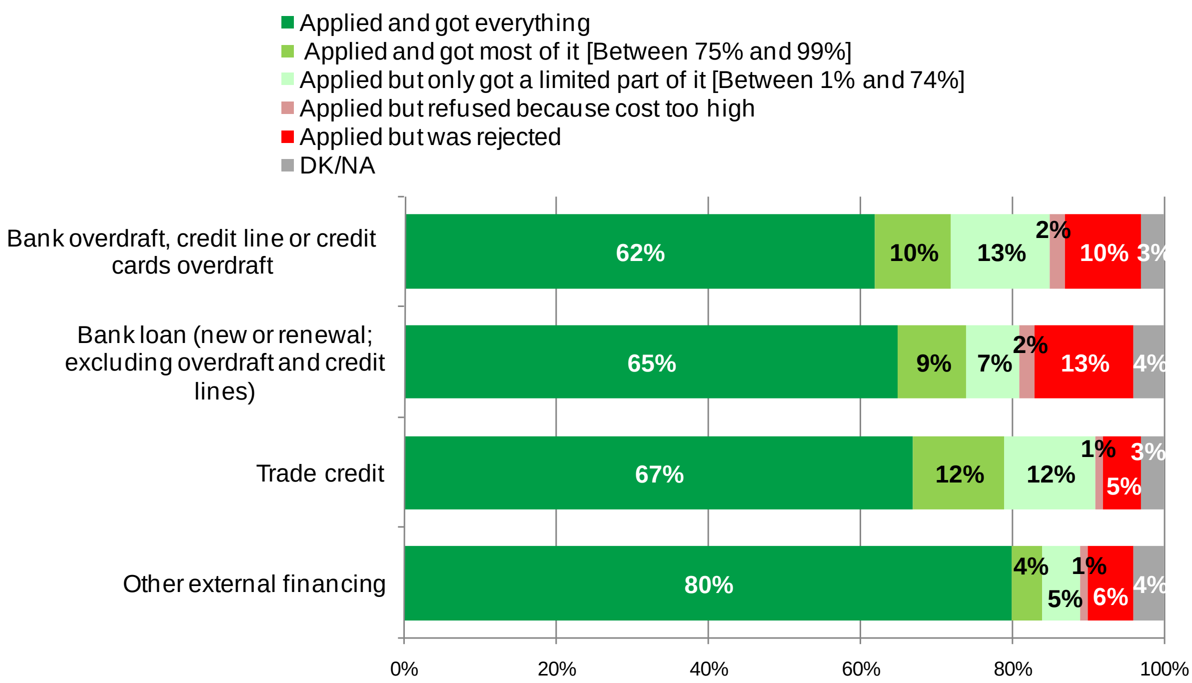
Applications for other forms of external finance were considerably higher among the largest SMEs (21% of those with 50+ employees) than micro SMEs (8%) or those with under €2 million turnover (10%). They were also a little higher for the industrial sector (18%) than other sectors.

2.2.2 Outcome of applications for external financing

Over 60% of EU SMEs who applied for various types of external finance got everything they requested, with the level varying from only 62% when asking for a bank/credit card overdraft to 80% when they applied for other external financing.

Applying for bank loans (new or renewed) was the most likely source to lead to total rejection (for 13% of SMEs), even more so than for a bank/credit card overdraft (10%), and more than double the rejection rate for trade credit (5%) and other external financing applications (6%).

Outcome of the application for external financing



Q7B. If you applied and tried to negotiate for this type of financing over the past 6 months, did you: receive all the financing you requested; 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?
Base: All who applied for each type of financing in the past 6 months,% EU-28

About one in six (16%) of SMEs received less than the full loan they applied for and 2% declined the offer because the loan cost was too high.

The proportion of SMEs applying and getting the full loan they requested has increased only slightly since 2011 for bank overdrafts (from 61% to 62% in 2013) and bank loans (from 63% to 65%). In the case of bank loans this is a smaller improvement than was seen between 2009 and 2011 (when the proportion getting the full bank loan requested rose from 59% to 63%).

Other external financing has continued to become even more available, increasing from 53% in 2009 to 71% in 2011 and now up to 80% in 2013. However, there was a slight tightening of trade credit, with the proportion getting everything falling from 69% in 2011 to 67% in 2013, whilst the level getting most of what they applied for rising correspondingly by 2% to 12% in 2013.

Country variations

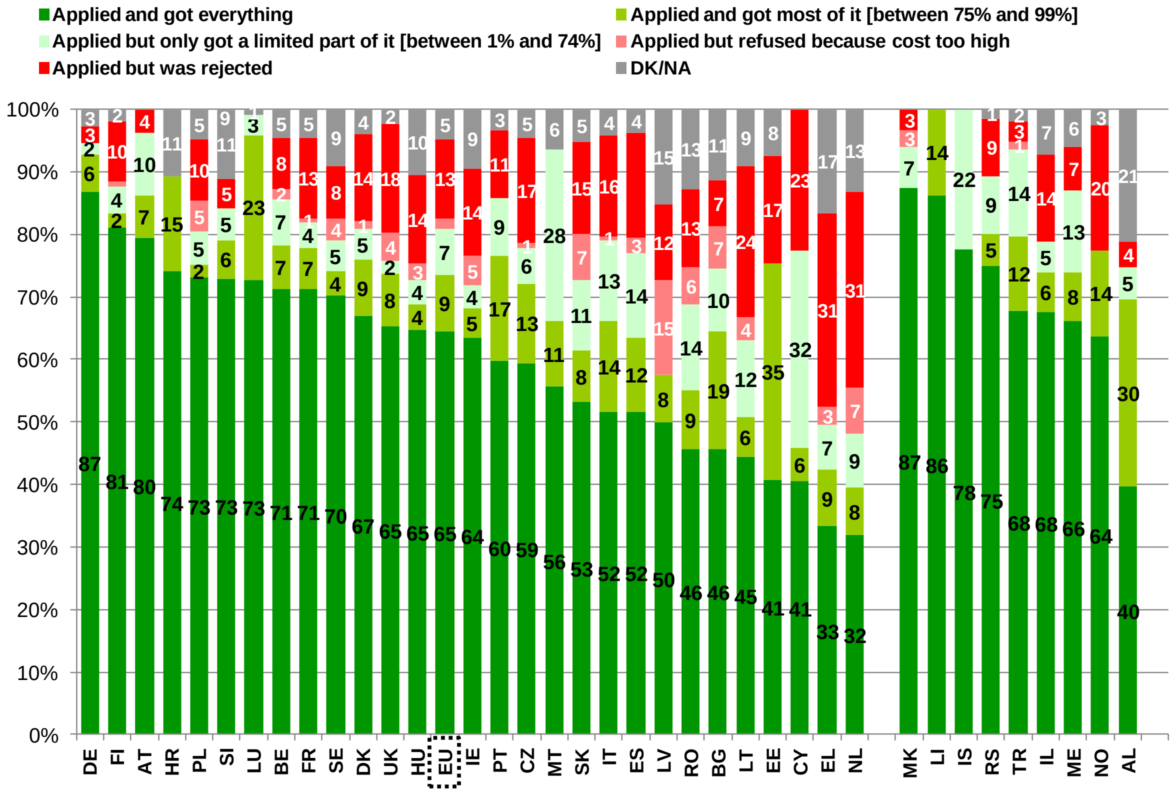
Please note that the ‘outcome of the application’ question (Q7B) was a filtered question asked only if the respondent had applied for that particular type of financing in the past 6 months. Thus, for some countries where sample size was very small, the results contain a high margin of error and should be interpreted cautiously.

Bank loans

SMEs in Germany (87%), Finland (81%) and Austria (80%) were the most likely to be given the full bank loan they requested. Countries where this was least likely to occur were the Netherlands (32%) and Greece (33%), followed by Cyprus (41%) and Estonia (41%).

There was a considerable increase in full bank loan approval for SMEs in Ireland. In 2011 only 28% were granted the full loan but this rose to 64% in 2013, which was similar to the approval rate in 2009 (68%). Other increased levels for getting the bank loan in full were seen in the UK (48% in 2011 to 65% in 2013), Portugal (up from 49% to 60%), and Germany (from 72% to 87%).

Outcome of the application for bank loan - Ranked by "Applied and got everything"

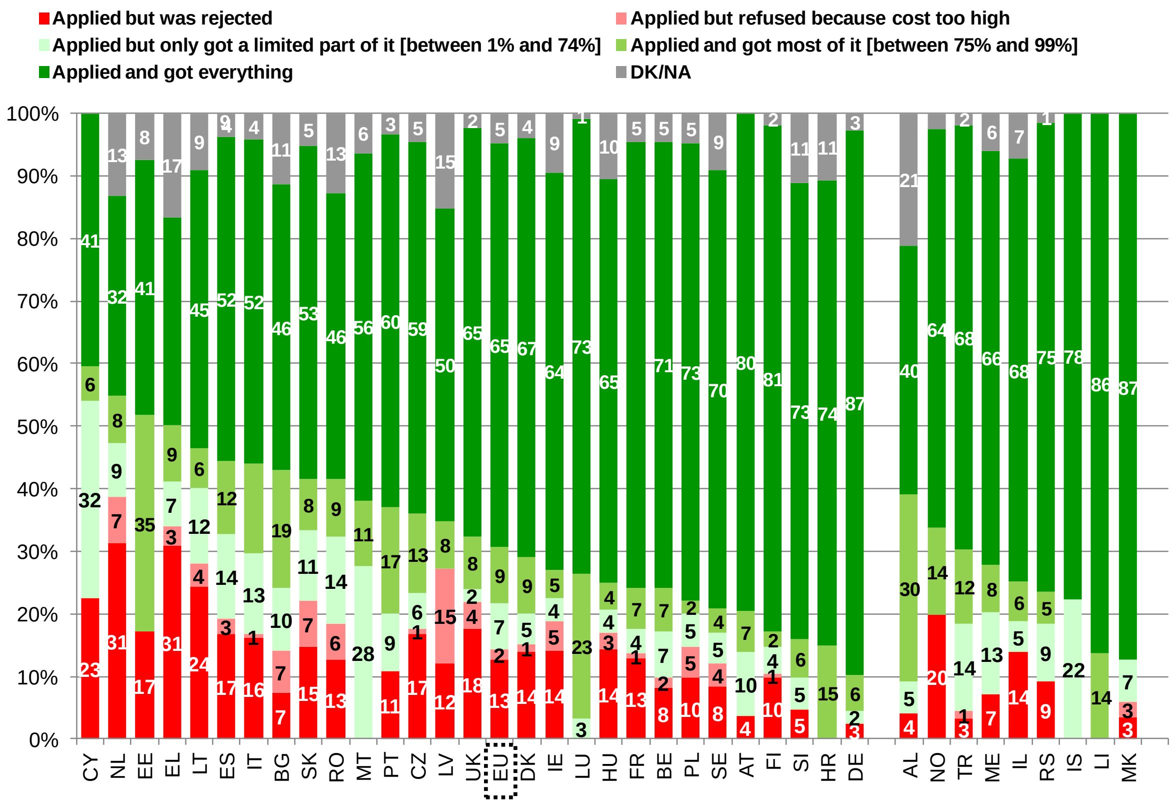


Q7B. If you applied and tried to negotiate for this type of financing over the past 6 months, did you: receive all the financing you requested; receive only part of the financing you requested; refuse to proceed because of unacceptable costs or terms and conditions; or have you not received anything at all?

Base: All who applied a bank loan in the past 6 months, % by country

The graph below shows the same results from a different perspective, ranking all countries by percentage of SMEs that did not get the full financing they had planned for. Across the EU, 13 per cent of the applications were rejected and 16 per cent received less than they applied for (9% who applied and got most of it, plus 7% who applied but only got a limited part). In addition, 2% declined the loan offer from the bank because they found the conditions unacceptable. These results suggest that in consequence about one third of SMEs (31%) did not get the bank loan finance they had planned for.

Outcome of the application for bank loan - Ranked by all those who did not get the financing they had planned for*



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?

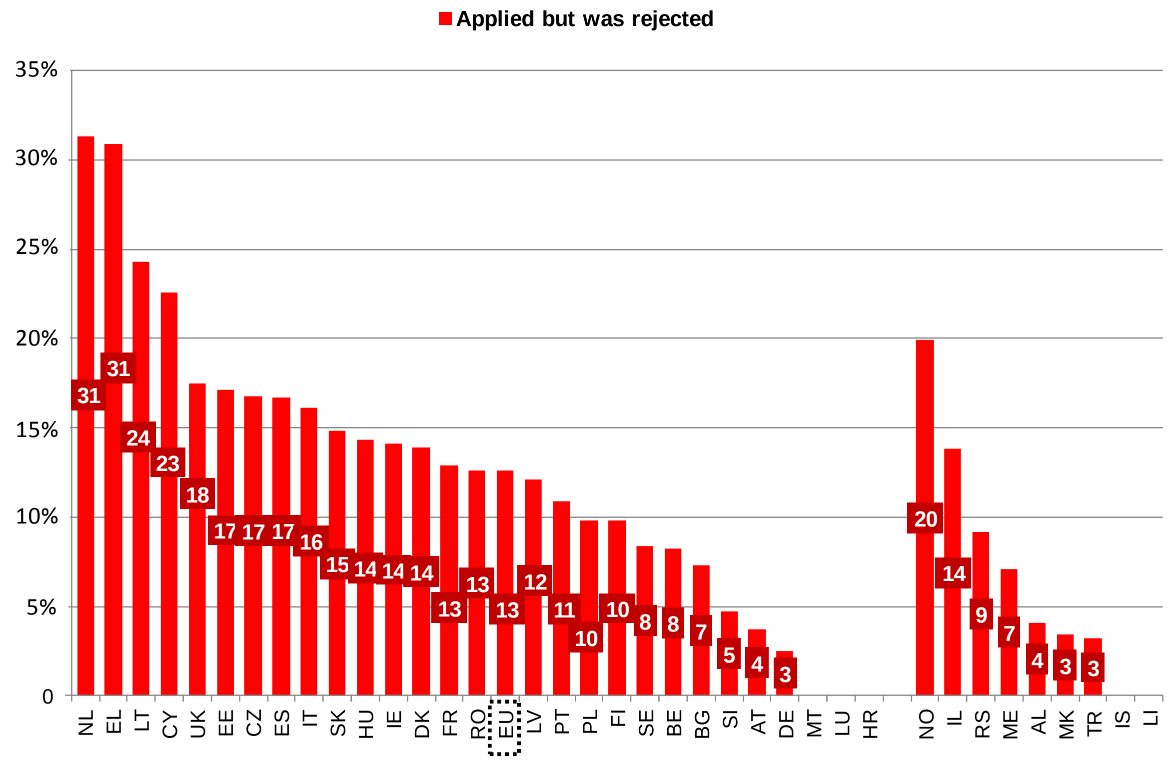
Base: All who applied a bank loan in the past 6 months, % by country

*Please note those who did not get the financing they had planned for was calculated by adding the following answer codes: “applied but rejected”, “applied but refused because cost too high”, “applied but only got a limited part” and “applied and got most of it”

The highest rejection rates were reported in the Netherlands and Greece where nearly a third (31% in both countries) of SMEs had their applications rejected. They were followed by Lithuania (24%) and Cyprus (23%).

Rejection levels rose in both Greece and the Netherlands from 22% in 2011 to 31% in 2013. They have also markedly increased in Cyprus (from 14% to 23%) and Lithuania (from 12% to 24%) since 2011.

Rejected applications for bank loan



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?

Base: All who applied a bank loan in the past 6 months, % by country

Bank overdrafts

Bank overdrafts were most likely to be given in full to SMEs applying in Croatia (100%), Germany (86%), Poland (80%), Austria (79%), Slovenia (78%) and Slovakia (77%). Countries where they were least likely to get everything wanted and most likely to be refused were Cyprus (6% given loan but 32% refused), Greece (3% in full, 61% refused) and the Netherlands (20% in full but 32% refused). These refusal rates have increased considerably since 2011 – in Cyprus from only 9% in 2011 to 32% in 2013, in Greece from 22% to 61% and in the Netherlands from 21% to 32%.

Swedish SMEs had the highest level of all EU countries where the overdraft was refused because the cost was too high (9%), followed by Lithuania (8%) and the Netherlands (8%).

Trade credit

German and Finnish SMEs were the most likely to have their request for trade credit to be granted in full (87% and 88% respectively), followed by Luxembourg (84%) and Slovenia (83%). Bulgaria showed a significant increase in having their request to be granted in full

(75%, up from 56% in 2011). However, SMEs in Cyprus (31%), the Netherlands (30%) and Greece (38%) were the least likely to get all of the trade credit applied for. Availability of trade credit had clearly worsened in Cyprus (down from 67% in 2011 given in full to only 31%) and the Netherlands (from 65% in 2011 to 30% in 2013).

Other sources

Financing from other sources was generally likely to be granted in full (80% for SMEs applying across the EU) but especially likely in Luxembourg (100%), Austria (97%) and Germany (96%). However, SMEs were least likely to get financing in full in Malta (19%), Lithuania (29% in 2013, after a big fall from 2011 level of 72%) and Greece (34% in 2013, down from 41% in 2011). Although the level was still relatively low, SMEs in Ireland were more likely to have other financing granted in full in 2013 (51%) than in 2011 (36%).

Company characteristics

Bank loans

The oldest SMEs were the most likely to get all of any bank loan they had requested (68% of those active for at least 10 years) compared to the youngest (50% of those active for under 5 years).

Construction companies were less likely to get bank loans in full (53%) than other sectors (64% for service providers, 68% for trade and 70% for industry). Company size also played a significant role. The smallest companies were less likely to be given a full loan (54%) while the biggest SMEs with 50+ employees were significantly more likely to be given a full loan (75%). Larger companies (LSEs) were also more likely (72%) to be given a full loan compared to small and medium sized SMEs.

Particularly younger and smaller firms were more likely to get only some of the finance they requested, and, indeed, to be rejected outright. The highest rejection rate was among the micro companies employing fewer than 10 people (18%) and among SMEs active less than 2 years (28%), while for large enterprises (250 and more employees) only 3% of applications were rejected.

Only 44% of “gazelles” applying received loans in full reflecting their youth (see above). Innovative SMEs did better (61%) although still worse than non-innovators (70%). SMEs exhibiting moderate growth had the highest level (76% loan in full), compared to high growth SMEs (61%) or non-growing companies (also 61%). SMEs that were getting smaller were also likely to be given a full loan (46%) and 25% had their application rejected.

Bank overdrafts

The oldest SMEs were also most likely to be granted a bank overdraft in full (over 60% granted if the SME was at least 5 years old but only 29% for those less than 2 years old, with a very high refusal rate of 43%). Construction companies were the least likely sector to be given the full overdraft requested (53%) and industrial SMEs (67%) and trade companies (66%) the most likely. Moderate growth SMEs were most likely to get an overdraft request in full (72%), ahead of even high growth SMEs (59%). Company size was less of a factor with a relatively small difference between the smallest and largest employers. (59% for smallest companies, 66% for SMEs with 50 or more employees)

Trade credit

Levels of being granted trade credit requests in full were similar across most types of SME compared to the EU average (67%). Only SMEs that were getting smaller were a little less likely (56%) than stable (68%) or growing businesses (70%).

Other sources

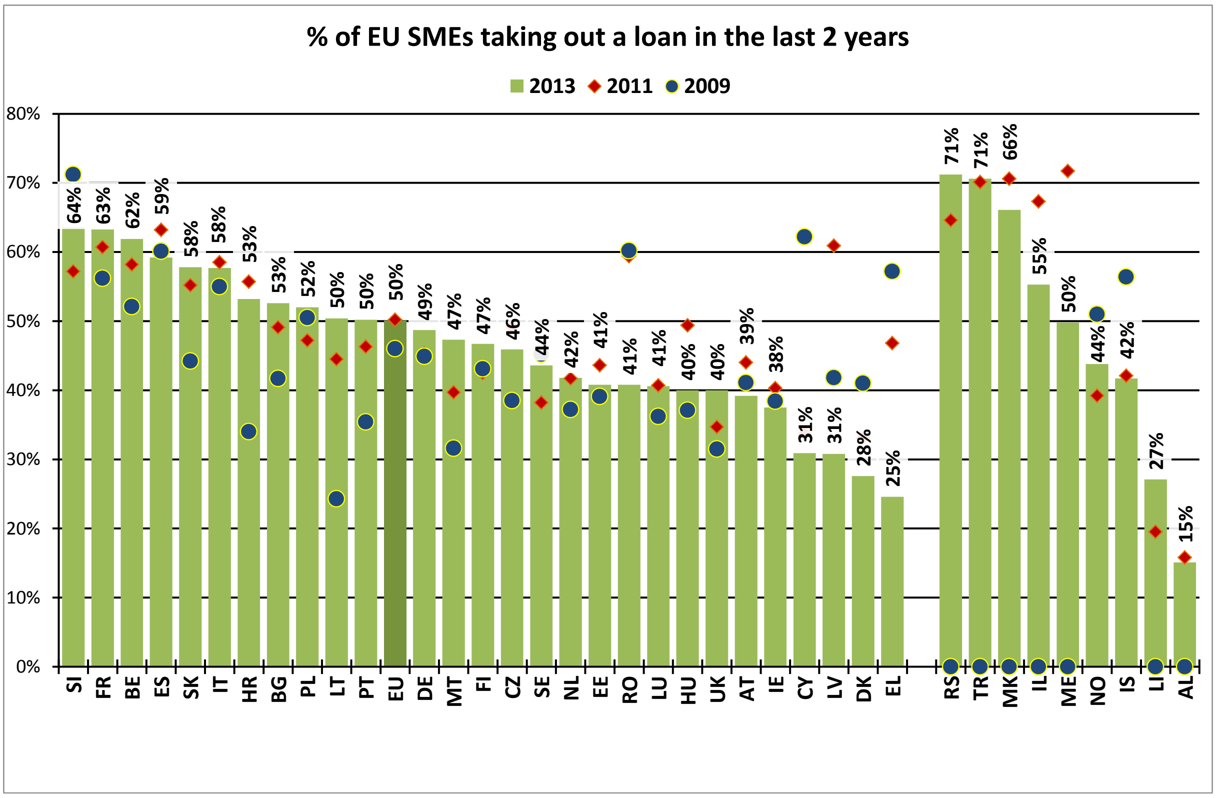
As seen for bank loans, the longest established SMEs were the most likely to have other sources of external finance provide the full loan requested (83% where they were active for 10+ years, but falling to 70% for 2 – 10 years and 63% if less than 2 years). “Gazelles” and “innovators” therefore were less likely than other SMEs to be given full loans.

2.3 Loans as external sources of financing

2.3.1 Use of loans

Half (50%) of EU SMEs have taken out a loan in the past two years, the same overall level as observed in 2011.

Use of loans as a source of financing – % EU SMEs taking out a loan in last two years



Q12. What is the size of the last loan, of any kind, that your firm has obtained in the last two years?
Base: All SMEs,% by country

Country variations

As can be seen above, SMEs in Slovenia, France and Belgium were the most likely to have taken out a loan (all over 60%) but levels were well below the EU average in Cyprus (31%), Latvia (31%), Denmark (28%) and Greece (25%). Outside the EU loans were especially infrequent for Albania (only 15%) but very likely in Serbia (71%) and Turkey (also 71%).

In most countries, the level of SMEs taking out a loan in the last two years has not changed greatly since 2011, with much less of a shift than was seen between 2009 and 2011. By far the biggest change since 2011 occurred in Latvia (61% in 2011 falling to 31% in 2013) and Greece (47% in 2011 falling to 25% in 2013).

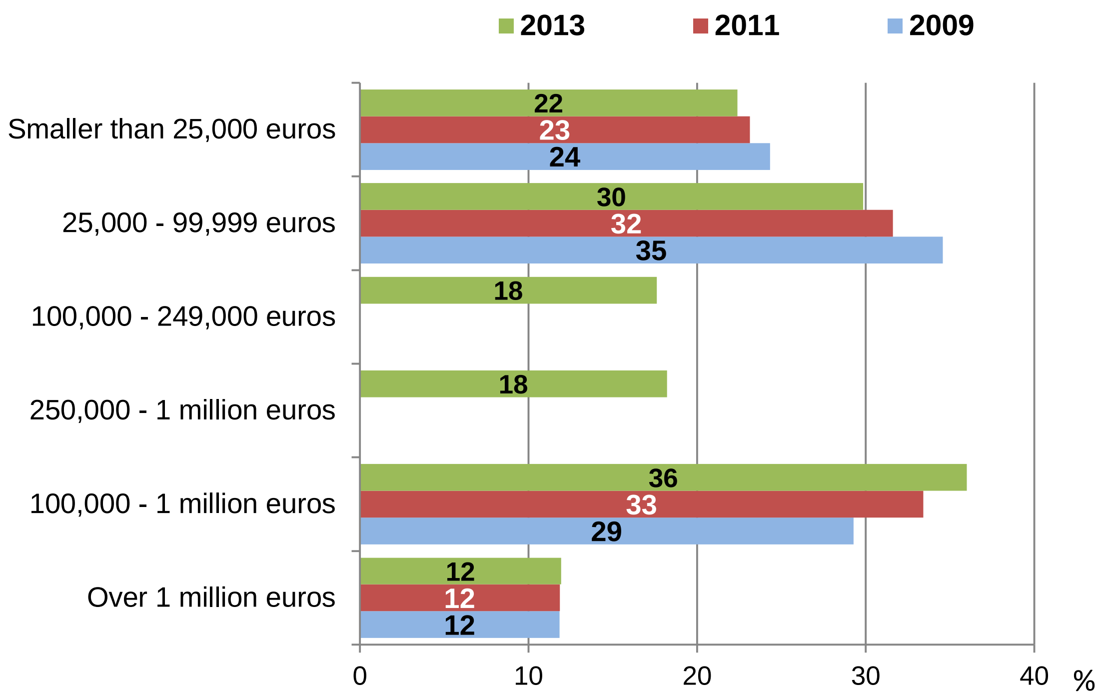
Company characteristics

The likelihood of having taken out a loan in the last two years clearly rose with company size, from 43% of micro SMEs (1-9 employees) to 59% among those with 50-249 employees. It was also higher among industry and construction sector SMEs (both 57%) than among those in trade or service sectors (both 48%). It was also higher among both SMEs experiencing growth (53%) and those getting smaller (52%) than it was among stable companies showing no growth (44%). Thus, the level among “gazelles” was similar and only slightly above average (53% versus 50% for the EU average). Innovator SMEs were also more likely to have taken out a loan (54%) than non-innovators (45%).

2.3.2 Size of companies’ most recent loan

Among those SMEs that took out a loan, the amount borrowed was most likely to have been €100,000 to one million (36% of loans) but over half of SMEs (52%) borrowed less than €100,000. The size of loan has increased gradually overall among SMEs since 2009, when only 29% borrowed €100,000 -1 million. However, levels of the biggest loans (over €1 million) have held steady at 12% from 2009.

Size of the most recent loan



*Q12. What is the size of the last loan, of any kind, that your firm has obtained in the last two years? **

Base: All SMEs who obtained a loan in the last two years,% EU-28

*Please note that in 2013, the different categories of loan sizes asked have been amended to split the category of €100,000 – 1 million into two sub categories, 100,000 – 249,000 euros and €250,000 – 1 million. Therefore, the data for these two newly added categories do not have back data from 2009 and 2011.

Country variations

SMEs in Malta (12% of all SMEs – borrowers and non-borrowers) and the Netherlands (11%) were the most likely to have taken out the biggest loans (over €1 million) and those in Estonia (2%), Cyprus (3%), Greece (3%), Latvia (3%), Portugal (3%), and Romania (3%) the least likely. The smallest loans were most common in Croatia (18% of all SMEs borrowing less than €25,000), Poland (18%), followed by Slovakia (16%) and Bulgaria (also 16%).

There were mostly only small changes by country in levels of SMEs borrowing over €1 million between 2011 and 2013. The biggest changes were seen in Estonia (up from <0.5% to 2% in 2013), Croatia (down from 7% to 4% in 2013), Latvia (down from 7% to 3%), and Romania (down from 6% to 3%).

Company characteristics

The largest SMEs were most likely to have borrowed the most and taken out the biggest loans – 17% of all SMEs with 50+ employees borrowed over €1 million compared with just 4% of 10-49 employee businesses and 1% of micro SMEs. Industrial SMEs were twice as likely to have borrowed over €1 million (10%) than construction, trade or service SMEs (all at about 5% level). High growth SMEs were also more likely to take out these biggest loans (8%) than companies that were not growing (4%) or even getting smaller (5%).

Larger companies (LSEs with over 250 employees) were much more likely to borrow bigger sums than SMEs. Whilst 50% of SMEs did not take out a loan and only 6% borrowed over €1 million, among LSEs 37% did not take out a loan whilst 45% borrowed over €1 million. Only a minority of LSEs took out smaller loans (16% borrowing €1 million or less).

Providers of loan vs. the size of the loan

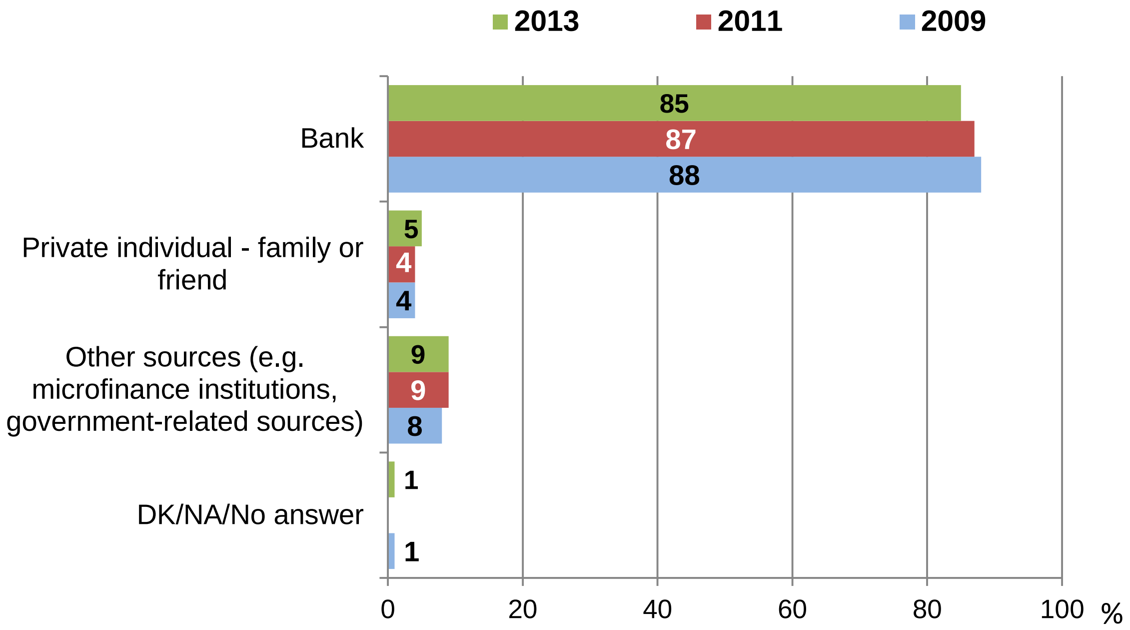
		1-9 employees	10-49 employees	50 – 249 employees
Base: All countries, companies that took a loan in the last two years (6,934)				
Smaller than €25,000	(1,253) %	18	8	2
€25,000-99,999	(1,851) %	16	19	9
€100,000-249,999	(1,350) %	5	12	12
€250,000-€1 million	(1,492) %	3	10	20
Over €1 million	(988) %	1	4	17

Q12. What is the size of the last loan, of any kind, that your firm has obtained in the last two years?

2.3.3 Most popular providers of loans

Banks were clearly the most common provider of loans to SMEs in the EU. Of those SMEs who had obtained a loan in the last two years, 85% borrowed from a bank compared with 5% from a private individual and 9% from other sources. These were very similar to the levels seen in 2011 and 2009.

Provider of the most recent loan



Q13. Who provided you with this last loan?
Base: All SMEs who obtained a loan in the last two years,% EU-28

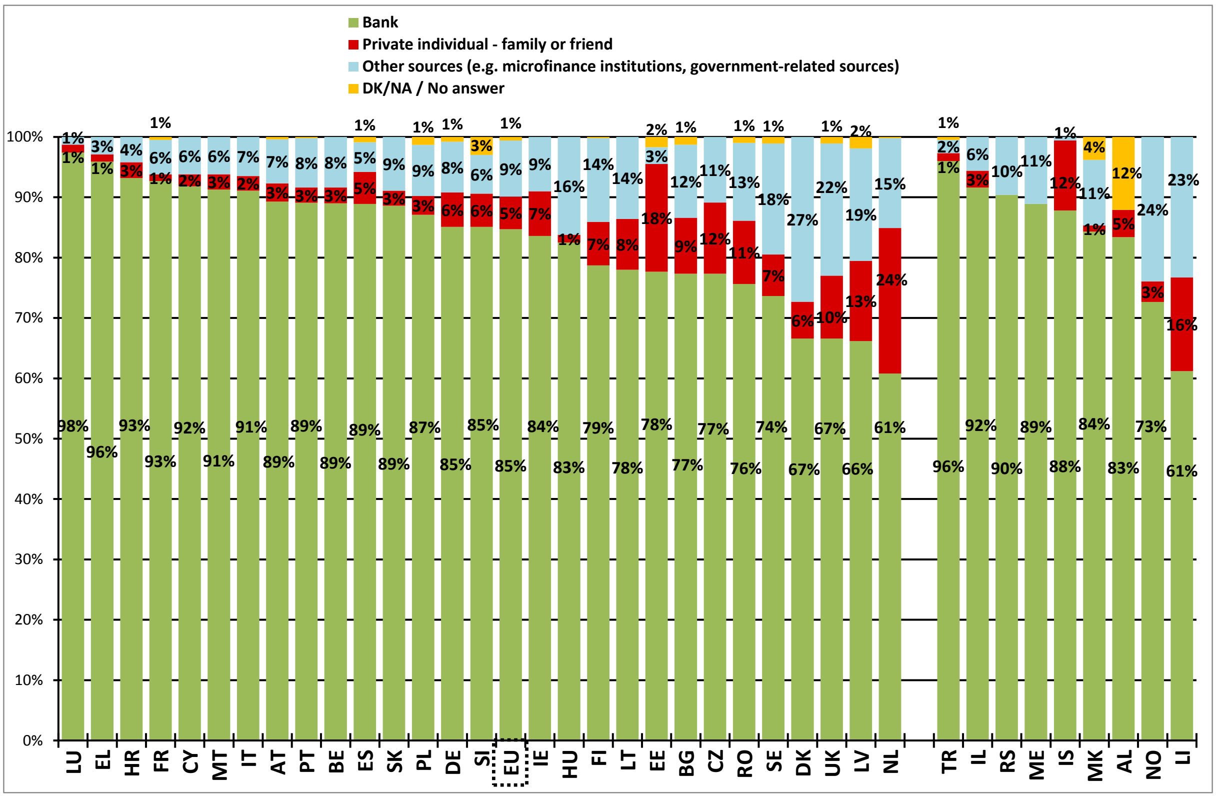
Company characteristics

Bank loans predominated to a similar extent among most types of SMEs except among newer businesses where only 78% among those active for under 2 years and 74% for those active for just 2-5 years stated "bank" as the provider of the last loan. Loans from private individuals were commonest among the newer SMEs (13% of both those under 2 years old and those active for 2-5 years compared with just 4% among SMEs active for 10 years or more). Loans from other sources were more common among SMEs active for 2-5 years (13%) than younger or older SMEs (about 8% for both groups).

Other sources were especially common among listed companies (25%). "Gazelle" SMEs were more likely than average to have been loaned to by private individuals (12% compared to the 5% EU average).

Country variations

Provider of the most recent loan



Q13. Who provided you with this last loan?
Base: All SMEs who obtained a loan in the last two years,% by country

Of those SMEs who obtained a loan, those in Luxembourg (98%) and Greece (96%) were the most likely to have obtained their loan from a bank rather than some other source.

Although the banks were still the leading source, SMEs with loans in Denmark (67%), the UK (67%), Latvia (66%) and the Netherlands (61%) were the least likely to have secured the loan from a bank rather than some other source or private individuals. Loans to SMEs from private individuals were especially common in Estonia (18%) and the Netherlands (24%). Other sources were most likely to have been used by SMEs in Denmark (27%) and the UK (22%).

Some shifts in the sources providing the SME loans were seen compared with the 2011 results. Banks were less likely to have provided the loan in 2013 in Romania (87% in 2011, down to 76% in 2013), Cyprus (down from 100% to 92% in 2013), Malta (97% to 91%), Denmark (72% to 67%) and the Netherlands (72% down to 61%). In Denmark this was compensated for by an increase in provision of loans from other sources (up from 22% in 2011 to 27% in 2013) and in the Netherlands there was an increase in provision from private individuals (up from 11% to 24% in 2013).

Providers of the loan and size of the loan

The table below shows that banks were most likely to have provided loans of at least €25,000. For the smallest loans, one in five SMEs borrowed from private individuals (10%) or some other source (10%) apart from a bank. Comparison with results from two years ago show that banks were slightly more likely (86%-89%) to have provided the loans of at least €25,000 in 2013 than in 2011 (83%-88%), and other sources a little less likely.

Providers of loan vs. the size of the loan

		Bank	**Private individual – family or friend**	**Other sources**
Base: All countries, companies that took a loan in the last two years (6,934)				
Smaller than €25,000	(1,253) %	80	10	10
€25,000-99,999	(1,851) %	87	5	8
€100,000-249,999	(1,350) %	89	3	8
€250,000-€1 million	(1,492) %	89	2	8
Over €1 million	(988) %	86	2	12

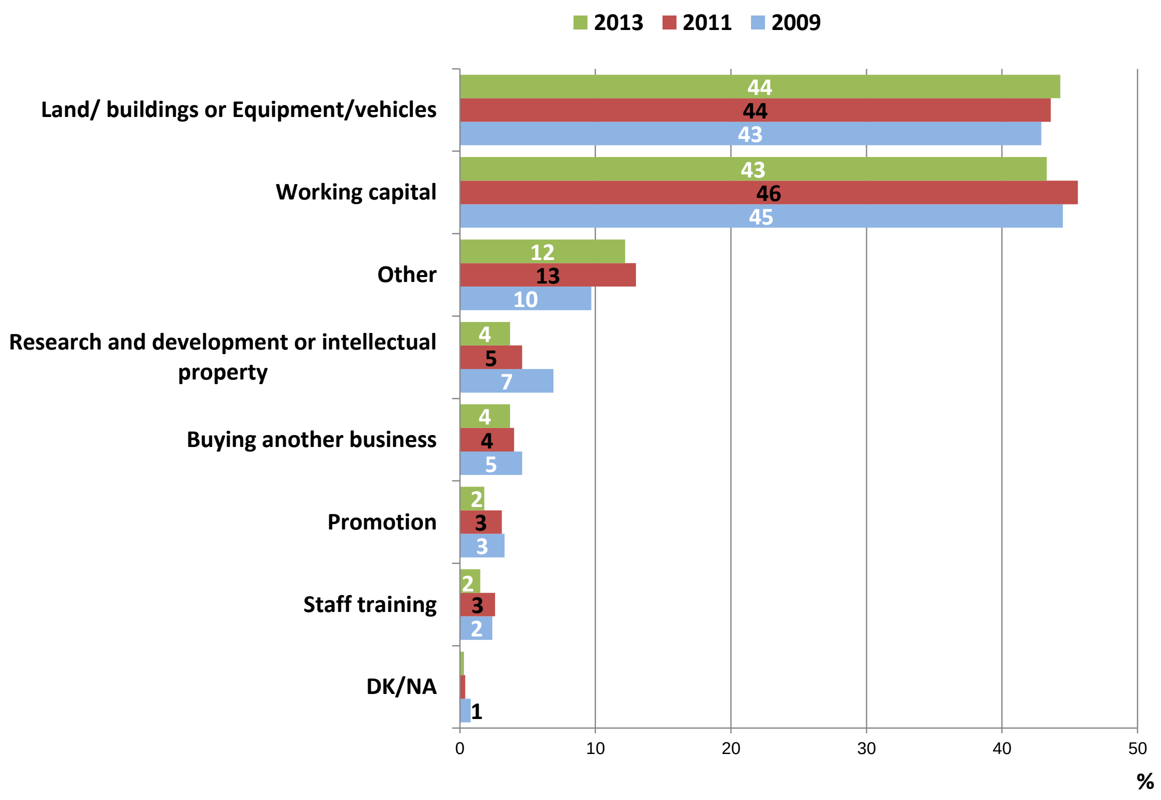
Q12. What is the size of the last loan, of any kind, that your firm has obtained in the last two years?
Q13. Who provided you with this last loan?

N.B. excludes DK/NA

2.3.4 Purpose of the most recent loan

The two leading reasons (to almost the same extent overall among EU SMEs) for obtaining a loan were for land/buildings/equipment or vehicles (44%) or for working capital (43%). Only a few SMEs obtained loans for research and development/intellectual property (4%) or to buy other businesses (4%). Very few used the loans for staff training (2%) or promotion (2%), but a considerable portion borrowed for a range of other reasons (12%).

Purpose of the most recent loan



Q14. What did you use this last loan for?
Base: All SMEs who obtained a loan in the last two years,% EU-28

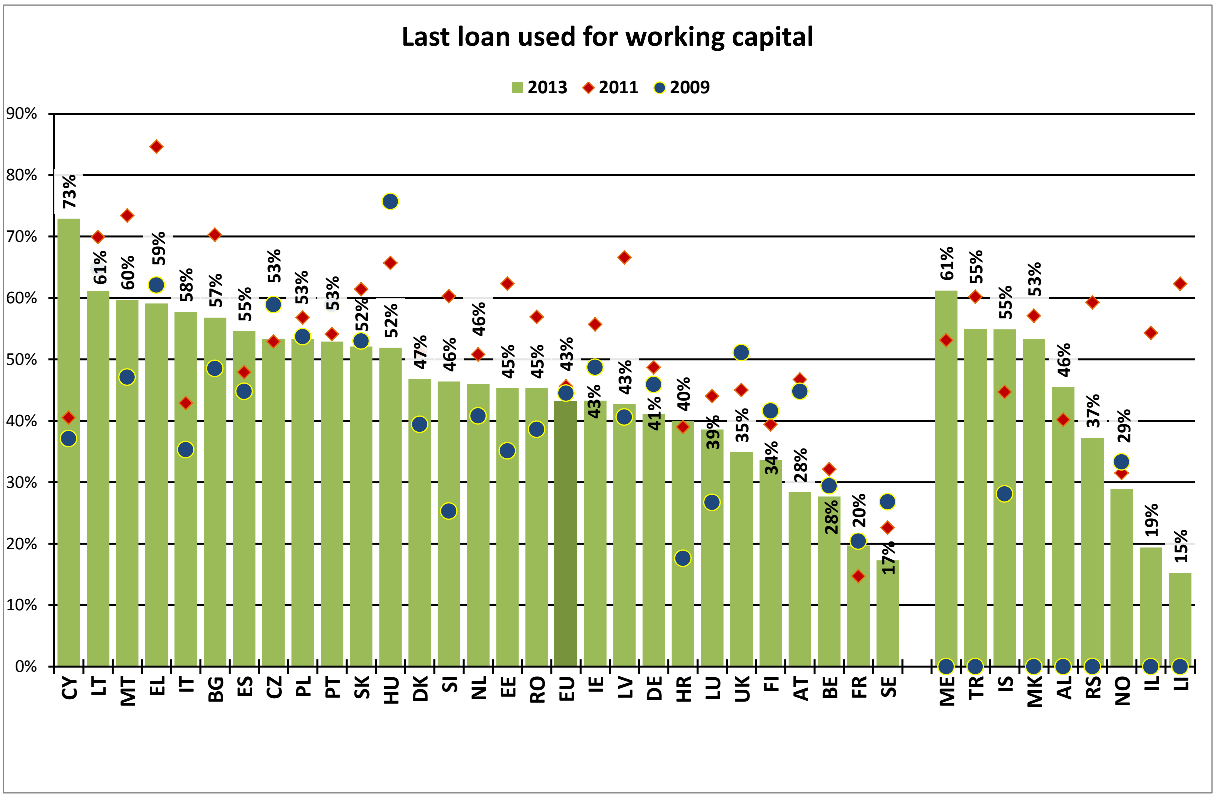
The relative strength of the reasons to obtain a loan have shifted only a little from 2011, with a slight decrease in needing loans for working capital (down from 46% in 2011 to 43% in 2013). The level needing loans for research and design continued to gradually decline (from 7% in 2009 to 4% in 2013).

Country variations

There were some considerable differences by country in the balance of these various reasons.

Loans taken out for research & design were above the EU average in Austria (8%) and Croatia (8%). Loans for promotion were rare everywhere, but slightly more common in Slovakia (8%), Austria (6%) and Romania (5%).

Last loan was used for working capital

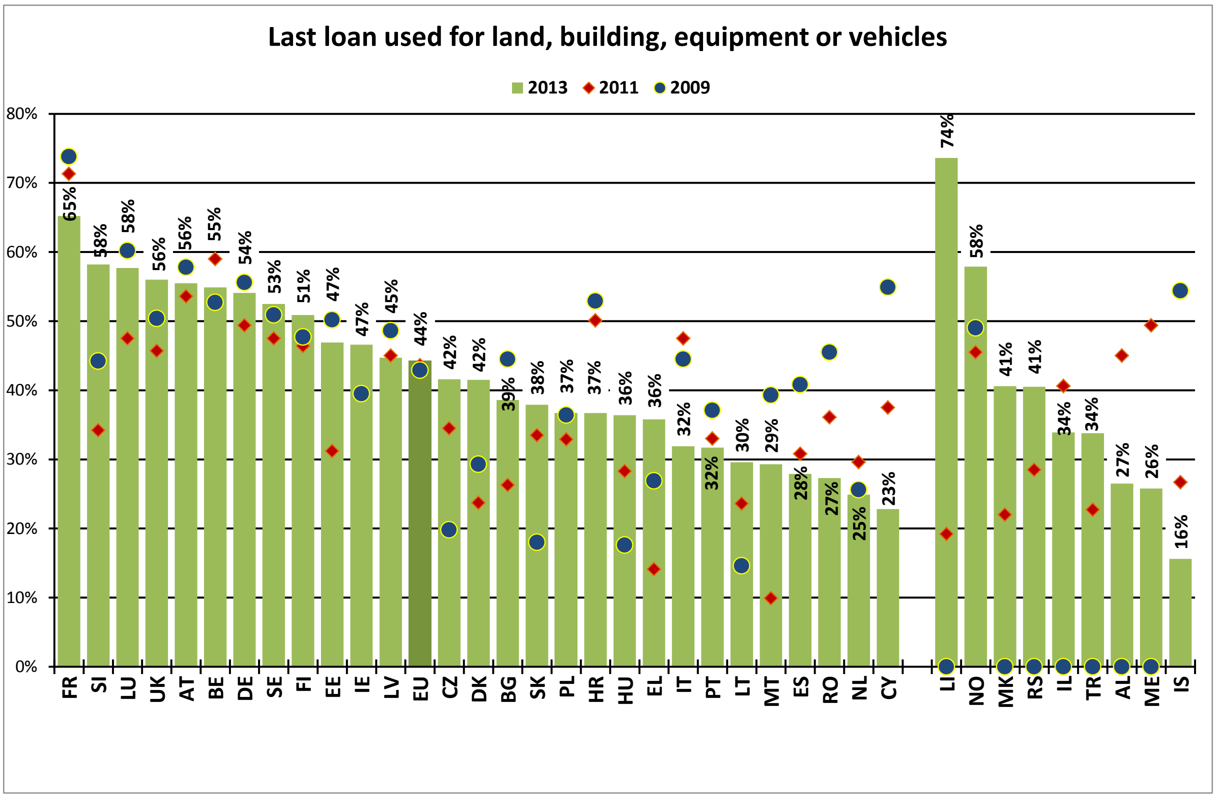


Q14. What did you use this last loan for?
Base: All SMEs who obtained a loan in the last two years,% by country

Loans were most likely to be needed for working capital in Cyprus (73%), Lithuania (61%), Bulgaria (57%), Greece (59%), Italy (58%), and Malta (60%). But such loans were comparatively infrequent in Sweden (17%) and France (20%). Outside the EU, SMEs in Montenegro were especially likely to borrow for working capital (61%).

There have been some major shifts in the levels needing loans for working capital, with considerable increases in Cyprus (up from 41% in 2011 to 73% in 2013) and Italy (up from 43% to 58%) and major drops in requirement levels in Greece (down from 85% to 59%), Malta (73% to 60%) and Latvia (from 67% to 43%).

Last loan was used for land, building, equipment or vehicles



Q14. What did you use this last loan for?
Base: All SMEs who obtained a loan in the last two years,% by country

Loans being needed for land/buildings/equipment were especially common in France (65%), Luxembourg (58%), Slovenia (58%), Austria (56%), the UK (56%) and Belgium (55%). In contrast SMEs in Cyprus (23%) and the Netherlands (25%) were least likely to have used the loan for this reason.

There were some big changes in levels needing loans for this purpose from 2011 in 2013 in certain countries. The level dropped considerably in Croatia (from 50% pre-EU admission to 37% in 2013) and Italy (down from 48% to 32%) but increased most in Slovenia (from 34% to 58%), Estonia (from 31% to 47%), Denmark (from 24% to 42%), Greece (14% to 36%) and Malta (from 10% to 29%).

Company characteristics

There was no correlation between SME size (by employees or turnover) and the likelihood of using the loan for working capital. However, service sector SMEs were the least likely (38%) to, compared with 47%-51% in other sectors. Growth or the lack of it was the other main factor involved. SMEs that were not growing (49%) or getting smaller (53%) were clearly more likely to use the loan as working capital than SMEs which were growing (under 40%).

Trade sector SMEs were the least likely to use the loan for land/building/equipment or vehicles (34%) compared to over 40% for all other sector types. Not surprisingly growth levels were clearly involved, with shrinking SMEs least likely to use the loan for this (31%) and growing SMEs the most likely (50%).

The table below shows that the balance between the purposes of working capital and land, buildings and equipment was similar for all sizes of the loan, although with the ratio slightly more in favour towards land/building/equipment/vehicles than working capital for loans of €250,000 or more.

The ratios between the purposes of the loan are very similar to those seen in 2011 up to €250,000. In 2013 slightly fewer loans of €250,000 or more were used for working capital, leading to a slightly greater emphasis on loans for land/building/equipment/vehicles described above.

Purpose of loan vs. the size of the loan

		Working capital	**Land/buildings or equipment/ vehicles**
Base: All countries, companies that took a loan in the last two years (6,934)			
Smaller than €25,000	(1,253) %	44	43
€25,000-99,999	(1,851) %	46	43
€100,000-249,999	(1,350) %	45	42
€250,000-€1 million	(1,492) %	41	45
Over €1 million	(988) %	40	45

Q12. What is the size of the last loan that your firm has obtained in the last two years?
Q14. What did you use this last loan for?

N.B. excludes DK/NA

3. Access to external sources of finance

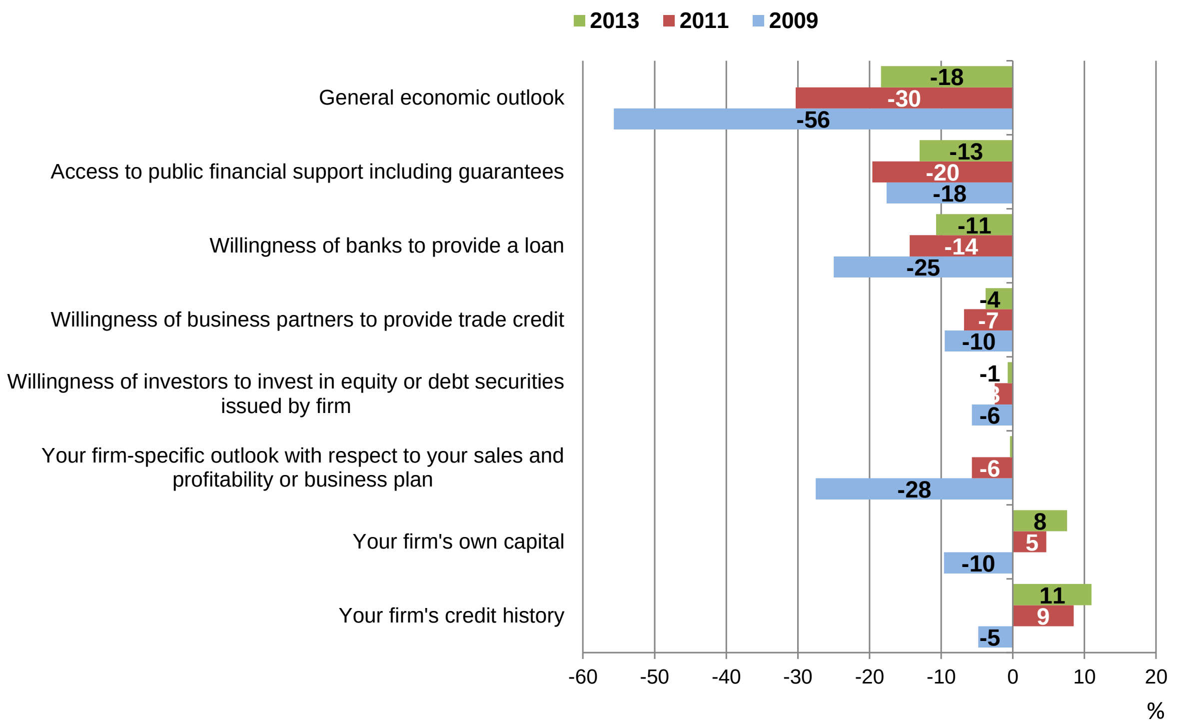
This chapter describes the perceptions of SMEs as to the current financial and economic environment, as well as their own financial situation (e.g. levels of capital and credit history). It then describes managers' opinions of changes in the availability of external financing. The second section describes perceived changes in SMEs' need for financing, the impact of their own financial situation on their need for financing and, finally, how the terms and conditions for external finance may have changed recently (e.g. becoming more or less demanding or stringent).

3.1 Availability of external financing

3.1.1 Changes in the general economic and financial environment

The effect of the availability of external financing on SME managers' views of the general economic outlook of the past six months continued to be negative, but to a much lesser extent than recorded in 2011 and 2009. In 2013, 16% of EU managers of SMEs said there had been an improvement in the **general economic outlook** in the past 6 months, compared to 12% in the 2011 survey and only 8% in the 2009 survey. Following a similar trend in slight improvement, more EU managers of SMEs said the general economic outlook remained unchanged in the past 6 months (44% in 2013 vs. 39% in 2011 and 25% in 2009). The percentage of managers who said that the outlook had deteriorated in the past six months (34%) almost halved compared to 2009 (64%); making the overall net balance of opinion (the % improved minus the % deteriorated) -18% in 2013.

Changes in key factors in the last six months



Net result: % Improved – % Deteriorated

Q11: For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?

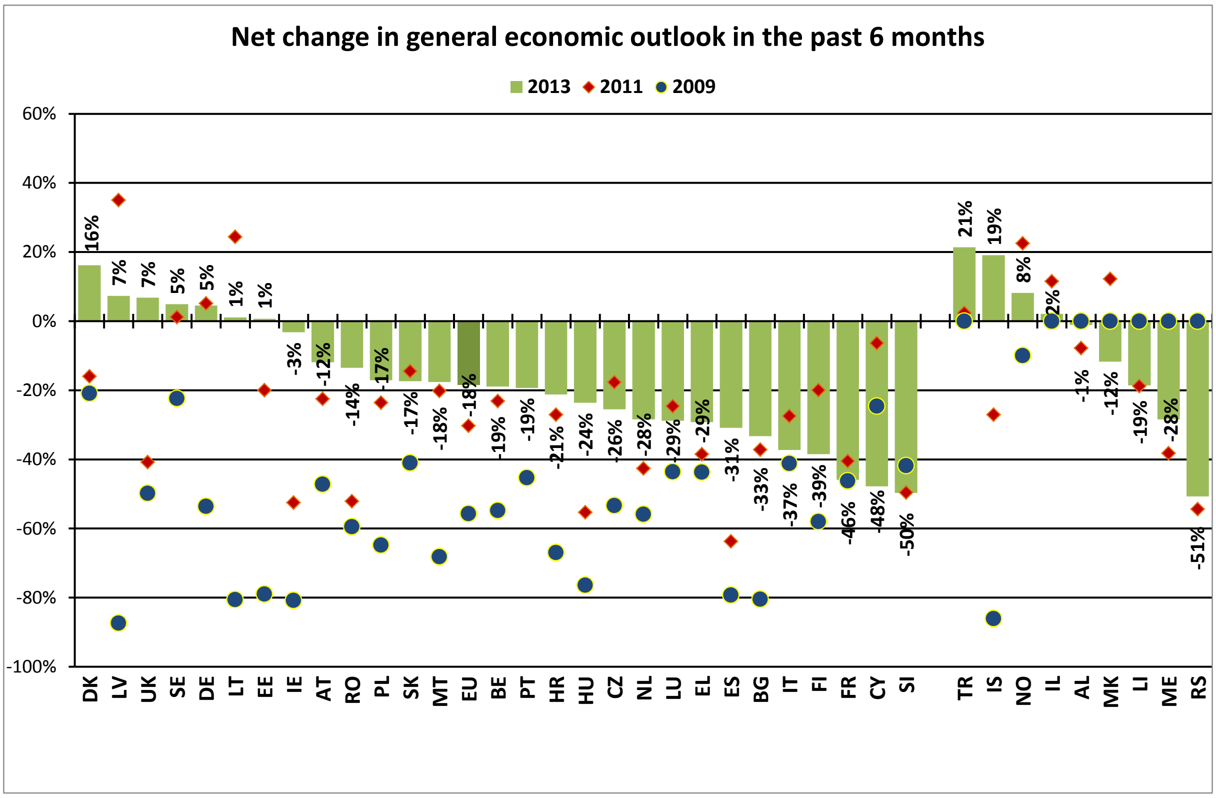
Base: % All EU-28 SMEs

The most optimistic viewpoint about the economic outlook was seen in Turkey (net level of +21%), Iceland (19%) and Denmark (16%). The view point of all three countries improved compared to the 2011 and 2009 surveys with the net change in economic outlook in Denmark turning from negative to positive. The balance of opinion was also slightly more positive than negative in Latvia (7%), the UK (7%), Sweden (5%) and Germany (5%).

The strongest balance of opinion that the outlook had deteriorated in the past 6 months was seen in Serbia (-51%), Slovenia (-50%), Cyprus (-48%) and France (-46%).

The net results have either improved or stayed approximately the same for the majority of countries since the 2011 survey, except for Cyprus (net decrease from 2011 of - 41%), Latvia (-28%), FYROM (-24%), Lithuania (-23%), Finland (-19%), Norway (-14%), Italy (-10%), Israel (-9%), the Czech Republic (-8%), France (-5%), Luxembourg (-4%) and Slovakia (-3%).

Net change in general economic outlook in past 6 months



Net result: % Improved – % Deteriorated

Q11 For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months? – ***General economic outlook, insofar as it affects the availability of external financing***

Base: All SMEs, % by country

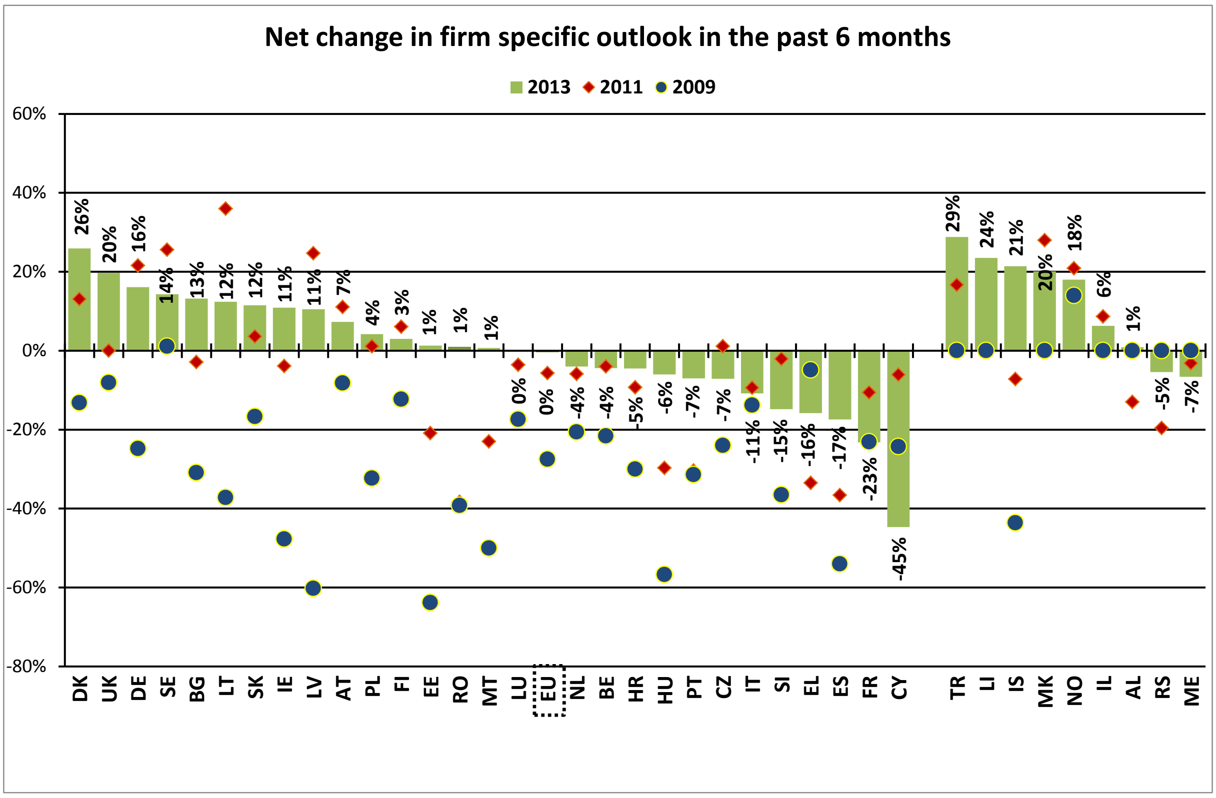
Overall, SMEs were a little more likely to be optimistic about their own **firm-specific outlook with respect to sales and profitability** over the last 6 months compared to the general economic outlook. The EU average for those who judged that their firm-specific outlook improved in the past 6 months was 22% while it was only 16% for the general economic outlook. Similarly, only one in five (22%) said their firm-specific outlook had deteriorated, compared to one in three (34%) for the general economic outlook. Overall the net balance of opinion for EU SMEs was neutral at 0%.

Overall, SMEs were most optimistic in Turkey (net balance +29%), Denmark (+26%) and Liechtenstein (+24%). Within the EU, the UK (+20%) and Germany (+16%) followed Denmark. Outside the EU, Iceland (+21%) and FYROM (+20%) followed Turkey and Liechtenstein. The biggest negative balance of opinion about their firms' outlook was in Cyprus (-45%) and France (-23%).

SMEs in the EU were more pessimistic in 2011 with a net change (% improved - % deteriorated) in outlook of -6%. In 2013, the balance of optimism and pessimism is exactly 0%. SMEs in Romania showed the most positive change in net improved score (+1% in 2013 vs. -38% in 2011 survey). The other countries whose net improved scores improved by 20 points or more were Iceland (+21% from -7%), Malta (+1% from -23%), Hungary (-6% from -

30%), Portugal (-7% from -30%), Liechtenstein (+24% from 0%), Estonia (+1% from -21%) and the UK (+20% from 0%). However, managers had become even more pessimistic on balance since 2011 in France (net balance falling from -11% to -23%) and Cyprus (from -6% to -45%).

Net change in firm-specific outlook in past 6 months



Net result: % Improved – % Deteriorated

Q11 For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months? – ***Firm-specific outlook with respect to sales and profitability***

Base: All SMEs, % by country

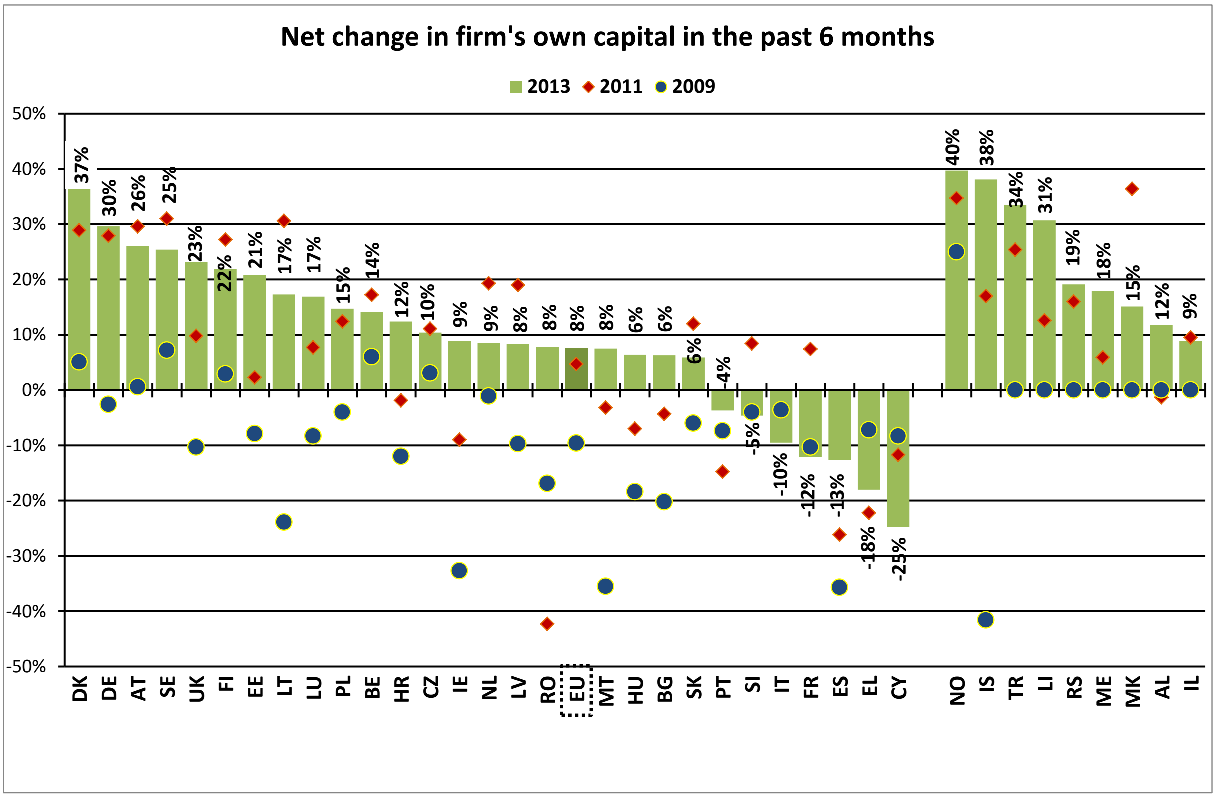
Overall, EU SMEs were more likely to indicate that their **firm's own capital** had improved (27%) rather than deteriorated (19%) over the last 6 months, with another 52% indicating it remained unchanged.

Denmark (47%) and Germany (40%) had the highest percentage of SMEs indicating that their firm's own capital had improved in the past 6 months. They were followed by Finland (38%), Sweden (38%) and Austria (37%).

SMEs in Cyprus (32%) and France (32%) were the most pessimistic, with the highest percentage of SMEs indicating their capital deteriorated in the past 6 months. For Cyprus this result was 18 percentage points higher than the deterioration level seen in 2011 (14%), whilst the result for France was 10 percentage points higher than in 2011 (22%). The three next most pessimistic countries were Spain (30%), Greece (29%) and the Netherlands (26%).

The most positive net balance of opinion about firms' capital was in Norway (+40%), Denmark (+37%) and Germany (+30%), with SMEs in Cyprus (-25%) and Greece (-18%) the most negative.

Net change in firm's own capital in past 6 months



Net result: % Improved – % Deteriorated

*Q11 For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months? – **Firm's own capital***

Base: All SMEs, % by country

In 2013, the outlook on their **firm's own capital** by EU SMEs became slightly more optimistic with 19% of SMEs indicating the firm's own capital deteriorated as opposed to 21% in 2011 and 24% in 2009. This was also reflected in the net improvement score, which was +8% for 2013 as opposed to +5% in 2011 and -10% in 2009. SMEs in Romania and Iceland showed the biggest improvement in terms of net change in firm's own capital with Romania's score increasing from -42% in 2011 to +8% in 2013 and Iceland's score increasing from +17% in 2011 to +38% in 2013.

The overall balance of opinion among SMEs was that their **firm's own credit history** was nearly twice as likely to have improved over the past 6 months (23%) than deteriorated (12%), with 59% unchanged. However, as with the outlook on their firm's own capital, there was considerable variation between countries, although the majority of the countries had a positive net improvement score.

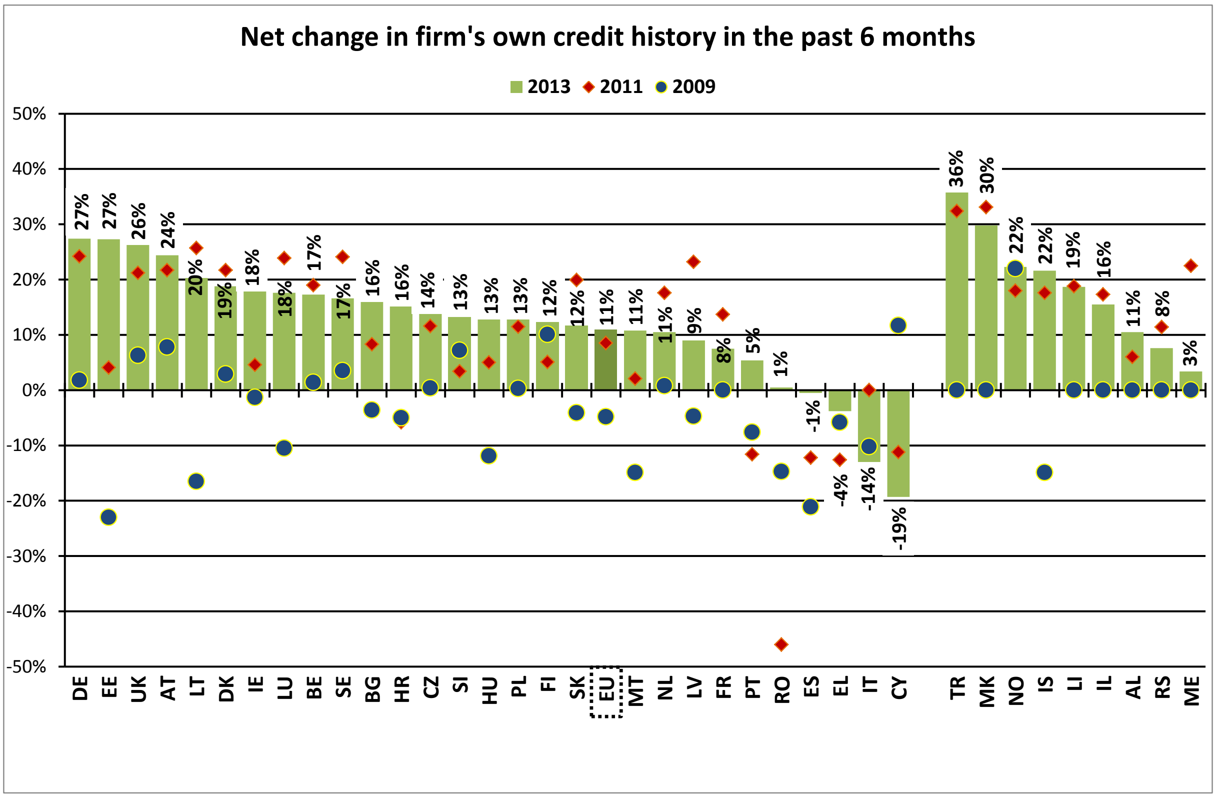
The highest level of improvement in credit history among EU SMEs was seen in Austria (32%) and Denmark (32%), followed by the UK (31%). For non-EU countries, the highest level of improvement was in Turkey (40%) followed by FYROM (31%). The lowest level of improvement was in Cyprus (2%), followed by Greece (11%) and Romania (12%).

In terms of net balance of improvement and deterioration, Cyprus (-19%), Italy (-14%) and Greece (-4%) had the lowest scores in 2013, followed by Spain (-1%) which was the only other country to have a negative net improvement score. Germany (+27%), Estonia (+27%) and the UK (+26%) had the most positive net balance in the EU, exceeded only by Turkey (36%) and FYROM (30%) outside the EU.

In 2013, the net improvement score across the EU increased only slightly compared to 2011 (11% vs. 9%).

As with the net change in firm's own capital, SMEs in Romania showed the biggest improvement in terms of net change in their own credit history (-46% in 2011 vs. +1% in 2013). It was followed by Estonia (+4% in 2011 vs. +27% in 2013) and Croatia (-6% in 2011 vs. 16% in 2013).

Net change in firm's own credit history in past 6 months



Net result: % Improved – % Deteriorated

*Q11 For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months? – **Firm's own credit history***

Base: All SMEs, % by country

Looking at the **willingness of banks to provide a loan** in the past 6 months, as in 2011, across all the EU SMEs surveyed, the trend remained that banks' willingness to provide a loan was seen to have deteriorated over the last 6 months (25%) rather than improved (14%), with 35% unchanged (i.e. net balance of -11%).

The majority of the SMEs were able to answer this question, although, 21 per cent said “this type of financing is not applicable to my firm”. There were a number of countries where at least one in three of the SMEs could not give an opinion and reported “not applicable to my firm”: Romania (43%), Denmark (37%), Estonia (37%), Malta (34%), Slovakia (34%), Germany (33%), Austria (32%), Liechtenstein (31%), Latvia (31%), Czech Republic (30%) and Portugal (30%).

Across the EU, the highest levels of improved willingness of banks to lend were seen in Bulgaria (33%) followed by Poland (23%) and Slovakia (23%). Across the non-EU countries, the highest levels were seen in Turkey (62%) and FYROM (37%).

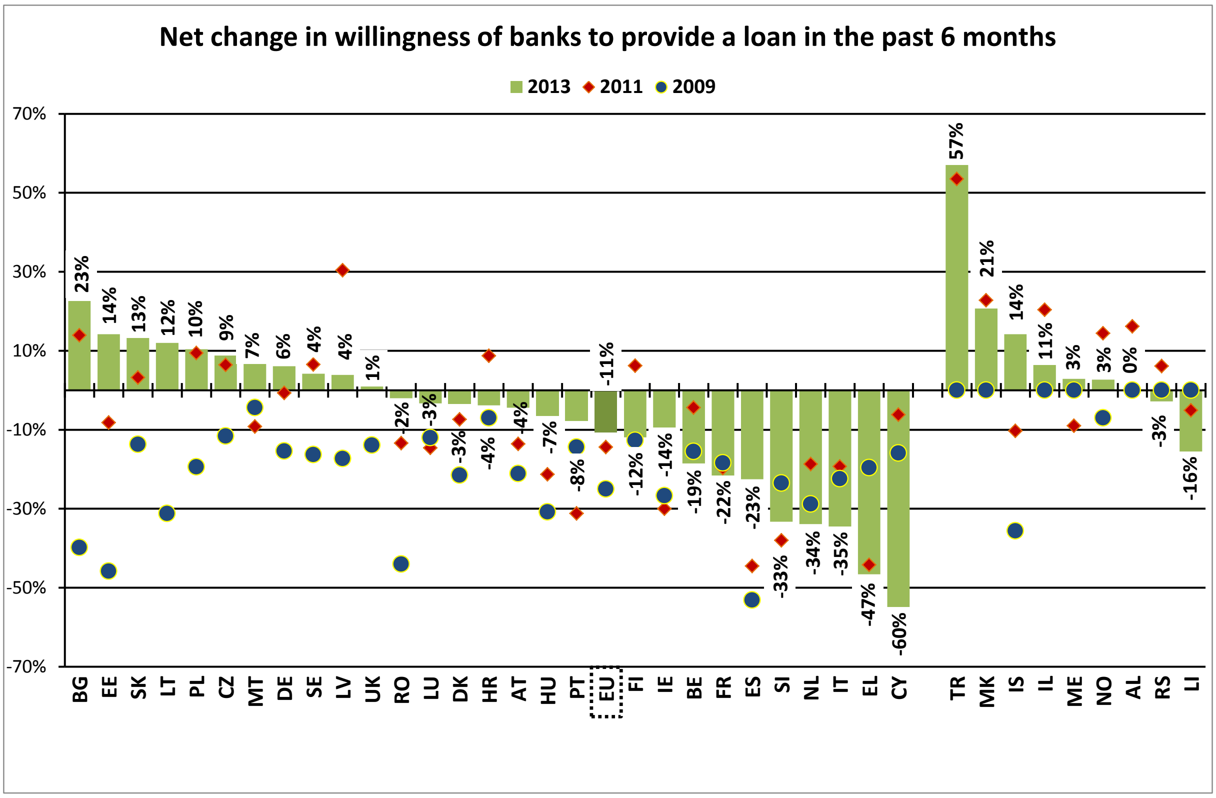
The three countries that showed the highest levels of banks’ willingness deteriorating were Cyprus (60%), Greece (51%) and Slovenia (43%), all EU countries. Across the non-EU countries, Albania reported the highest level of deterioration with 27%.

Although the overall trend in banks being less willing to provide a loan continued in 2013, there was a slight decrease in the percentage of SMEs indicating banks’ willingness had deteriorated in the past 6 months. For the EU countries, there was a two percentage point decrease in the level of deterioration in 2013 (25%) compared to 2011 (27%) which was reflected in a slight improvement in the net improvement score. (-11% in 2013 vs. -14% in 2011)

SMEs in Bulgaria (+23%) and Estonia (+14%) had the strongest net level for improved willingness in the EU, and Turkey (+57%) outside the EU. Greece (-47%) and Cyprus (-60%) had the lowest net scores.

In 2013, net levels of improved willingness of banks increased by five percentage points or more compared to 2011 across 14 EU countries, including Portugal, Estonia, Spain, Malta, Ireland, Hungary, UK, Romania, Luxembourg, Slovakia, Austria, Bulgaria, Germany and Slovenia. On the other hand, Cyprus, Latvia, Finland, Italy, Netherlands, Belgium, Croatia and Lithuania in the EU, and Albania, Norway, Liechtenstein, Serbia and Israel among the non-EU countries saw their net levels of banks’ willingness drop by five points or more.

Net change in willingness of banks to provide a loan in past 6 months



Net result: % Improved – % Deteriorated

Q11 For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months? ***– Willingness of banks to provide a loan***

Base: All SMEs, % by country

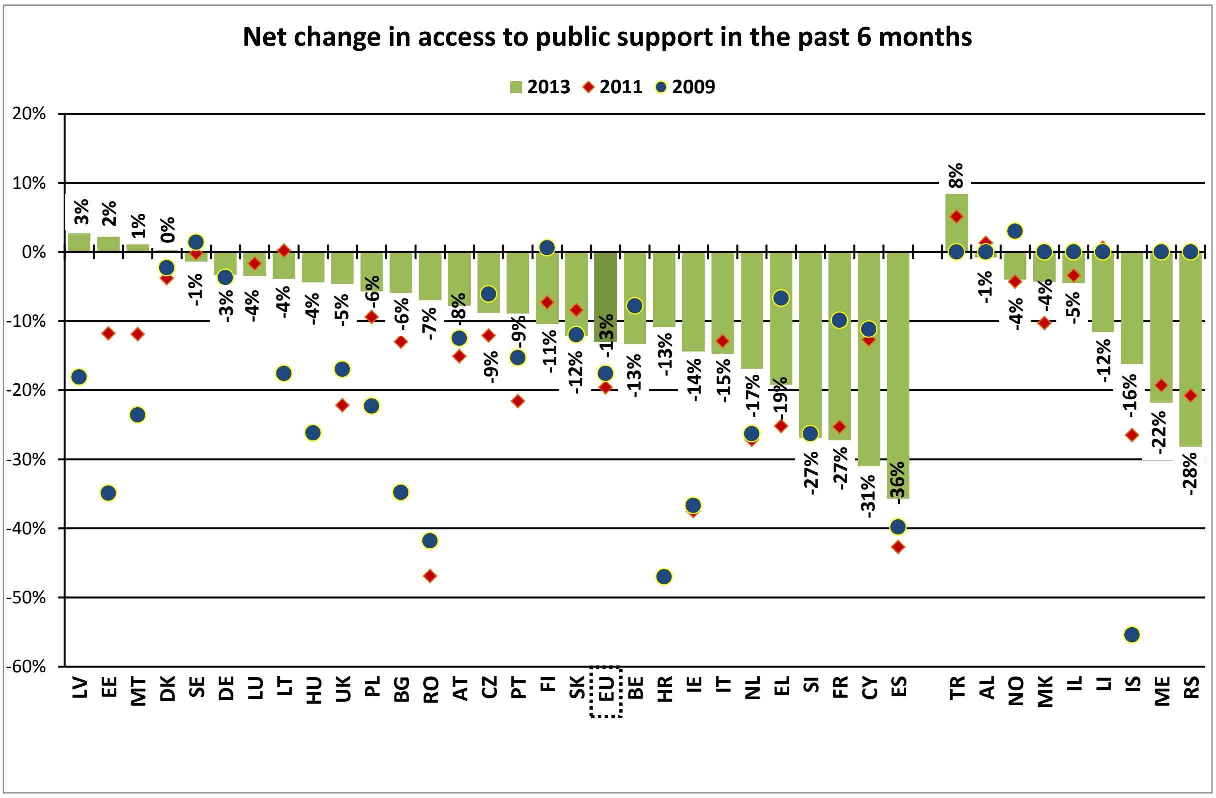
A considerable minority of SMEs in the EU (44%) could not give an opinion as to whether **access to public financial support** had changed in the past 6 months since this was not applicable to their firm. Among those EU SMEs who could make a judgement, they were four times as likely to judge that it had deteriorated (17%) rather than improved (4%), whilst 29% assessed it as unchanged. The overall net balance of opinion (improved minus deteriorated) was that the situation has deteriorated (-13%), although this was higher than the overall net balance in 2011 (-20%).

SMEs in Hungary were the most likely to think that access to public financial support had improved in the past 6 months (11%) , followed by Croatia, Poland and Ireland (all at 8%). At the other end of the scale, the countries which were the most likely to think public support had deteriorated over the same period were Spain (40%), followed by Cyprus and France (both 32%).

Among the EU SMEs, only Latvia (+3%), Estonia (+2%) and Malta (+1%) had a net balance of opinion that was positive. Among the remaining EU countries, Spain (-36%) and Cyprus (-31%) had the lowest net balance of opinion. Turkey was the only non-EU country to have a positive net balance at 8% while Serbia (-28%) and Montenegro (-22%) had the lowest net balance.

The balance of opinion in EU SMEs about access to public financial support in 2013 has improved since the 2011 survey (4% improved minus 17% deteriorated, giving a net balance of -13% compared with -20% in 2011).

Net change in access to public financial support in past 6 months



Net result: % Improved – % Deteriorated

Q11 For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months? – ***Access to public financial support including guarantees***

Base: All SMEs, % by country

Willingness of **business partners to provide trade credit** was another topic where a considerable minority of SMEs in the EU (45%) could not give an opinion due to this issue not being applicable to their firm.

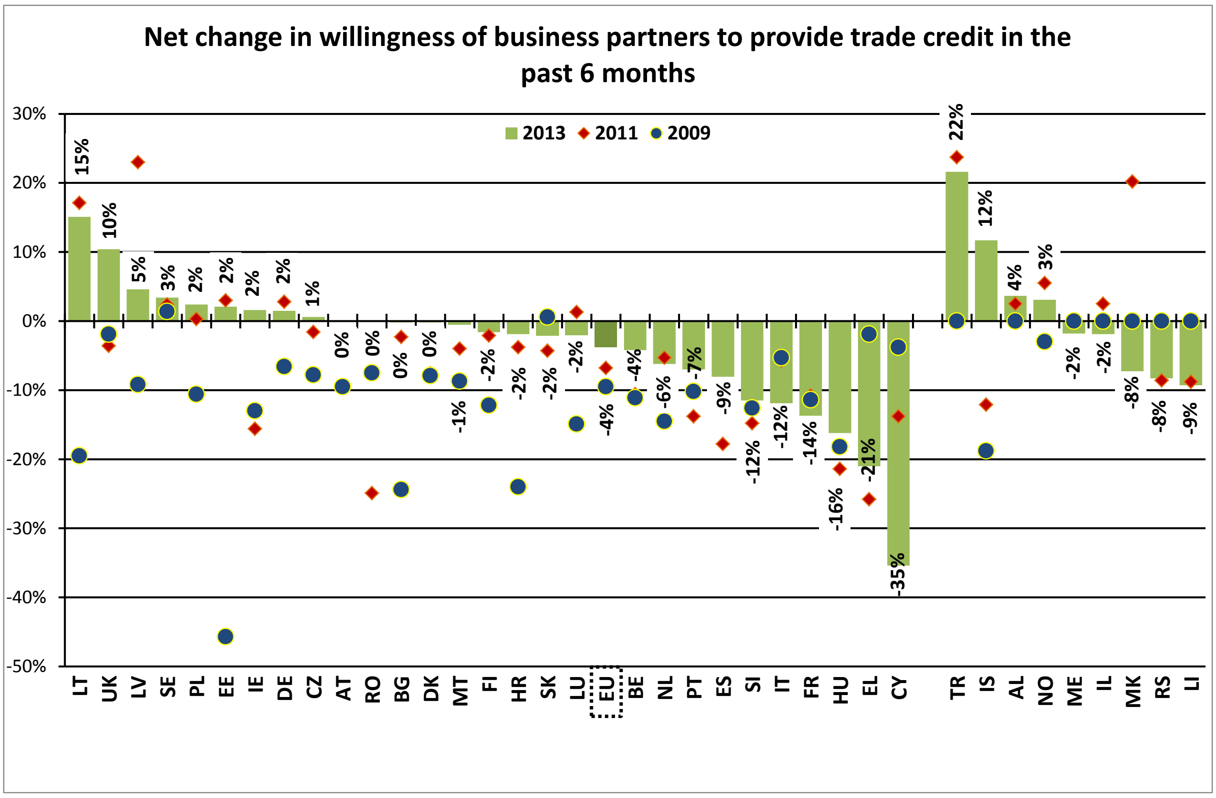
Among those EU SMEs who could make a judgement, the percentage of those who reported improvement (7%) was slightly lower than those who reported deterioration (11%), with a further 33% reporting no change in the past 6 months. Thus, the net balance of opinion (improved minus deteriorated) across EU SMEs was -4%.

Across the EU, the biggest levels of improvements were seen in Lithuania (18%) and the UK (18%), followed by Ireland (16%), while across the non-EU countries, it was Turkey (22%) and Iceland (18%). The reported trade credit situation seemed to have especially worsened in Cyprus (38%), Greece (27%) and Hungary (21%) within the EU; while outside the EU, Serbia (19%), Montenegro (15%) and FYROM (15%) had the highest percentage of SMEs reporting deterioration in the past 6 months.

Overall, the 2013 results were similar to those in the 2011 survey for the EU total, only slightly more positive with a net balance of opinion at -4% in 2013 compared to -7% in 2011. This was thanks to a three point decrease in the percentage of SMEs that reported deterioration in 2013 (11%) compared to 2011 (14%).

Six EU countries saw a significant rise in levels of improved willingness of business partners to provide credit from 2011 to 2013 (the UK, Ireland, Croatia, Portugal, Estonia and Spain). Results have significantly worsened since 2011 in a few countries. In Cyprus in 2013, 38% of SMEs reported willingness had deteriorated compared to 17% in the 2011 survey. In Italy, 16% reported deterioration in 2013 compared to 11% in 2011.

Net change in willingness of business partners to provide trade credit in past 6 months



Net result: % Improved – % Deteriorated

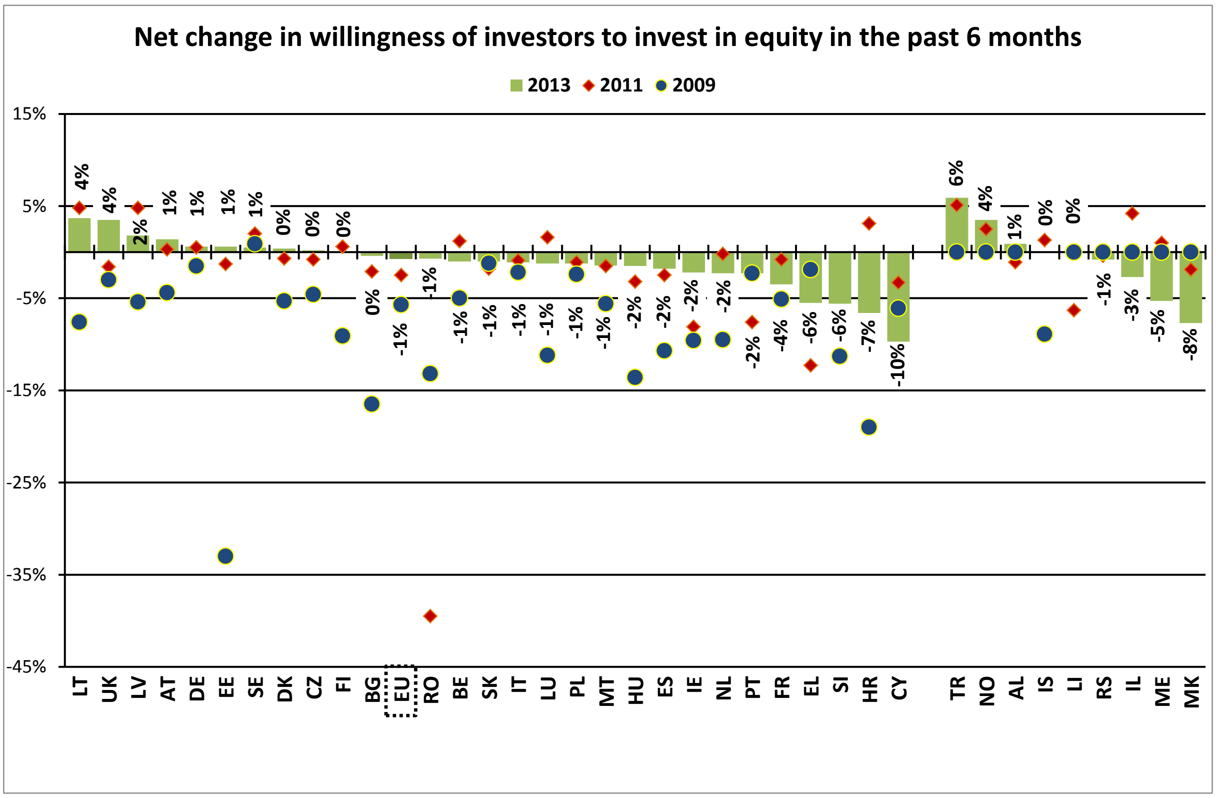
Q11 For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months? – ***Willingness of business partners to provide trade credit***

Base: All SMEs, % by country

Only 16% of EU SMEs were able to give an opinion about the **willingness of investors to invest in equity** in the past 6 months, the great majority of SMEs considering this as not applicable to their firm. Among those EU SMEs expressing an opinion, most reported no change (12%), with two per cent reporting both an improvement and deterioration (overall net balance of -1%). This was a small improvement on 2011 levels (-3%).

Lithuanian and UK SMEs had the highest net scores whilst Hungary and Cyprus had the worst. However, as these country figures were based on very small numbers of interviews with those able to give an opinion, they should be treated as indicative only.

Net change in willingness of investors to invest in equity in past 6 months



Net result: % Improved – % Deteriorated

Q11 For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months? – ***Willingness of investors to invest in equity***

Base: All SMEs, % by country

Company characteristics

General economic outlook

The likelihood of reporting improvement in the general economic outlook in the past 6 months rose with company size from 12% among micro SMEs (1-9 employees) to 20% among those with 50-249 employees and companies with 250+ employees reported the highest percentage of improvement (25%).

There were no significant differences in terms of turnover among the SMEs and only a slight difference across the different sectors, with industrial sector SMEs (17%) and service sector SMEs (16%) more likely to report improvement in the past 6 months compared to those in trade (14%)..

In terms of firm ownership, SMEs with shareholders and who are listed on the stock market tended to have a more positive economic outlook compared to those with only one owner or those owned by other firms or business associates.

Companies' financial outlook

Opinions as to SMEs' own financial outlook were significantly more favourable as the company size got larger. Amongst micro SMEs (1-9 employees), the balance of opinion was that their firm-specific outlook with respect to sales and profitability or business plan insofar as it affects the availability of external financing, was negative (-7%), indicating the outlook had deteriorated (24%) rather than improved (17%). Medium sized SMEs (10-49 employees) and larger SMEs both had a positive outlook (+3% for medium sized and +9% for largest SMEs). The net balance of opinion was the most positive for LSEs (250+ employees) at +18% (33% improved and 16% deteriorated).

The extent of this positive outlook differentiated only slightly by size as measured by turnover – 18% of SMEs with the lowest revenue level (€2 million or less) reported improvement in their own financial outlook while those with a turnover of more than €2 million but less than €10 million, and those with a turnover exceeding €10 million but less than €50 million, both reported 23%.

The oldest SMEs (10 years or more) had a more negative outlook (20% improved and 24% deteriorated) compared to newer SMEs (26% - 29% for improved and 22% - 10% for deteriorated), with the newest SMEs having the lowest percentage that reported negative outlook.

As in the 2011 survey, SMEs with shareholders had a more positive outlook (33% improved and 16% deteriorated) whilst the usually smaller family owned firms or those with only one owner tended to be more negative overall. Amongst the SMEs with only one owner, those that had a female owner seemed to be more likely to report a negative outlook (14% improved but 26% deteriorated) compared to those with a male owner who had a neutral net outlook (21% improved but 21% deteriorated).

Comparisons by sector showed that SMEs in the industry and service sectors had a positive net balance of opinion (+6% and +1% respectively) whilst those in construction or trade had a negative net balance of opinion indicating higher percentage of managers reporting deterioration rather than improved. (-10% and -4% respectively)

Access to certain sorts of external financing

The balance of opinion as to changes in **access to public financial support**, where SMEs could express an opinion, was negative overall across the EU SMEs (-13%). The extent of negative outlook varied by company size where the largest SMEs had a more positive balance of opinion (-8%) compared to medium-sized SMEs (-13%) and micro SMEs (-16%). LSEs had a very similar score to the largest SMEs (-6%). In line with this trend, SMEs with turnover lower than €10 million reported higher levels of access to public support having deteriorated in the past 6 months compared to those with a higher level of turnover.

The balance of opinion as to changes in a **firm's own capital** in the past six months also varied by company size, with the smallest EU SMEs having the least positive outlook (20% improved), medium SMEs having a slightly better outlook (30%) and largest SMEs being the most positive (35%). To a certain extent, this trend was also reflected in size as measured by turnover, with SMEs lower than €2 million having the least positive outlook (20%) and those with more than €10 million and up to €50 million having a more positive outlook (37%). As with the general economic outlook and the firm specific outlook, the industry sector reported a higher level of improvement in firm's own capital (31%) compared to SMEs in construction (23%) and trade (27%).

Larger SMEs and SMEs in industry were also more likely to hold positive opinions around the **firm's credit history** as well as the **willingness of banks to provide a loan.** Only 17% of micro SMEs reported improvement in their firm's own credit history compared to 27% for SMEs with 50-249 employees. The proportion of SMEs who reported an improvement in the willingness of banks to provide a loan ranged from 10% in micro SMEs to 20% in the largest SMEs). Similarly, 26% of SMEs in the industry sector reported an improvement in their credit history compared to 20% for construction and 22% for services.

SMEs with shareholders were significantly more positive (20% improved) about the willingness of banks to provide a loan compared to SMEs which were family owned or had only one owner (varying between 13% and 14% improved).

Gazelles and Innovators

SMEs categorised as "innovators" (those who had introduced a new product or practice in the last 12 months) were more likely to report an improvement in their **general economic outlook** in the past 6 months (17%) compared to non-innovative SMEs (13%). High-growth SMEs in general (23%, i.e. firms who have grown at more than 20% per annum in general) and gazelles in particular (26%, i.e. firms who have grown at more than 20% per annum in general and up to 5 years old) were more likely to report improvement compared to SMEs reporting moderate growth and stagnation, as well as shrinking firms.

There was a significant difference in the level of positive outlook in terms of their **firm-specific financial outlook** between "innovators" (26% improved) and non-innovators (16% improved), as well as between gazelles (43%), high growth SMEs (36%) and moderate growth companies (27%).

Both in terms of changes in a **firm's own capital** and a **firm's own credit history**, innovator SMEs reported higher levels of improvement compared to non-innovators. (29% versus 23% for firm's own capital and 24% versus 21% for firm's credit history) Gazelles were more likely to report improvement in firm's own capital (44% improved) compared to firm's credit history (31% improved). With respect to the firm's credit history, gazelles also portrayed a slightly less positive picture compared to high growth companies in general. The net balance of opinion for gazelles on their own credit history was +17% (31% improved, 14% deteriorated), while it was +27% for high-growth SMEs (35% improved, 8% deteriorated).

Gazelles were more likely to report that **banks' willingness to lend** had improved in the past 6 months (23%) compared with moderate growth (16%) or stagnant SMEs (9%). This differentiation between gazelles and non-gazelles was also seen when it came **to willingness of business partners to provide trade credit** with 20% of gazelles reporting improvement whilst only 7% to 14% of moderate or high growth SMEs reported an improvement. Innovators were also more likely to report improvement in the past 6 months in both banks' willingness to lend (16% versus 12%) and in business partners' willingness to provide trade credit (9% versus 5%).

3.1.2 Changes in availability of external financing

This section describes how SMEs regarded recent changes in the availability of certain sources of external financing, and results are based on the responses of all SMEs, including those who did not have experience of applying for that source of finance.

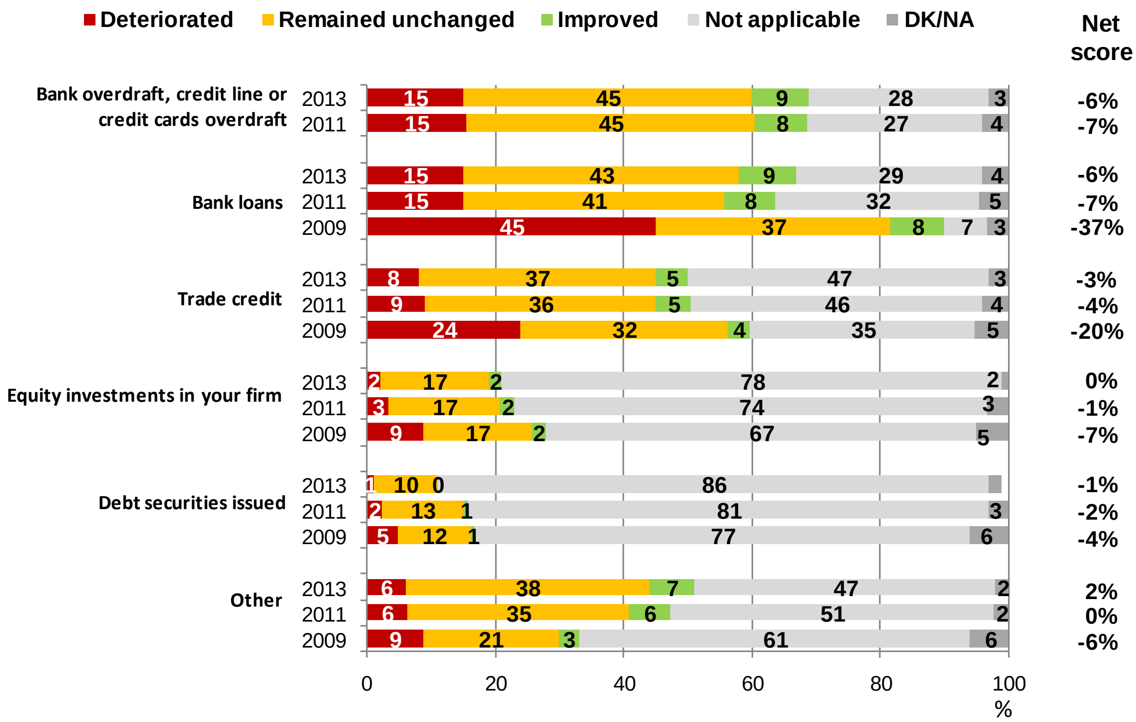
The majority opinion (43%) was that the availability of **bank loans** had not changed but the SMEs were still more likely to have seen availability deteriorate (15%) rather than improve (9%). A similar balance of opinion was also valid for availability of **bank overdrafts**, where 9% reported improvement and (15%) reported deterioration.

Almost half of EU SMEs (47%) were not able to give an opinion on the availability of **trade credit**, stating this was not applicable to their firm. From those who gave an opinion, a majority (37% overall) said that the availability of trade credit remained unchanged. One in ten SMEs (8%) reported that availability had deteriorated, slightly higher than those who reported an improvement (5%).

For **equity investment** and **debt securities**, those who were not able to give an opinion due to this type of financing not being applicable to their firm stood at 78 per cent, and for debt securities this figure rose to 86 per cent. Looking at those who were able to give an opinion, the SMEs were evenly divided as to whether availability of these finance sources had improved or deteriorated over the past 6 months. Improvement and deterioration scores for both were very low, varying between 0% and 2%. The proportion of SMEs indicating that the availability of equity investments had remained unchanged has remained the same over the three waves of the survey, at 17% of SMEs surveyed. Debt securities also followed the same trend in 2013 as in 2009 and 2011 with around one in ten SMEs reporting no change in availability in the past 6 months.

Although just under half of EU SMEs (47%) were unable to give an opinion on the availability of **other sources** in 2013, opinions were fairly evenly divided as to whether the availability of these sources had improved (7%) or deteriorated (6%).

Availability of external financing in past 6 months



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

Base: All EU-28 SMEs

The majority opinion (43%) that the availability of **bank loans** had not changed remained very similar to 2011 levels; as did the percentage of SMEs reporting improvement and deterioration. The same trend also applied to the availability of **bank overdrafts** where the percentage of SMEs who reported improvement in the past 6 months varied by one percentage point (9% in 2013 versus 8% in 2011).

Opinions on the availability of **trade credit** also seemed stable as there was very little change between 2011 and 2013 with respect to reported levels of improvement or deterioration. The overall picture continued to be more positive compared to 2009 when one in four SMEs (24%) had reported deterioration, as opposed to one in ten SMEs in 2011 and 2013 (8% in 2013 and 9% in 2011). The same trend was also reflected in those not able to give an opinion due to trade credit not being applicable to their firm (47% in 2013 versus 46% in 2011).

There was an increase in 2013 in the percentage of EU SMEs reporting “not applicable to my firm” for both **equity investment** (78% vs. 74% in 2011 and 67% in 2009) and **debt securities** (86% vs. 81% in 2011 and 77% in 2009). SMEs’ opinion as to whether the availability of either type of financing had improved or deteriorated seems to have stabilised as the figures remain very similar to the 2011 levels.

In 2013, a significantly smaller percentage of SMEs were not able to give an opinion on the availability of **other sources** (47%) compared to 2011 (51%) and 2009 in particular (61%). For those who were able to give an opinion, the reported levels of improvement and deterioration remained the same compared to 2011 while the percentage of those who indicated availability increased slightly from 35 per cent in 2011 to 38 per cent in 2013.

Country variations

It should be noted that sample sizes of some countries were relatively small and so results in these cases should be treated with caution.

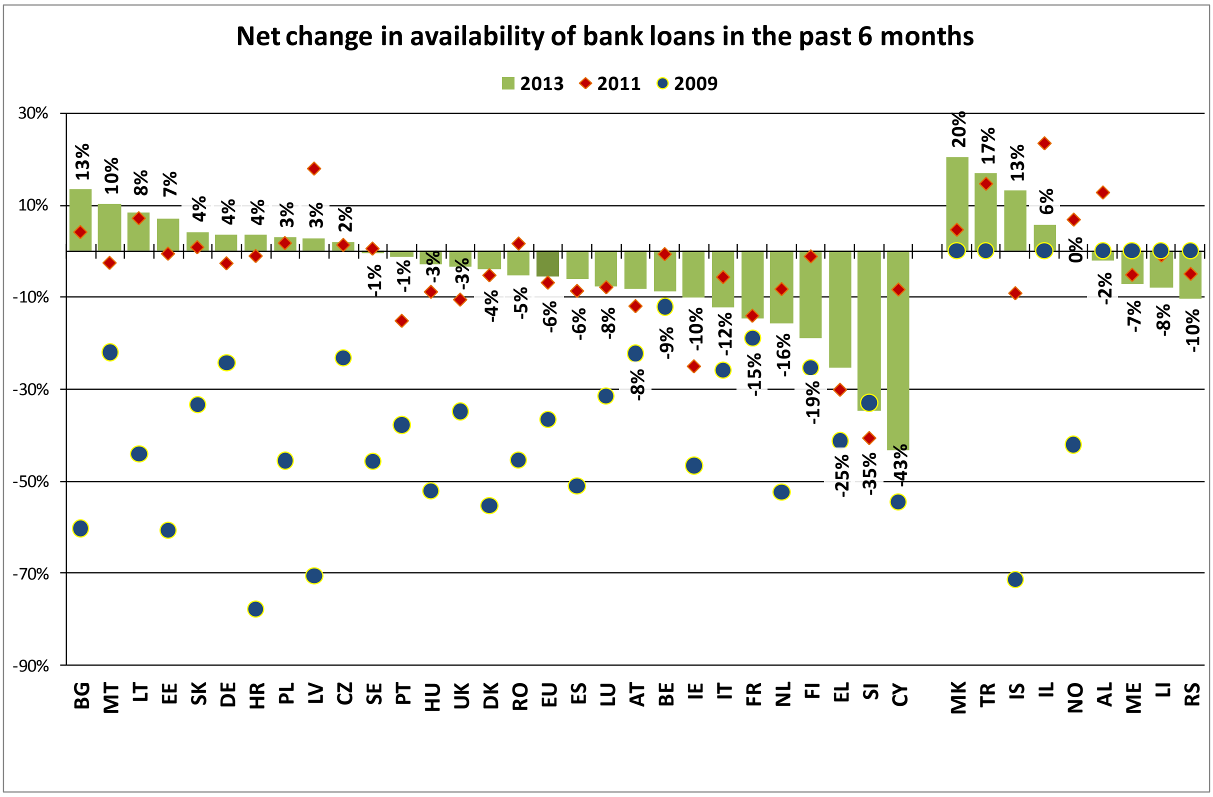
Across the 28 EU countries, only 9% of SMEs reported that it was easier to obtain a bank loan in the past 6 months than it was before while 15% reported that it was more difficult, making the net balance of opinion -6%.

Ten EU countries had a positive balance of opinion indicating a greater level of improvement than deterioration. Bulgaria (+13%), Malta (+10%) and Lithuania (+8%) had the highest net scores among EU SMEs. FYROM (+20%) and Turkey (+17%) had the most positive balance of opinion across non-EU countries.

A further six EU countries still had a net improvement score that was higher than the EU average of -6% while the remaining 12 countries fell below the EU average. Cyprus (-43%) and Slovenia (-35%) were significantly more likely to report deterioration rather than improvement over the past 6 months, followed by Greece (-25%) and Finland (-19%).

Opinions in Belgium were particularly disparate, as firms in Belgium reported one of the highest levels of improvements in the availability of bank loans (13%) as well as one of the highest levels of deterioration (22%).

Net change in availability of bank loans in past 6 months



*Q9 For each of the following ways of financing, would you say that their availability has improved, remained unchanged or deteriorated for your firm over the past 6 months? – **Bank loans***

Base: All SMEs, % by country

A rather similar picture was revealed when looking at results on the availability of trade credit by country, with the largest net improvement scores seen in Lithuania (+7%) and Bulgaria (+7%) and the lowest net improvement scores seen in Greece (-26%) and Cyprus (-23%). There was however less variation between countries in terms of the availability of trade credit in the past 6 months compared to bank loans.

Company characteristics

Bank loans and trade credit

The overall EU level of one in ten (9%) SMEs who answered that the availability of **bank loans** had improved in the past 6 months varied slightly by company size. Medium and large SMEs (11%) were more likely to report improvement in availability of bank loans compared to micro SMEs (7%). LSEs – companies with more than 250 employees – were even more optimistic, with 15% believing that the availability of bank loans would improve.

With respect to company turnover, SMEs with a turnover greater than €50 million were more likely than firms with lower turnover to report an improvement in the availability of bank loans (17%, compared to between 9% and 10% for lower turnover companies). A deterioration in the availability of bank loans was more likely to be reported by construction (18%) and service sector SMEs (16%) than industry SMEs (12%).

The availability of **trade credit** varied less than that of bank loans when it came to different company sizes. Large SMEs (50-250 employees) were more likely to report improvement (6%) compared to micro SMEs (4%), but only by two percentage points.

While innovators were more likely to report improvement in the availability of **bank loans** (10%) compared to non-innovators (7%), they were also more likely to report higher levels of deterioration (17% versus 11% for non-innovators). This made the overall balance of opinion more negative for innovators in terms of bank loan availability.

The picture was rather similar when gazelles were considered. While they were more likely to report improvement (15%) compared to moderate growth SMEs (10%), they were also more likely to report higher levels of deterioration (17% versus 11% for moderate growth SMEs).

Looking at the availability of **trade credit** by innovators revealed the same pattern. Despite being more likely to report improvement compared to non-innovators, both groups had the same net change score (-3%) due to a higher level of deterioration reported by innovators. This pattern was broken when it came to gazelles versus non-gazelles with the former having a higher net availability of trade credit score (+7%) compared to moderate (-2%) or high growth SMEs (+1%), or SMEs with no growth (-4%).

Equity investments, debit securities, bank overdrafts and other sources

Just over one fifth of EU SMEs (21%) were able to give a judgement about the availability of **equity investments** in the past 6 months. The ratio of those able to give an opinion was the lowest for micro SMEs (-20%) and became higher with company size. One quarter (24% to 26%) of larger SMEs and one third (34%) of LSEs felt able to provide an answer.

In terms of levels of improvement or deterioration, there were no clear differences in terms of the sector SMEs operated in or the company size by turnover. However, there was a clear difference in terms of ownership of SMEs, and a slight difference in terms of how long the SME had been active. Availability was most likely to have improved for SMEs owned by shareholders (6%) versus SMEs which had a family owner or a single owner (1%-2%).

There was only single percentage point difference between innovators (2%) and non-innovators (1%) in terms of those who reported improvement in the availability of equity investments. Gazelles, on the other hand, were clearly the most likely to report improvement (7%) compared to non-gazelles (moderate growth 2%, no growth 1%).

There were no differences by company size, sector or turnover across the EU SMEs when it came to being able to give an opinion on the availability of **debt securities**. However, SMEs who were active for 10 years or more were more likely to find debt securities inapplicable for their companies (87%) compared to younger SMEs (varying between 75% and 83%).

There were also no significant differences for levels of improvement and deterioration by size, sector or turnover. SMEs with shareholders were only slightly more likely to report improvement in the availability of debt securities (2%) compared to other types of ownership (0%). Similarly, gazelles were only slightly more likely to report improvement (2%) compared to non-gazelles (0%).

As to variations in availability of **other sources**, those who were able to given an opinion were most likely to be large SMEs (61%), those operating in the industry sector (60%), firms with a turnover between €2 million and €10 million (60%), and finally those active for less than two years (62%). With respect to net level of availability, there were no significant differences in the majority of the company variables (size, turnover, ownership).

Even if innovators seemed to report improvement (9%) more than non-innovators (5%), they were also more likely to report deterioration (7% versus 4%). Gazelles, on the other hand, did differentiate from the majority of the non-gazelles both in terms of reported levels of improvement (13% for gazelles versus 11% to 5% for non-gazelles) and in terms of overall net score (+8% versus +1% to -5%).

3.2 Changes in the need for external financing

3.2.1 Changes in companies' need for external financing

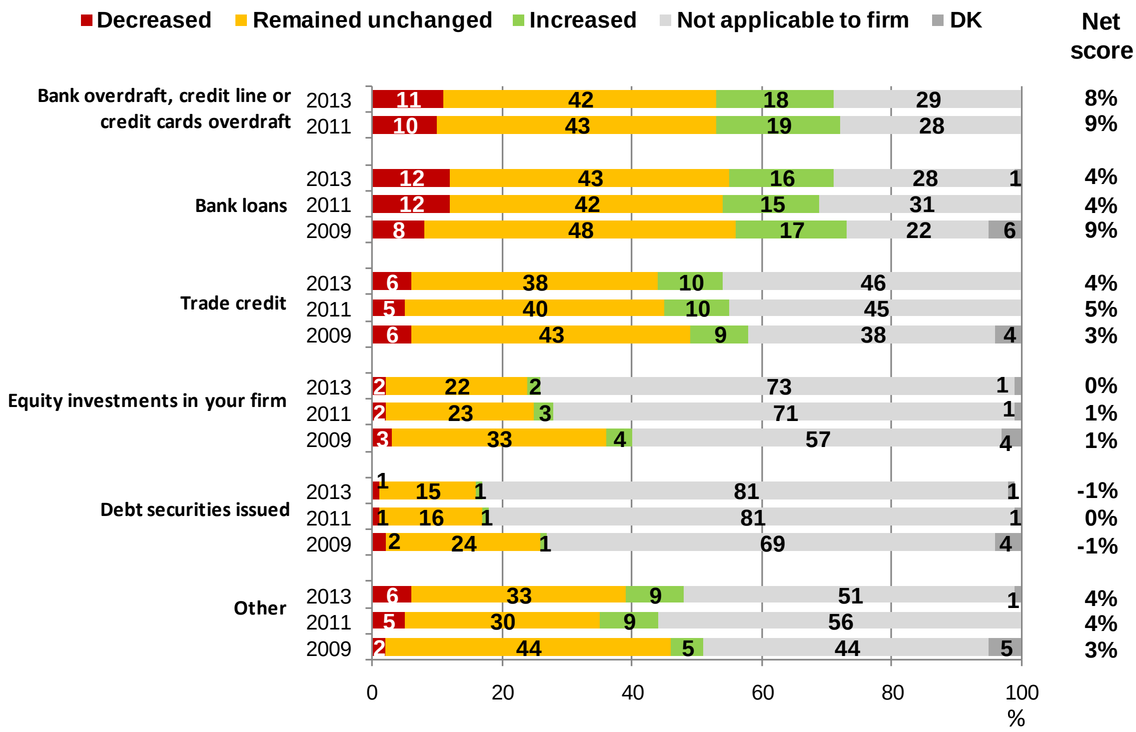
This section describes opinions of EU SME managers on any change in their companies' need for various sources of external financing. Only SMEs who had applied for that type of external finance were asked to evaluate any change in its availability as experienced by their company.

SMEs were most likely to have applied for bank overdrafts and/or bank loans – only 29% and 28% respectively considered the question to be not applicable to their company's situation – and just over half were able to give an opinion for their trade credit needs (46% not applicable). Equity investments and debt securities were the least sought forms of finance by SMEs and were most likely not to apply to companies (73% and 81% respectively). Almost half of EU SMEs (47%) investigated other forms of external financing (e.g. a loan from a related company or shareholders, leasing and factoring).

The majority viewpoint in 2013 on the need for bank overdrafts and credit, bank loans, and trade credit was that the level of need was unchanged (42%, 43% and 38% respectively). The balance of opinion on bank loans was that SMEs' need for a bank loan was slightly more likely to have increased over the last 6 months (16%) than decreased (12%), although this difference has decreased considerably since 2009 (17% increased versus 8% decreased).

The majority viewpoint for other forms of external financing was also that the need was unchanged (33%). For equity investment and debt securities as well, of those who were able to give an opinion, the majority reported no change in 2013.

Changes in need for external financing in past 6 months



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

Base: All EU-28 SMEs

Looking at the overall results across the EU, the need for external financing seemed to stay stable for the majority of the different types of financing, except for very minor changes. For bank overdraft or credit, one in five SMEs reported an increased need (18%) while one in ten reported a decreased need (11%), making the net change +8%. This was very similar to the net change in 2011 which was +9%.

The net need for bank loan stayed exactly the same while for trade credit, it decreased by one percentage point. (+4% in 2013 versus +5% in 2011) However, there was also a slight decrease in the percentage of SMEs indicating the need for trade credit had stayed unchanged compared to 2011 (38% in 2013 versus 40% in 2011).

There was a similar situation of stability with the need for equity investment and debt securities whereby the net need for both decreased by one percentage point. (0% and -1% respectively) The net need for other financing remained stable in 2013 compared to 2011 (both at +4%). In 2013, there were likely to be more SMEs who investigated this type of financing for their needs with a 5% decrease in the percentage of SMEs who said not applicable for other financing. (51% in 2013 versus 56% in 2013)

Country variations

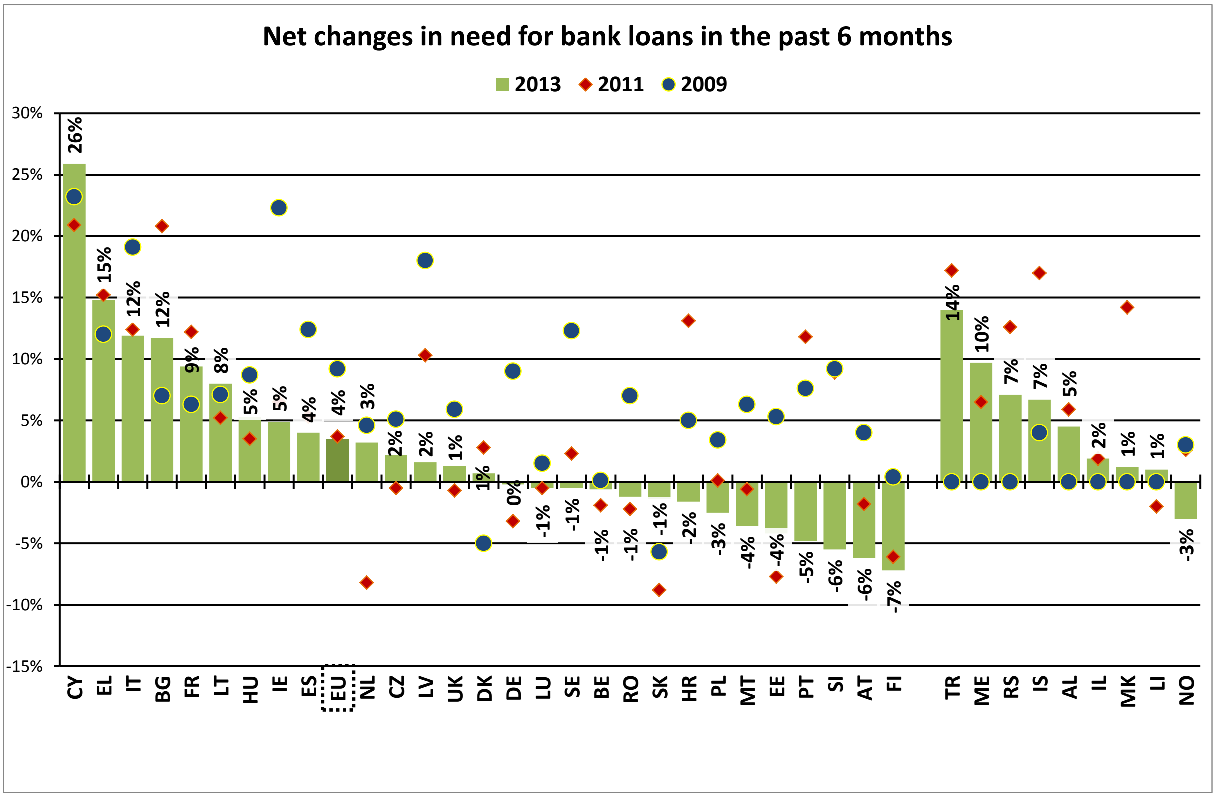
The SMEs in majority of the countries considered the question of the need for **bank loans** as relevant to their company's situation. However, in Romania (67%), Estonia (65%) and Hungary (59%), at least six in ten SMEs indicated they were not able to give an opinion.

Across the EU SMEs, the highest levels of increased need were in Cyprus (29%), followed by Greece (26%) and France (22%). The biggest rise in the need for bank loans since the 2011 survey, however, was seen in the Netherlands (12% in 2011 to 20% in 2013). Netherlands was then followed by Cyprus and Luxembourg (12% in 2013) both showing a rise of six percentage points compared to 2011.

The highest levels of decreased need, on the other hand, were in Finland (23%), Slovenia (19%) and Austria (18%). SMEs in the majority of countries were more likely to have reported no change in the need for bank loans rather than an increase or decrease.

The EU average level for increased need for bank loans was 16% while the average for decreased need was 12%, making net change across the EU +4%. The EU average for net change stayed stable since 2011. Cyprus showed the highest net score of an EU country (+26%), followed by Greece (+15%).

Net changes in need for bank loans in past 6 months



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

Base: All SMEs, % by country

With regards to **bank overdrafts**, the greatest levels of increased need over the last six months were reported from SMEs in Italy (31%), Cyprus (29%) and France (28%). This was also reflected in net levels of change as these three countries also ranked the highest in net change. (Cyprus +22%, Italy +21%, France +19%)

Similar to the need for bank loan, majority of the countries were more likely to report no change rather than increased or decreased need for bank overdrafts. Over half of SMEs in Ireland (60%), France, Belgium and Slovenia (all at 54%), Poland (52%) and Bulgaria (50%) reported no change.

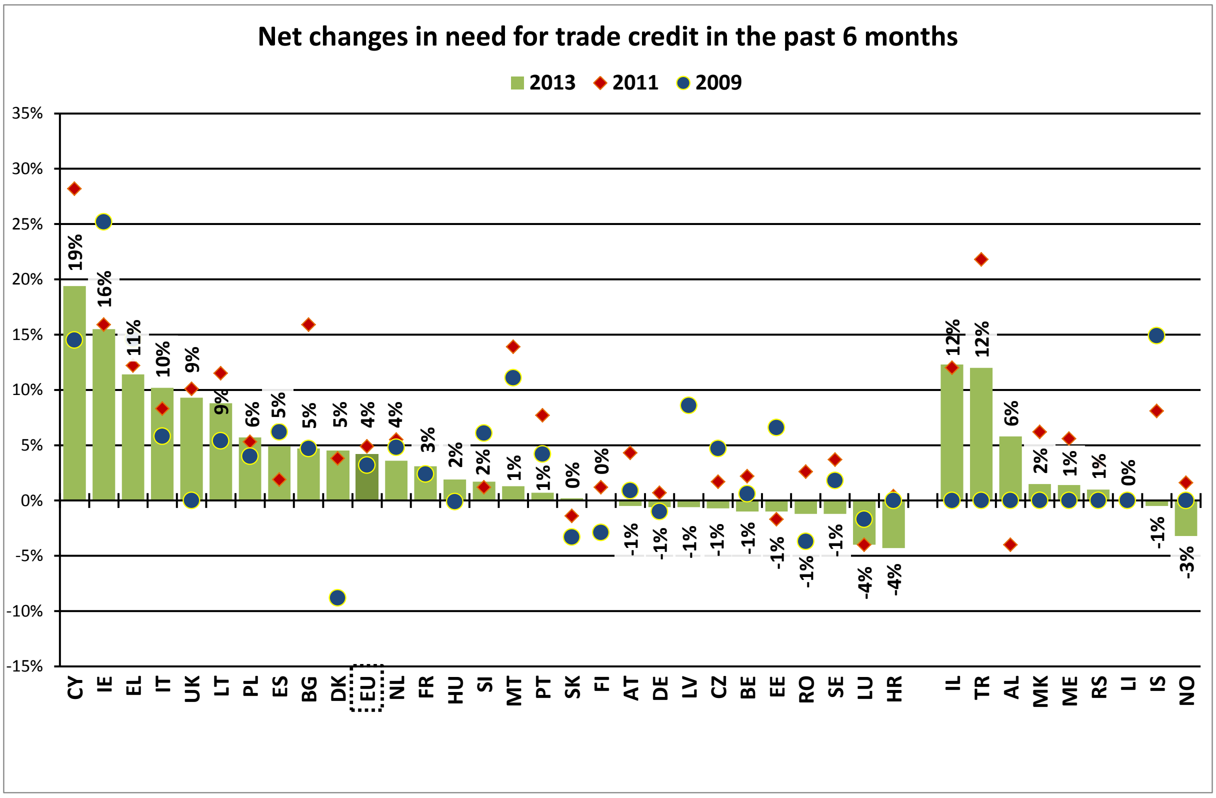
The EU average for net change in need for bank overdrafts stayed stable in 2013 (+8%) compared to 2011 (+9%). Only six countries reported their need had decreased more than it had increased. These were Luxembourg (-1%), Germany (-2%), the Czech Republic (-3%), Austria (-3%), Sweden (-4%) and Estonia (-5%).

Looking EU SMEs' need for **trade credit from business partners**, a majority of firms in half of the EU countries (14) were not able to give an opinion on this type financing as it was not applicable to them. Estonia had the highest percentage of managers reporting not applicable (85%), followed by Austria (78%) and Germany (77%).

SMEs in Cyprus (25%), Ireland (23%) and Greece (22%) were most likely to report that their company's need for trade credit had increased in the past six months. Across the non-EU countries, Turkey reported the highest need (24%) followed by Israel (17%).

The EU average for net change in trade credit need stayed stable over the last three years. In 2013, only two countries reported a negative net change score that was larger than -1% (Luxembourg and Croatia both at -4%) suggesting their need for trade credit rather decreased.

Net changes in need for trade credit from business partners in past 6 months



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

Base: All SMEs, % by country

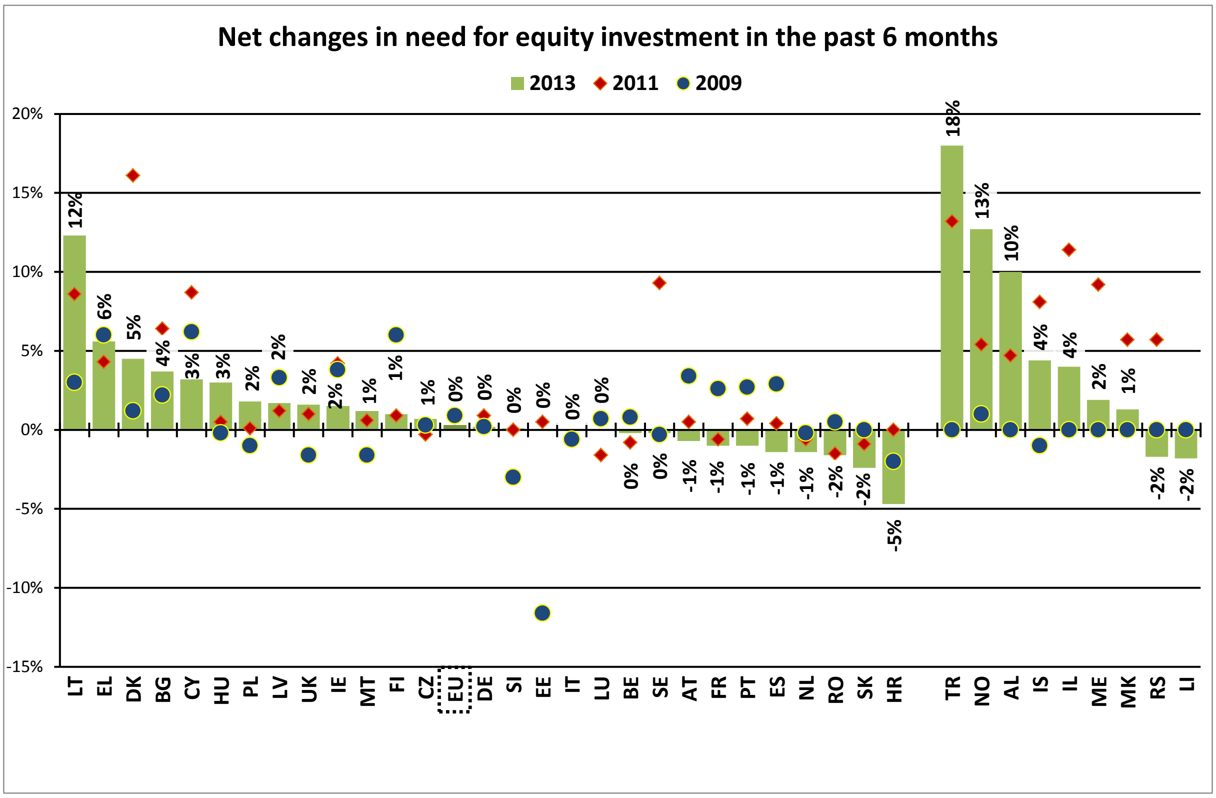
In 23 of 28 EU countries, half or more of the SME managers were not able to give an opinion on the need for **equity investment**. The EU average for SMEs answering questions about equity investment was 28%, which was similar to the 2011 level of 29% but much lower than the 2009 level of 44%.

The majority of SMEs who gave an opinion reported that the level of need for this type of financing had not changed in the past six months. The biggest levels of increased need were seen in Lithuania (15%) and Greece (10%), both of which slightly increased compared to 2011 levels. These were also the two countries that had the highest positive net change, indicating their need increased more than it decreased (+12% and +6% respectively). They were followed by Denmark (+5%) and Bulgaria (+4%).

In terms of change in levels of increased need compared to 2011 SMEs in Denmark showed the most significant change, with a 17 percentage point decrease in their need for equity financing in 2013 compared to 2011 (7% in 2013 versus 23% in 2011). Sweden showed the second most significant decrease in its need for equity financing compared to 2011 (16% in 2013 versus 3% in 2011).

The EU average for net change remained the same between 2009 and 2013, varying between 0 and 1 per cent (0% in 2013, +1% in 2011 and +1% in 2009), indicating that overall the need for equity investment has neither increased nor decreased.

Net changes in need for equity investments in past 6 months



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

Base: All SMEs, % by country

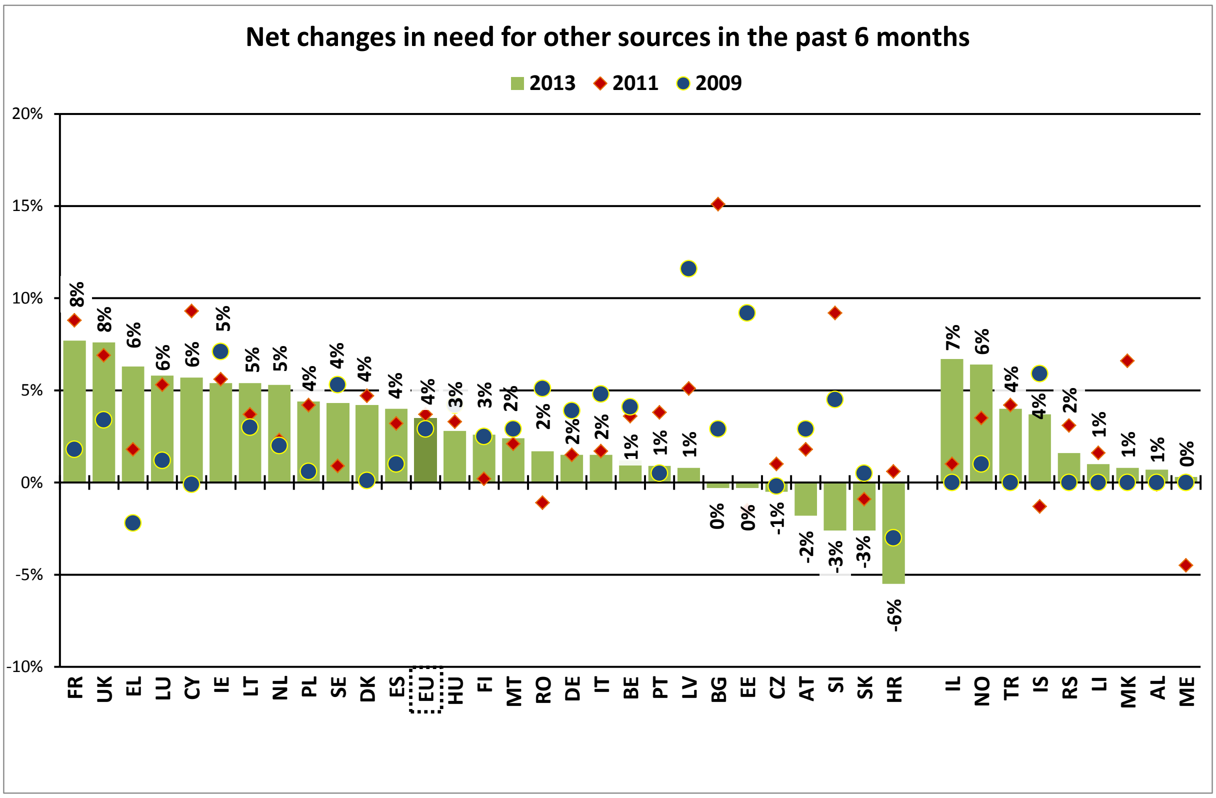
Even fewer SMEs in most countries were able to answer questions about any change in the need for **debt securities** and therefore, the results are not shown in this report. In 23 of the 28 EU countries, fewer than 30 per cent felt able to give an opinion on this type of financing, with this ratio decreasing to less than 5 per cent in Estonia, Austria, Portugal and Germany.

When asked about their company's need for **other finance sources**, the picture was again similar to that for the need for trade credit, where just under half of SMEs across the EU (49%) were able to give an opinion on this type of financing. The highest level of managers able to give an opinion were in France (65%), followed by Bulgaria (61%), Sweden (60%) and Luxembourg (60%).

Across the EU, the highest level of SMEs reporting that their need **for other finance sources** had increased were in Spain (13%) and France (13%), followed by UK (11%) and Netherlands (11%). The EU average for reporting increased need for other finance was 9%, which was the same as in 2011 survey and slightly higher compared to 2009 survey (5%).

The overall net change in the EU was +4% (9% reported increased need and 6% reported decreased need) and remained unchanged compared to 2011. The only countries which were more likely to report a net fall rather than a rise in their level of need in 2013 were Croatia (-6%), Slovakia and Slovenia (both at -3%), Austria (-2%) and the Czech Republic (-1%).

Net changes in need for other sources in past 6 months



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

Base: All SMEs, % by country

Company characteristics

Micro SMEs (1-9 employees) and medium sized SMEs (10-49 employees) reported higher levels of increased need for **bank overdrafts** (19% and 20% respectively) compared to large SMEs (16%, i.e. 50-249 employees). A similar trend was observed for lower turnover SMEs reporting a higher need for bank overdrafts. Autonomous SMEs (19%) reported a higher level of need compared to companies which were subsidiaries or parts of enterprises (13%), whilst construction companies reported a higher level of need (25%) than other sectors including manufacturing, trade and services (all 18%).

The trend by company size was reversed with regard to the need for **bank loans,** as micro SMEs were slightly less likely to report an increased level of need (14%) compared to medium sized (17%) and large SMEs (17%). Similarly those SMEs with between €2 million and €10 million turnover were slightly more likely to have an increased level of need (19%-20%) as opposed to those with a turnover of less than €2 million (17%).

The trend was similar when it came to the characteristic of the enterprise, with autonomous SMEs more likely to report an increased need (16%) compared to subsidiaries or parts of enterprises (10%).

With respect to the need for **trade credit**, micro SMEs were more likely to report that this type of financing was not applicable to them (48%) compared to medium sized (45%) and large SMEs (41%). SMEs in the services sector (50%) were more likely than other sectors (all 40%) to say that trade credit was not applicable to them, as were SMEs that had been active less than two years (55%) compared to older SMEs ().

Medium sized and large SMEs were slightly more likely to have had an increased need for trade credit (both at 11%) compared to micro SMEs (8%). SMEs in the service sector had a lower need for trade credit (8%) compared to SMEs in all other sectors (all at 12%).

Gazelles & Innovators

Innovator SMEs were more likely than non-innovators to report an increased need for bank overdrafts (21% versus 15%), bank loans (19% versus 12%) as well as trade credit (12% versus 7%).

Of all growing firms, Gazelles reported a significantly higher increased need for bank overdrafts (20%) compared to moderate growth and stagnant firms (15% and 18% respectively). SMEs that shrank reported the highest level of increased need for bank overdraft (29%).

The trend was reversed when it came to gazelles’ reported level of need for bank loans as gazelles reported the lowest level of increased need for bank loans (12%) among growing SMEs while high growth SMEs reported the highest (17%). As with the need for bank overdrafts, shrinking SMEs reported the highest increase in the need for bank loans (21%).

With respect to trade credit, gazelles had the highest level of increased need (16%), followed by high growth SMEs (13%), medium growth SMEs (8%), and SMEs reporting no growth (8%). Those SMEs who got smaller, once again, reported a high level of increased need (15%), but not higher than gazelles.

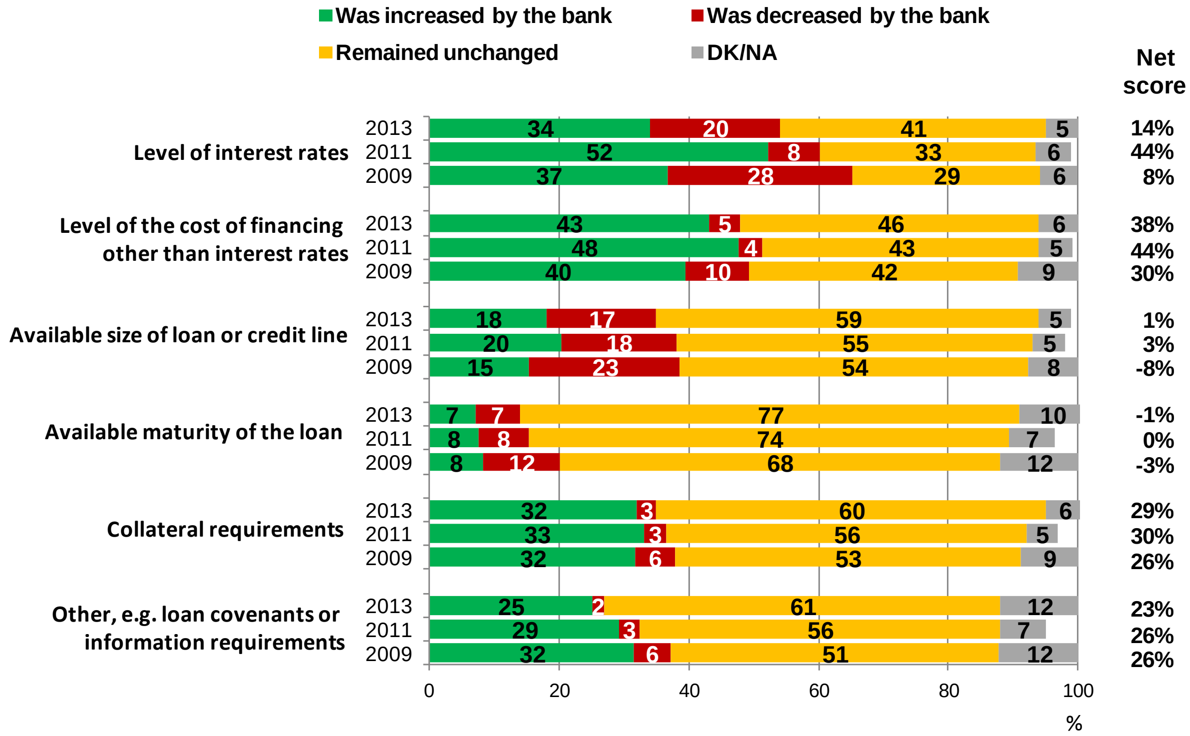
3.3 Terms and conditions of bank financing

SMEs that had applied for bank financing were asked whether the various terms and conditions had changed over the past six months.

One third (34%) of SMEs that had applied for a bank loan reported that **interest rates** had been increased in the past six months, but 20% reported a reduction and 41% no change. So the majority (61%) were reporting no change or an improvement.

This was a considerable improvement from results in 2011 when only 41% reported no change or a reduction. In 2011 over half (52%) reported that rates had been increased, compared to 34% in 2013.

Changes in bank financing terms and conditions in past 6 months



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

Base: EU-28 SMEs who applied for bank financing

However, the **non-interest related costs** (fees, charges, commission) of financing were reported to have been increased by a substantial minority (43%), although just over half reported either no change (46%) to these costs or a decrease (only 5%). These results for 2013 were slightly improved from 2011 levels (48% increase and 43% no change).

Stability was clearly most likely for the **available maturity of the loan** (77% unchanged) with equal numbers reporting an increase (7%) or decrease (7%). The likelihood of stability has increased slightly from 2009 and 2011 levels to 2013.

About six in ten SME borrowers reported that the other items (size of loan, collateral requirements and other issues) had not changed in the last six months. The majority reported that the **available size of a loan** was unchanged (59%) and one in six (18%) that it had increased. However, almost as many (17%) reported a decrease in the size available. The likelihood of stability has gradually increased from 2009 (54%) and 2011 (55%) to 2013 levels.

The **collateral requirements** were also reported as unchanged (60%) by a similar level of SMEs. The likelihood of stability in this factor has also gradually increased since the 2009 survey. However, nearly one-third (32%) reported that the bank had increased the requirements and only 3% that they had been reduced. This is virtually unchanged from 2011 levels.

Other conditions (for information or loan covenants) were reported unchanged by 61%, with 25% reporting that they had been increased and only 2% decreased. This was a small improvement from 2011 levels, with the likelihood of stability clearly increasing from 2009 and 2011 to 2013 levels.

Country variations

Results from some countries for this question should be treated with caution where the sample size was relatively small, the question only being asked of those SMEs which had applied for bank financing. The following comments and comparisons are only made for countries with a sample size of at least 50 for this question.

There were considerable differences between countries as regards changes in **interest rates**. SMEs in Spain (67%), Italy (61%), Greece (58%), Finland (56%) and Ireland (54%) in particular reported that rates had increased. In contrast, some countries reported low levels of increase and comparatively high levels for a decrease in rates: Poland (14% increase but 42% decrease), Germany (11% increase, 32% decrease), the Czech Republic (14% increase, 32% decrease) and Bulgaria (4% increase, 31% decrease).

Results for most countries had changed markedly since 2011 but the difference was especially high for Finland, the only country where the level of SMES reporting increased interest rates rose rather than fell from 2011 (34%) to 2013 (56%). There was a particularly large difference in levels reporting decreased rates for German SMEs (11% in 2011 but 32% in 2013) and Polish SMEs (12% in 2011 but 42% decrease in 2013)

SMEs in some countries also deviated markedly from overall EU levels, reporting that **other financing costs** (fees, commission, etc.) had increased (43%) rather than decreased (5%). There were especially high levels reporting an increase in Spain (72%), Ireland (69%), Hungary (68%) and Italy (67%), but also some very low levels reported due to considerable stability in these costs in some countries, such as the Czech Republic (8% reporting an increase), Romania (13%) and Germany (15%).

The biggest country differences from 2011, compared with other country shifts, were seen in the Czech Republic where the level reporting increased other costs fell from 23% in 2011 to 8% in 2013, and in Hungary where levels reporting increased costs rose from 42% in 2011 to 68% in 2013.

Collateral requirements were also more likely to have risen in certain countries, in particular for SMEs in Greece (57%), Spain (55%) and Finland (51%) compared to the EU average for SMEs of 32%. In contrast the least likely countries to report an increase were Germany (13%) and Slovakia (12%) but even in these countries an increase in collateral requirements was more likely than a decrease.

The biggest shifts from 2011 to 2013 were seen in Ireland where the levels reporting an increase in collateral requirements over the past six months fell from 49% in 2011 to 38% in 2013, and in Finland where they rose from 31% to 51%.

The balance between those reporting an increase, decrease or no change to the **available size of loan** were broadly similar across most countries except in Greece where 36% reported it had decreased, compared to the EU average of 17%. Larger than average decreases were also noted in Ireland (29%), Netherlands (27%) and Spain (26%).

The largest change from 2011 was seen in Ireland where 50% reported a decrease in the size available in 2011 – a figure that fell to 29% in 2013. Most of the difference was due to higher levels in 2013 reporting no change (up from 32% to 50% in 2013).

Most countries reported similar results for changes to the **available maturity of loans**, the biggest differences from the EU average (a 7% increase and decrease) being seen from SMEs in Finland (18% increase), Greece (a 15% increase but 18% decrease), Lithuania (16% increase), and Spain (13% decrease).

Changes to **other items (e.g. loan covenants or information requirements)** were greatest in Greece where 46% reported an increase (compared with the 25% EU average) and Spain (a 54% increase).

Company characteristics

The proportion of respondents reporting an increase in **interest rates** in the past six months was lower among the largest SMEs that had applied for a bank loan than from the smallest (29% for those with 50-249 employees, compared to 38% for those with 1-9 employees).

Results from LSEs (250+ employees) were very similar to the largest SMEs in terms of the balance between increase versus a decrease reported in the rates. LSEs and the largest SMEs were also the most likely to report a decrease in interest rates (25% LSE and 26% 50-249 employee SMEs). Interest rates were most likely to be increased for SMEs that were getting smaller (49%), compared to those reporting growth (29%). There was little difference by SME sector.

Similarly, the level of **non-interest costs** such as charges and commissions was less likely to have increased among the largest SMEs (34% for 50-249 employees) than the smallest (49% for those with 1-9 staff). The results from LSEs were very similar to those from the largest SMEs (a 33% increase reported for businesses with 250+ employees). Family/entrepreneur-owned SMEs also had higher levels of non-interest cost increases (49%) than listed SMEs (35%), but also than SMEs with just one owner (35%-38%). The construction sector also had a higher level of reported increase (49% compared with 40%-41% for those in industry or trade).

The **available size of loan** was more likely to have increased for the largest SMEs (21%) than the smallest (15% for those with 1-9 staff). Even larger firms reported a higher likelihood of increase still (24% reporting an increase). The growth rate of SMEs was a key factor. High growth SMEs were most likely to report an increase (27%) in potential loan size, followed by medium growth SMEs (20%), with stagnant (11%) or shrinking SMEs (16%) some way behind.

There was little variation between types of SME in terms of results for **available loan maturity**. Loan maturity was most likely to have increased for listed SMEs (13%) and those in venture capital ownership (12%). The reported level of increase was only a little higher among LSEs (10% increase) than SMEs (7%).

Collateral requirements were less likely to have risen for the largest SMEs (26% reporting an increase) than the smallest (35% of those with 1-9 employees). They were especially likely to have increased in the construction sector (42%) compared with other sectors (32% or less). An increase was also more likely for SMEs that were getting smaller (43%) rather than growing (28%). There was almost no difference between SMEs overall (32%) and LSEs (31%) regarding increases to collateral requirements.

There was little difference between SME types regarding changes to **other issues (e.g. loan covenants, information requirements)** except for SMEs that were getting smaller, where over three in ten (35%) felt that these costs would increase. For stagnant (22%) and growing firms (25%) the level of increase was significantly lower.

Gazelles & Innovators

Gazelles were less likely than the SME average to report increased **interest rates** (19% versus 34% for all SMEs). They were also less likely to report an increase in **non-interest costs** (32% versus 43% for the EU SME average).

However, *innovators* were more likely than non-innovator SMES to report higher interest rates (36% versus 31%) and higher other costs (46% versus 38%).

Gazelles were more likely than other SMEs to report an increase in the **available size of the loan** (27% increase compared to 18% overall) but also more likely to report a decrease (28% compared to 17% overall), so their results were more polarised than average. However, there was little difference between the results for *innovators* and non-innovator SMEs (19% of innovators and 16% of non-innovators reported increased loan size).

Gazelles were also nearly twice as likely as the EU SME average to report an increase in **available loan maturity** (12% versus 7%), but the difference was not significant. They were also more likely than average to report increased collateral requirements for a loan (41%, compared to 32% overall).

4. Outlook for the future

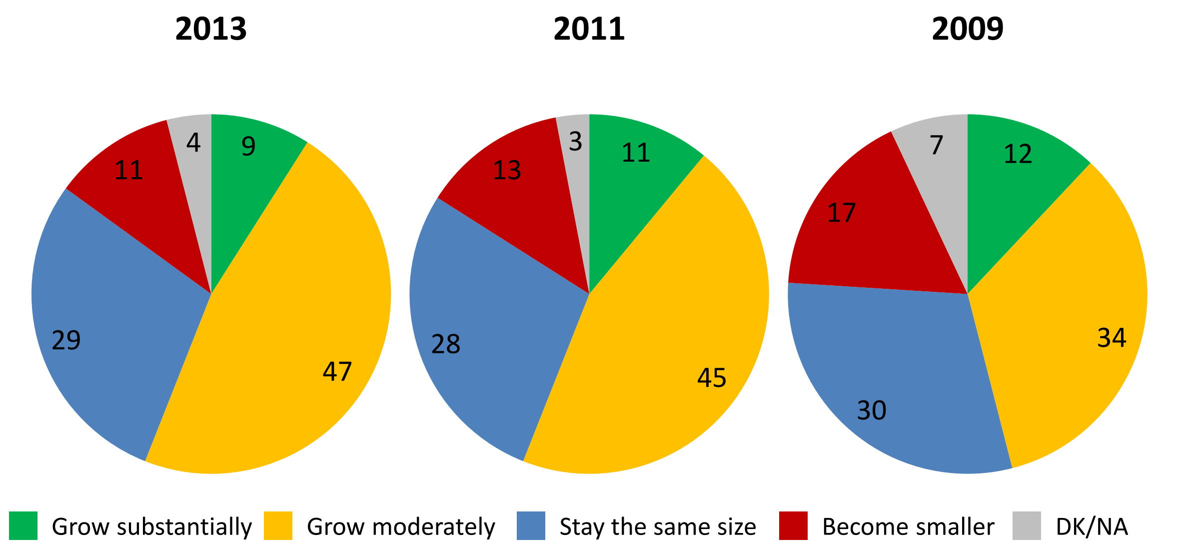
This chapter explores SMEs' expectations for the future. First, the chapter focuses on SMEs' projections for their annual turnover in the next few years. Second, the chapter examines how confident SMEs are in being able to acquire future financing from banks and equity investors. The third and fourth sections take a closer look at expectations and preferences for such future financing. Finally, the chapter concludes by looking at which factors are most important in the future financing of SMEs.

4.1 Expected growth in terms of turnover

Overall slightly more than half of SMEs in the EU expected their turnover to grow in the next two to three years (56%). Just under one in ten (9%) expected their turnover to grow by over 20%, with nearly half (47%) expecting moderate growth of under 20%.Three in ten (29%) expect their turnover to remain the same, and one in ten (11%) expect their company to shrink; a statistically significant reduction from 2011.

Overall the proportion of businesses that expect to grow over the next two to three years is the same as in 2011. There has been a slight contraction in those expecting substantial growth but this has been matched by an increase in those expecting more moderate growth – but neither is statistically significant. Whilst the proportion expecting turnover to remain the same has been very similar across all three waves of SAFE, the number expecting turnover to shrink has gradually declined.

Expected growth in turnover over the next 2-3 years



Q17. Considering the turnover of the next two to three years, how much does your company expect to grow?
Base: All SMEs, % EU-28

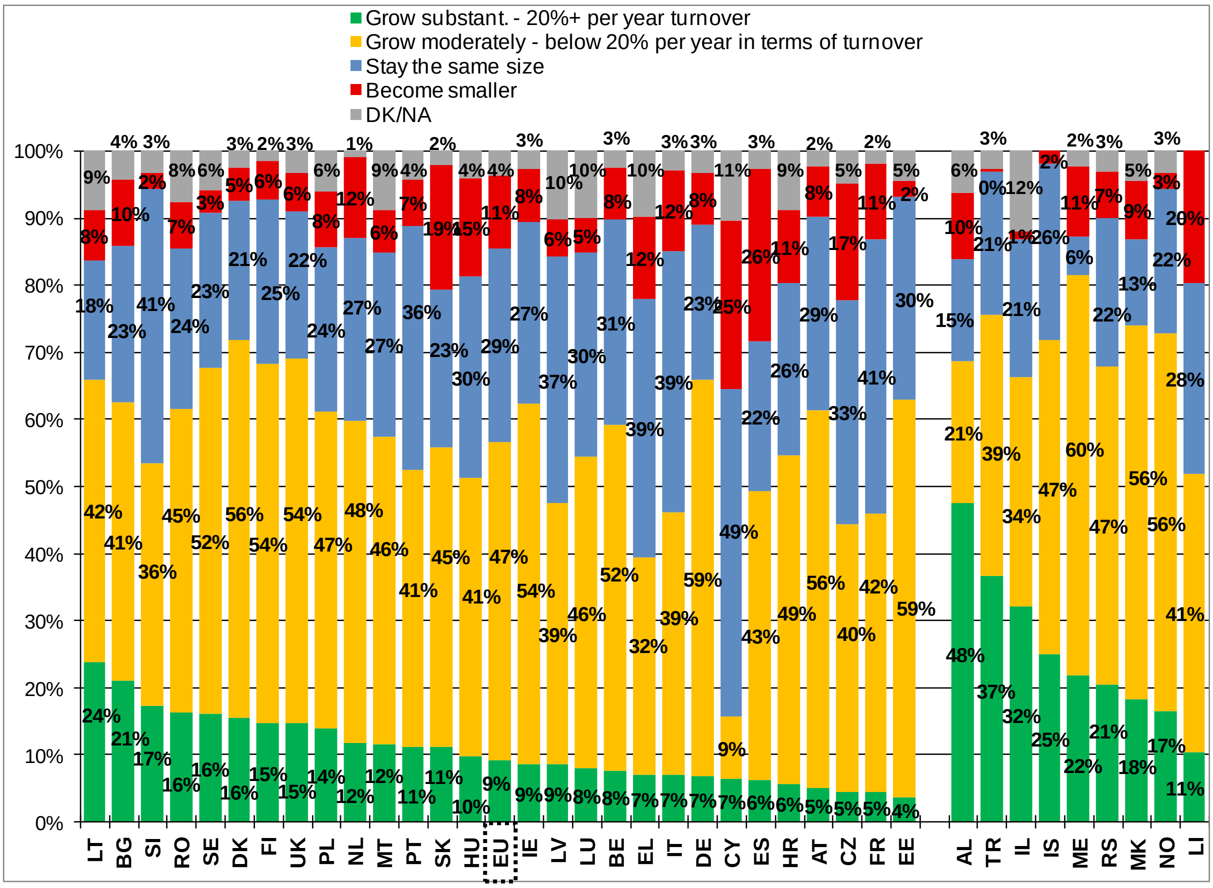
Country variations

Amongst EU countries the proportion of SMEs that expect to grow in the next two to three years ranged from a high of 72% in Denmark to 16% in Cyprus. SMEs in Lithuania were the most positive about their future growth, with a quarter (24%) expecting substantial growth of over 20%. In non-EU countries SMEs in Albania were the most positive, with almost half (48%) expecting substantial growth, and a further fifth (21%) expecting more moderate growth, over the next two to three years.

The most dramatic fall in confidence has occurred in Cyprus, where 16% of SMEs expect growth in the next two to three years (down from 48% in 2011), and fully a quarter (25%) expect turnover to shrink. Whilst SMEs in Spain remain the most pessimistic, with 26% expecting turnover to shrink, this is a reduction of nine percentage points on 2011. The proportion expecting shrinking turnover in Greece has also reduced dramatically, from 31% to 12% between 2011 and 2013.

Some of the largest increases in optimism have occurred in Malta, where the proportion expecting substantial growth has risen threefold from 3% in 2011 to 12% this year (please note that this is from a small base).

Expected growth in turnover over the next 2-3 years



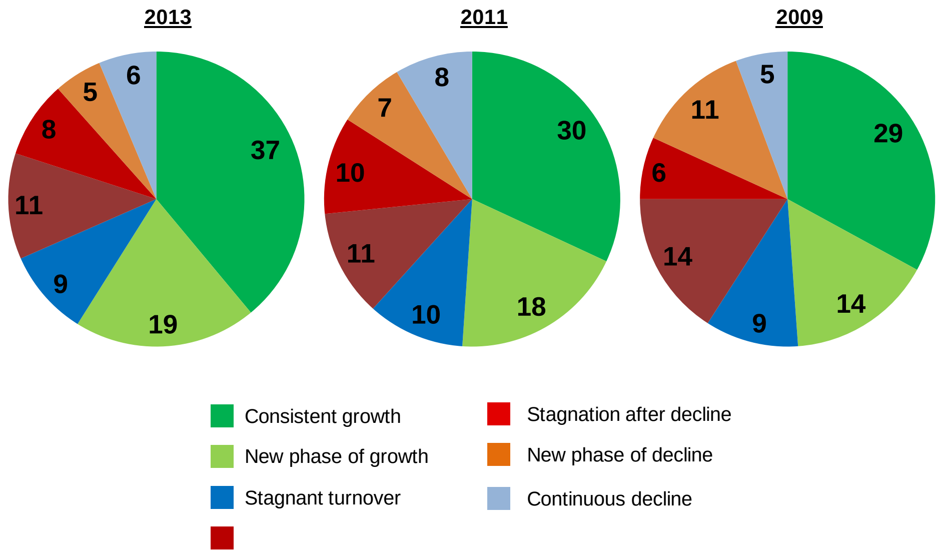
Q17. Considering the turnover of the next two to three years, how much does your company expect to grow?

Base: All SMEs, % by country

Past and expected growth

If we combine the answers to the question about the recent trend and the question about projections for the coming years, we find that just over a third of SMEs reported consistent growth (37%). In addition, 19% projected growth over the next two to three years despite their turnover having been stagnant or decreasing over the previous three years.

Past and expected growth in turnover



Q16. Over the last three years, how much did your firm grow on average in terms of turnover?
Q17. Considering the turnover of the next two to three years, how much does your company expect to grow?

Base: All SMEs, %EU28

Five per cent anticipated that their company will experience a decline over the next few years, despite growing or remaining stable in the previous three years and a further 6% expected the decline of the previous period to continue in the future.

One in twelve felt that having been in decline their turnover will stabilise, if not grow over the next few years (8%) and one in nine said that they expect the company to remain the same size despite recent growth (11%).

Overall, this represents a significant continued improvement on the previous waves of this study, when in 2009 43% reported that they expected growth, followed by 48% in 2011 and 56% in 2013.

Company characteristics

As in the last wave of SAFE, LSEs were more positive about future growth than SMEs across the EU. In this wave, seven in ten (71%) LSEs expected growth – with 14% expecting substantial growth – compared to 56% overall for SMEs. The largest SMEs, with between 50 and 249 employees, were the most positive.

It should be noted that one in ten (10%) of the smallest firms (1-9 employees) expected growth of over 20% - significantly more than larger sized SMEs. A statistically significant proportion of the smallest SMEs also expected their turnover to remain the same size (33%) or to decrease (14%) than larger SMEs.

Growth predictions also varied by the ownership structure of the SME. Three quarters (74%) of firms owned by venture firms (business angels) expected growth in the next few years; with 15% expecting substantial growth – however the sample size of these firms is rather small so this result must be treated with caution.

Of the rest of the firm ownership options, those listed on the stock market and owned by shareholders were most likely to predict growth, with 68% saying they expect to grow. Two thirds (64%) of firms owned by other businesses or business associates expected to grow over the next few years and 57% of family owned firms, and 53% of firms owned by a male individual, expected growth. The most substantial differences by work sector are to be found in construction firms anticipating a decrease in turnover, and industrial firms expecting growth. Construction SMEs were significantly more likely to anticipate shrinking turnover; 17% of construction firms expect to shrink, compared to 12% of those working in trade, 10% in services and 9% in industry. SMEs working in industry were also the most positive – 63% expect to grow in the future, compared to 58% in trade, 56% of SMEs in services, and under half (46%) of construction SMEs.

Gazelles and Innovators

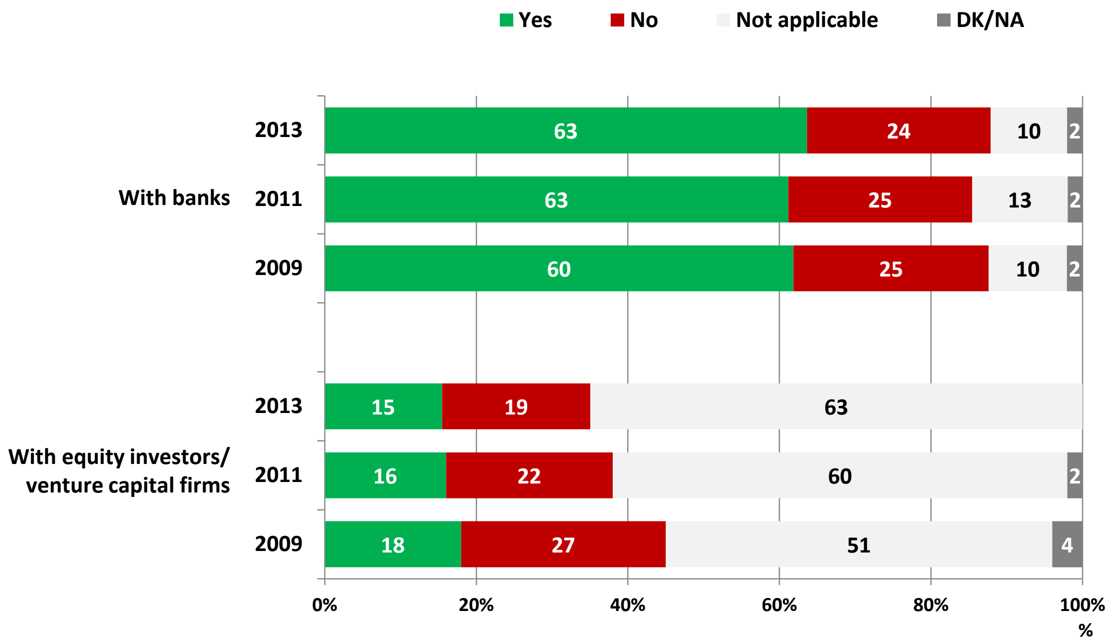
Gazelles are significantly more likely to predict growth than other firms; 84% of SME gazelles predicted growth over the next few years, and 44% predicted substantial growth. Innovator SMEs were also more confident than non-innovators, with almost two-thirds (63%) anticipating growth, compared to just under half (49%) of non-innovators.

4.2 Confidence in being able to get future financing

SMEs' confidence in obtaining future financing from banks has remained static since 2011, with almost two thirds (63%). Similarly, the proportion not confident with talking to banks has remained broadly the same, declining one percentage point to 24%.

The proportion of SME managers who did not think that talking to equity investors and venture capital firms for financing was applicable to their firm has risen to 63% - this is a statistically significant increase on 2011, which was itself a significant rise on 2009. Overall, one in seven (15%) of SME managers felt confident in talking to equity investors about financing, and one in five or 19% were not confident. Both represent reductions from 2011, explained by the increase in SMEs who feel that it is not relevant to them.

Managers' confidence in talking about financing



Q19. Do you feel confidence to talk about financing with banks and to obtain the desired result? And how about equity investors/venture capital firms?
Base: All SMEs, %EU28

Country variations

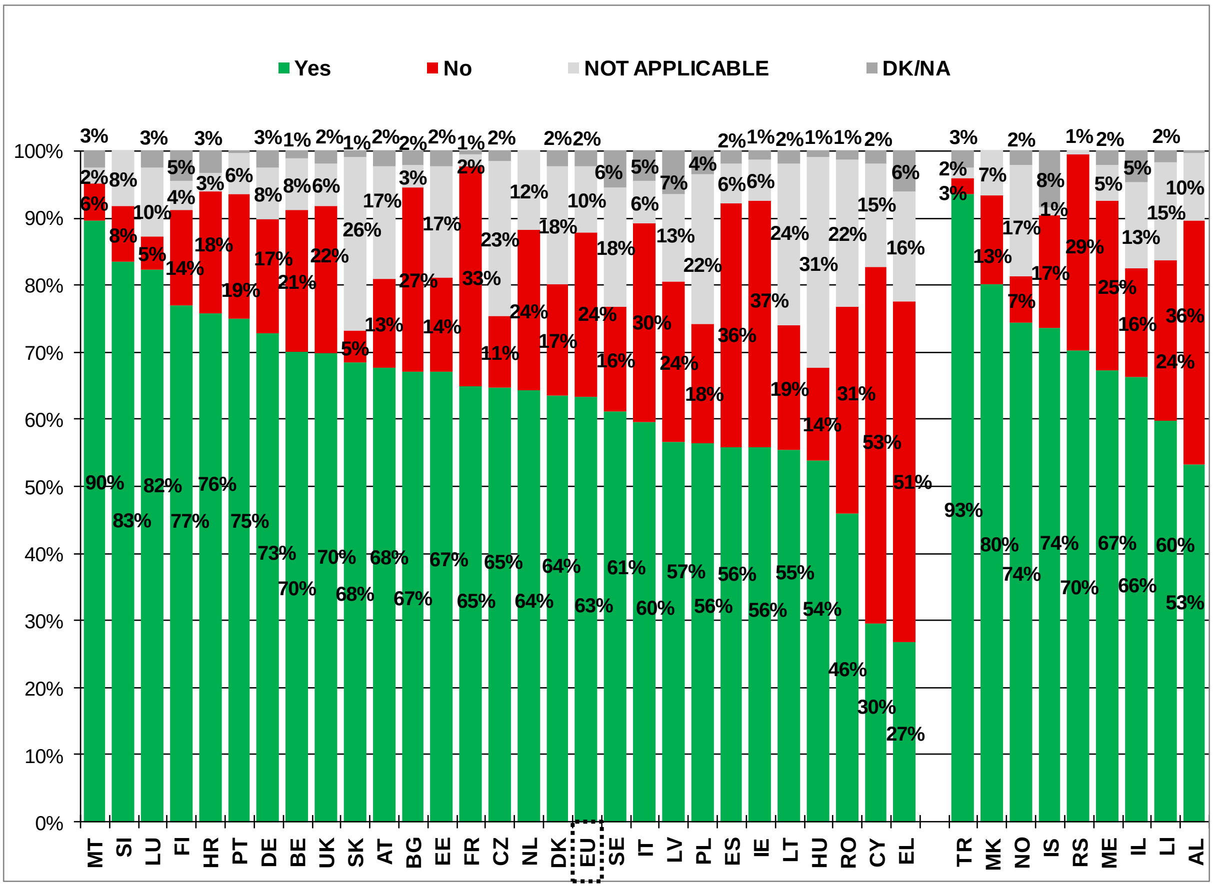
Confidence in talking about financing with banks

Within the EU, SMEs from Malta, Slovenia and Luxembourg are the most confident in talking to banks about finance. In Malta, nine in ten (90%) are confident of achieving their desired result in talking to banks, and in both Slovenia and Luxembourg over eight in ten managers expressed similar confidence (83% and 82% respectively).

As in 2011, Greek SMEs are the least confident, with fewer than three in ten (27%) confident of achieving a desired outcome, and over half (52%) not confident. In this wave they are joined by Cyprus, where similarly only three in ten (30%) are confident, and over half (53%) are not confident. This represents a drop of 19 percentage points in confidence amongst Cypriot SME managers since 2011. Managers of SMEs in Ireland and Spain are also amongst the least confident, with over a third not confident in talking to banks about financing (37% and 36% respectively).

As in the previous wave, a large proportion in several countries did not feel that they were able to answer the question. Three in ten Hungarian managers (31%) did not feel able to answer the question, and around a quarter of managers from the Czech Republic (23%) and Slovakia (26%), Lithuania (24%), Romania (22%) and Poland (22%) also felt unable to answer.

Managers' confidence in talking about financing with banks



Q19. Do you feel confident to talk about financing with banks and to obtain the desired result?
Base: All SMEs, % by country

Confidence in talking about financing with equity investors / VC firms

Firms in Malta were, by some distance, the most confident in talking to equity investors and venture capital firms about finance. However, as noted previously, this is based on a relatively small sample. Over half of managers (54%) were confident of achieving their desired result in such talks. The next most confident within the EU were the Netherlands (29%) and UK (27%), whilst outside the EU SMEs in Turkey were the most confident (44%).

Within the EU managers from Bulgaria (52%), Finland (46%) and Croatia (43%) were notably less confident than others in talking to equity investors about finance. This was driven by fewer managers saying that this type of funding was not applicable to their firm. In all three countries less than a third claimed that it was not applicable, compared to an EU-28 average of 63%.

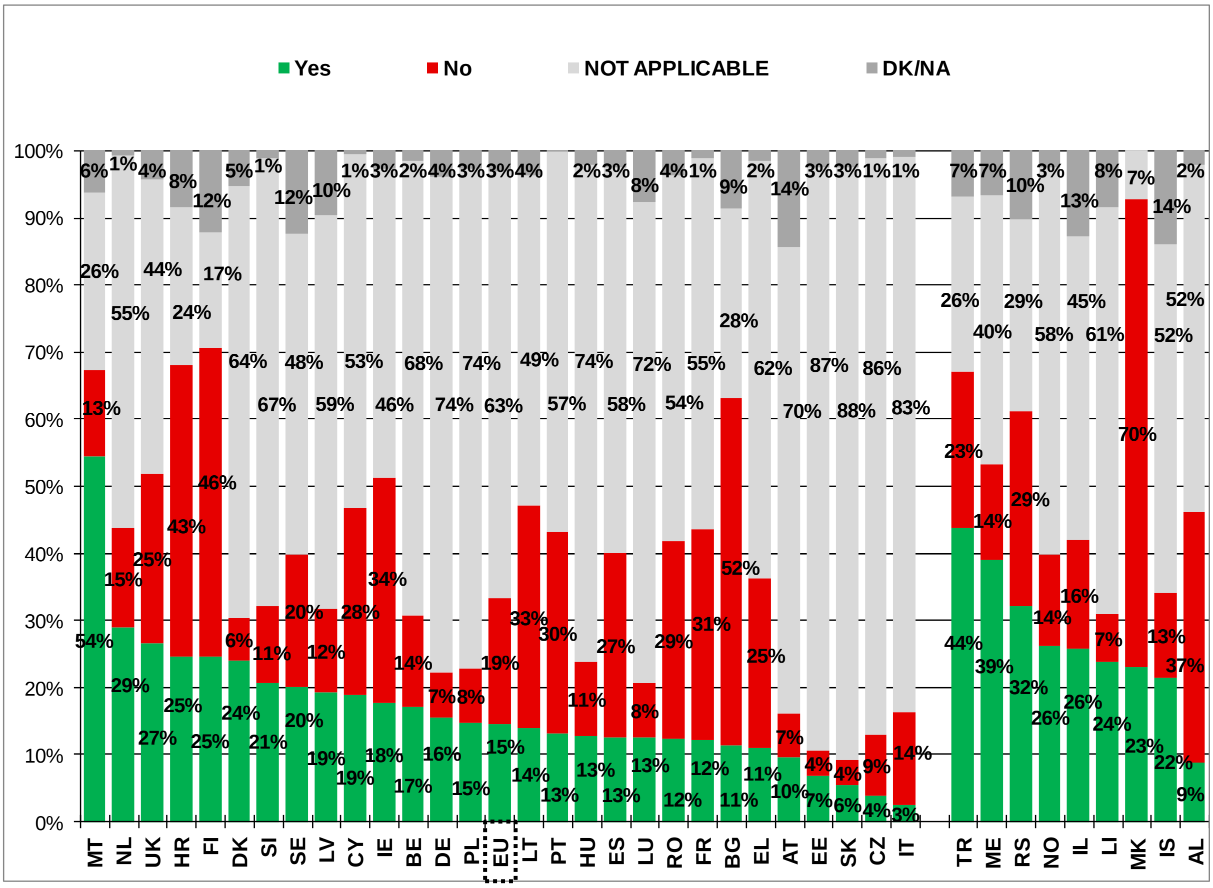
Outside the EU, managers in the Former Yugoslav Republic of Macedonia were the least optimistic about talking to equity investors – seven in ten (70%) said they were not confident in talking to these investors.

Between 2011 and 2013, significant increases in SME managers' confidence in talking to equity investors were noted in Malta (26% - 54%), Croatia (17% - 25%), the Netherlands

(18% - 29%) and Spain (7% - 13%). Outside the EU the largest increase in confidence was recorded in Iceland (6% - 22%).

The proportion of firms who felt that this question was not applicable to their firm ranged from a maximum of nearly nine in ten (88%) in Slovakia through to 17% in Finland.

Managers' confidence in talking about financing with equity investors/venture capital firms



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

Company characteristics

Company confidence in talking to **banks** was more broadly similar across sectors, but differed more markedly by company size and other factors:

- Three-quarters (74%) of managers of larger SMEs (50-249 employees), and seven in ten or 69% of medium size SMEs (10-49 employees) were confident in talking to banks about finance. Both are significantly larger proportions than the 54% of smaller SMEs (1-9 employees) who feel confident talking to banks.

- Managers of SMEs working in industry were the most confident in talking to banks, with seven in ten (69%) confident of the outcome, compared to around six in ten for trade (63%), services (63%) and construction (61%).

- Family and entrepreneur-owned firms were the most confident in talking to banks about finance; two thirds (66%) reported being confident. This was marginally higher than for companies owned by shareholders (60%), other firms (65%), or venture capital (63%)l.

Overall, SME confidence across the EU has remained at the same level as 2011, with 63% of managers expressing confidence in talking to banks.

SME manager confidence in talking to **venture capital firms and equity investors** is broadly at the same level as 2011 too, with 15% expressing confidence in 2013 and 16% in 2011. Almost twice as many managers of larger SMEs (50-249 employees) expressed confidence in talking to these investors about finance as the smallest SMEs (1-9 employees); with 20% of the largest firms and 11% of the smallest being confident.

As might be expected, almost half (48%) of SMEs owned by equity investors and venture capital firms were confident in talking to these firms about finance, although a third (35%) felt it was not applicable to their firm.

Across all firms in the EU, confidence in talking to equity investors and venture capital firms has remained stable between 2011 and 2013. The proportion of LSEs expressing confidence has risen one percentage point from 27% to 28%, whilst the proportion of SMEs expressing confidence has fallen from 16% to 15%.

Gazelles and Innovators

Confidence amongst gazelles and innovator SMEs in talking to banks about financing was broadly the same as for all SMEs. Sixty-three per cent of Gazelle SMEs and 64% of innovators expressed confidence in talking to banks – in line with the EU average of 63%.

By contrast, gazelles were significantly more confident in talking to equity investors and venture capital firms than non-Gazelle and non-innovator SMEs. Almost one in three (27%) gazelles expressed confidence in talking to these investors, which was noticeably more than innovators (16%) and SMEs overall (15%).

Gazelles were also more likely than innovators or SMEs overall to not be confident in talking to equity investors and venture capital firms (22%, 20% and 19% respectively). This is likely to be related to a lower perception amongst gazelles that this type of funding is not applicable to their firm – an option held by half (49%) of gazelle firms but by three-fifths (61%) of innovators and SMEs overall (63%).

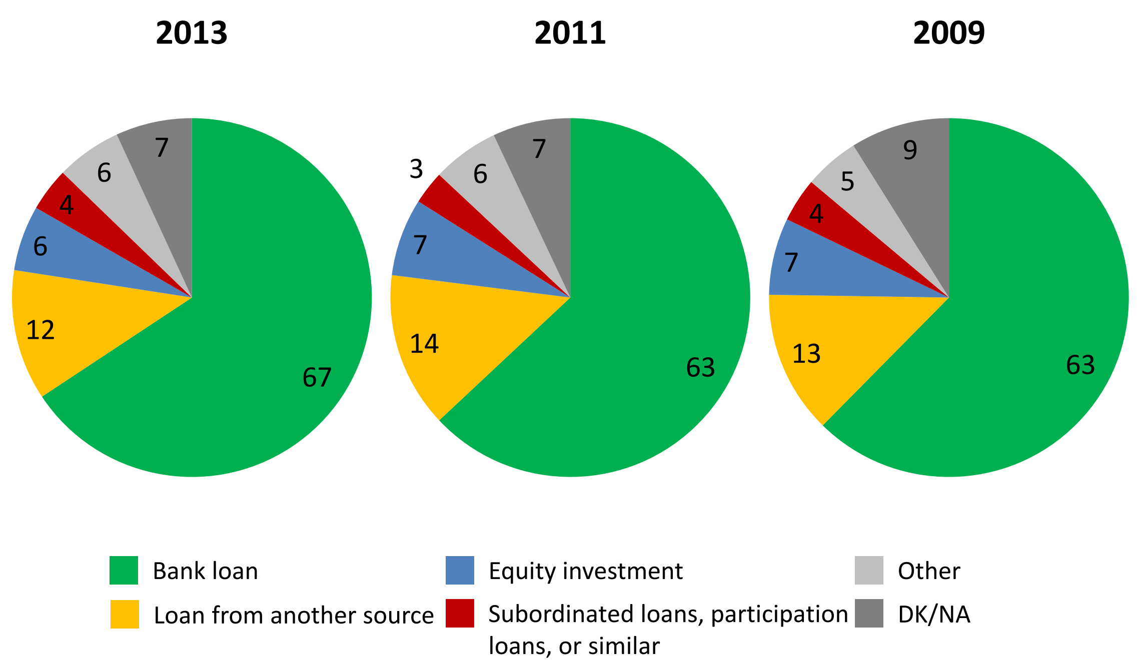
4.3 External financing in the future

4.3.1 Preferred type of financing for future development

As with the previous survey years, bank loans are the most preferred type of external financing amongst SMEs that expect to grow in the next two to three years. In 2013, the proportion was two-thirds (67%), which is a small increase on 63% from 2011. The next most popular source of external financing was other types of loans, such as trade credit or a loan from a related company, shareholders, or public sources, which was favoured by around one in eight (12%) of managers. Only 6% favoured equity investments, down from 7% in 2011.

The overall proportions were very similar to 2011, with no change to the order of preference.

Most preferred type of external financing to realise growth ambitions



Q20. If you need external financing to realise your growth ambitions, what type of external financing would you prefer most?
Base: SMEs that expect to grow in the next two to three years, %EU-28

Country variations

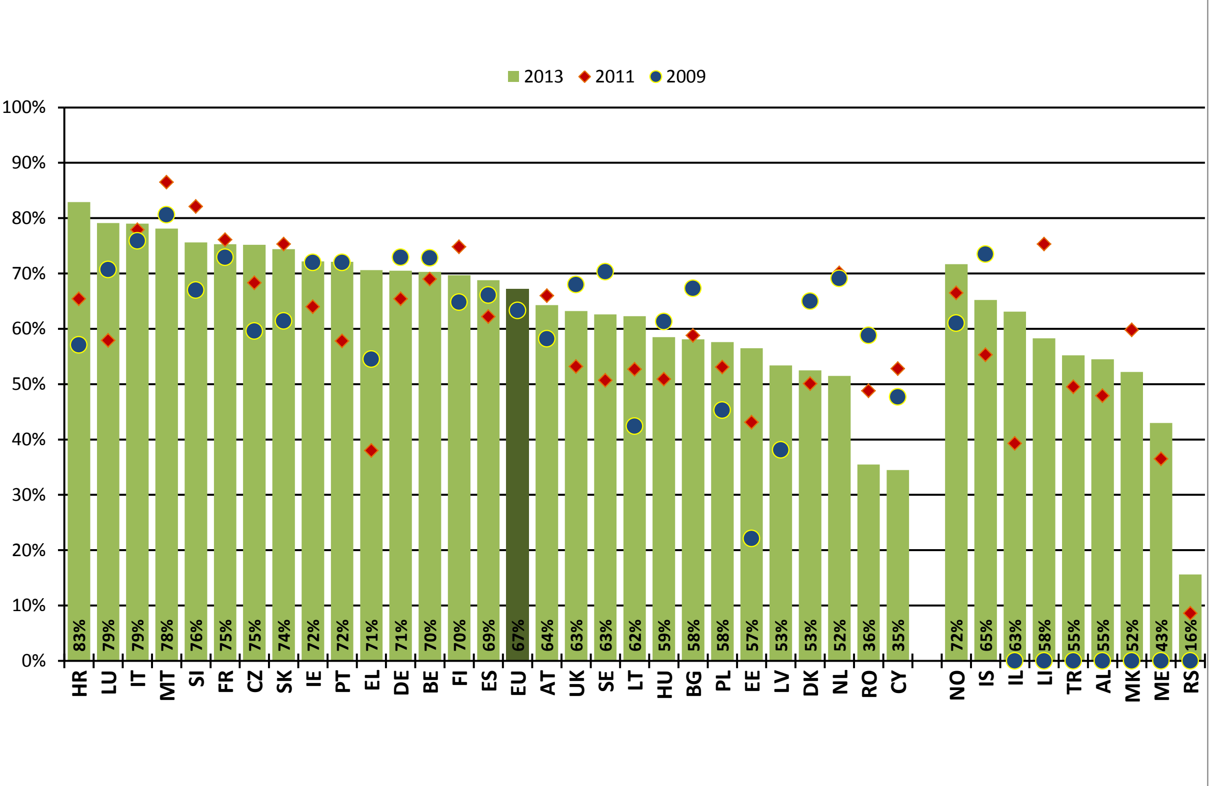
In all countries except Serbia, bank loans were the preferred form of financing. Amongst those countries where the largest proportion of SMEs favoured bank loans, the proportion varied from a high of 83% in Croatia to 35% in Cyprus – although the low number of SMEs interviewed in both these countries means the results should be treated with caution.

In Greece the proportion of SMEs where bank loans were the preferred method of external financing rebounded sharply from 2011, from 38% to 71%. At the same time, the proportion preferring subordinated loans fell from nearly one in three (27%) to three per cent.

In Serbia, 65% said that subordinated loans were their preferred method of external financing – although as with the previous results this is based on a small number of SMEs. Loans from other sources were particularly popular in the Netherlands and Poland where around one in five (18% and 21% respectively) said that this was their preferred means of external financing.

Equity investments were typically chosen by fewer than one in ten SME managers across the countries surveyed, but were significantly higher in Turkey (18%), Ireland (12%) and Latvia (15%).

Most preferred type of external financing to realise growth ambitions – Bank Loans



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

Company characteristics

Across most different types of SMEs and LSEs, bank loans were the most preferred form of external financing, usually gathering between six in ten and seven in ten responses. However, autonomous companies were significantly more likely to prefer bank loans than subsidiary and branch firms (69% to 52%).

Family or entrepreneur-owned SMEs (72%) and individual male-owned SMEs (70%) were significantly more likely to prefer bank loans than other ownership structures – compared to around half (47%) of shareholder-owned firms and other business-owned SMEs (53%), and closer to six in ten individual female-owned SMEs (61%) and venture capital or equity firm-owned SMEs (57%).

Shareholder-owned SMEs and SMEs owned by other businesses were more likely than other types of firms to prefer loans from other sources, with around one in four managers choosing this option (24% and 23% respectively).

Gazelles and Innovators

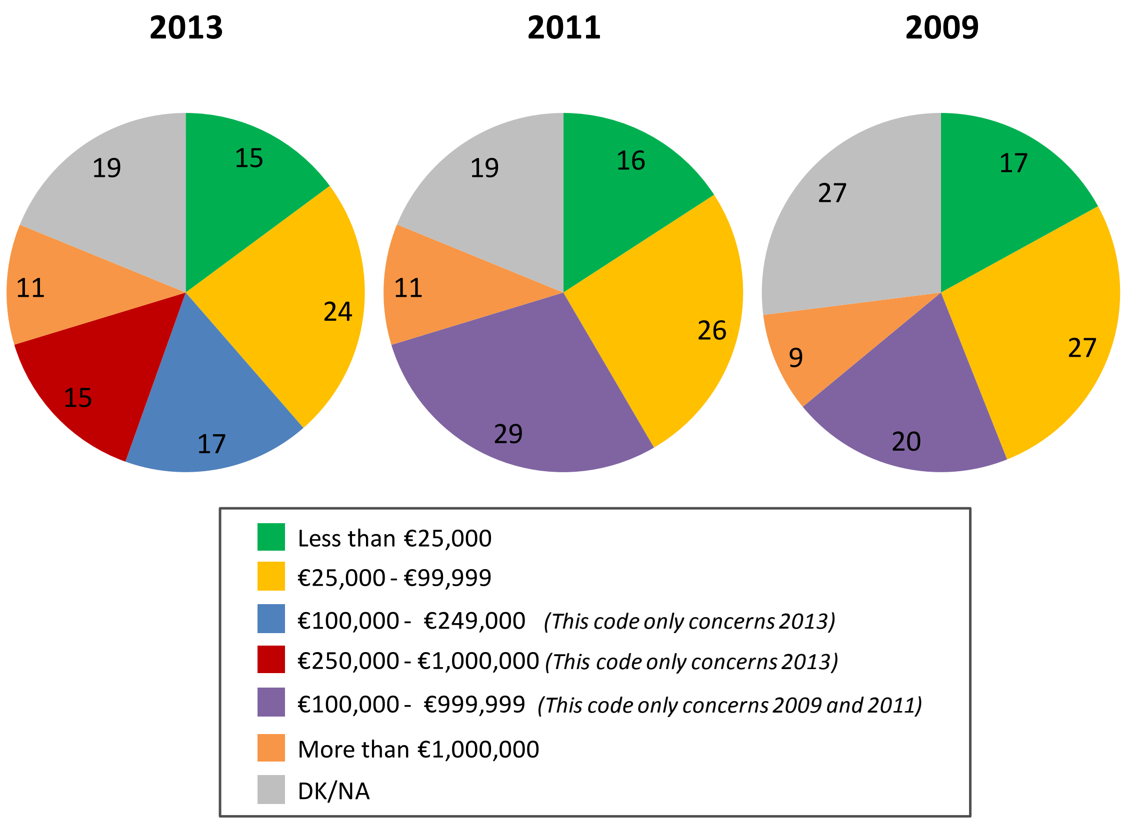
Gazelles and innovator firms had external finance preferences very similar to other types of SMEs. For both, bank loans were the most preferred source of financing (selected by 59% and 64% respectively), close to the EU average of 67%. The proportion of gazelle and innovator managers who selected other types of external financing were also close to the overall averages, with no significant differences.

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

Among SMEs expecting future growth, the overall picture for the amount of financing they are aiming for is similar to previous years. One in seven (15%) would aim to obtain less than €25,000, around one in four (24%) have targeted between €25,000 and €99,999, three in ten (32%) expect between €100,000 and €999,999, and one in ten (11%) are aiming for over €1 million. The proportion saying that they do not know or cannot say has also remained the same as in 2011, standing at around two in ten (19%) for this wave of the survey.

A change to the questionnaire this year subdivided the 2009-2011 answer code "€100,000 to €999,999" into "€100,000-€249,000" and "€250,000-€999,999", and the proportion selecting both of these codes (32%) this year is similar to the proportion selecting the previous code in the last two waves.

Amount of financing would aim to obtain



Q21. And what amount of financing would you aim to obtain?
Base: SMEs that expect to grow in the next two to three years, % EU-28

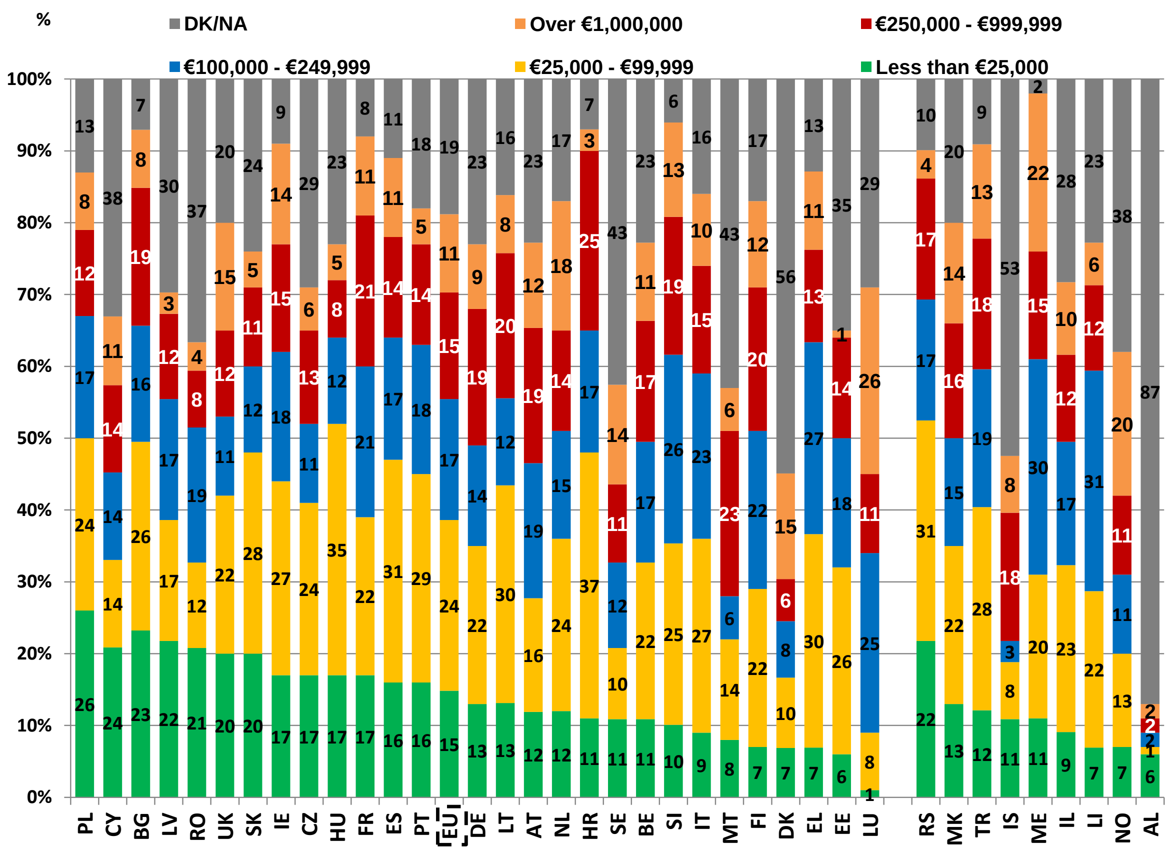
Country variations

A majority of SME managers in Denmark – 56% – either could not or would not say what level of financing they were aiming for in order to achieve their growth ambitions over the next few years. Other countries where this proportion was high were Sweden (43%), Romania (37%), Cyprus (38%) and Estonia (35%). Outside of the EU this response was even higher – reaching 87% in Albania, 53% in Iceland, and 38% in Norway.

Amongst those who could give an answer, there were large differences between countries in the level of funding SME managers hoped to obtain. One fifth of SME managers in the Netherlands (18%), and one in seven managers from Denmark (14%) and the UK (15%), said they were seeking over €1 million in funding, significantly more than the EU average, and far higher than the one per cent of SME managers in Estonia who were seeking the same level of funding.

Similarly, the proportion of SME seeking the smallest level of funding – under €25,000 – varied from around one quarter in Poland (24%) and Bulgaria (23%), and two in ten in Romania (21%) and the UK (20%), down to fewer than one in twenty in Finland, Greece, Denmark (all 7%), and Estonia (6%). One per cent of SME managers in Luxembourg were seeking the smallest level of funding, but the base sizes involved in Luxembourg mean that this result should be treated with caution.

Amount of financing to obtain



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

Preferred type of financing and size of the loan

The amount of financing an SME hopes to obtain does not vary too greatly dependent on their preferred form of financing. The most notable variation occurs at the high and low end of finance requirements; loans from other sources and other sources of finance are more popular amongst SME managers seeking less than €25,000, whilst equity investments are more popular amongst those seeking over €1 million.

The amount of finance sought and SME managers' preferred method of financing have not changed significantly since 2011.

	Amount of financing aiming to obtain					
	Less than €25,000	**€25,000 - €99,999**	**€100,000 - €249,999**	**€250,000 - €1,000,000**	**Over €1,000,000**	**DK/NA**
EU	15%	24%	17%	15%	11%	19%
	PREFERRED TYPE OF FINANCING					
Bank loan	15%	25%	18%	16%	10%	16%
Loan from other sources	21%	26%	13%	16%	11%	13%
Equity investment	9%	24%	19%	20%	20%	9%
Subordinated loans etc.	15%	27%	14%	14%	20%	10%
Other	18%	21%	15%	13%	11%	22%

Q20. If you need external financing to realise your growth ambitions, what type of external financing would you prefer most?
Q21. And what amount of financing would you prefer most?

Base: Companies that expect to grow in the next two to three years, Row % EU28

Company characteristics

As might be expected, LSEs were significantly more likely to aim for larger sums of money when considering their future financial needs. 55% of LSE managers questioned said that they would be seeking more than €1 million in financing, compared to one in ten (11%) of SMEs overall. Similarly, over half of SMEs with a turnover exceeding €50 million per year (56%) said that they would be seeking more than €1 million in financing.

SMEs working in industry were significantly more likely than firms in other sectors to aim for over €1 million in external finance, with 17% saying this was their goal, compared to 11% of construction firms, 10% of firms in services, and 9% of firms in trade.

The financing needs of gazelles and innovator firms, as far as the level of finance required is concerned, did not differ significantly from the finance needs of SMEs overall.

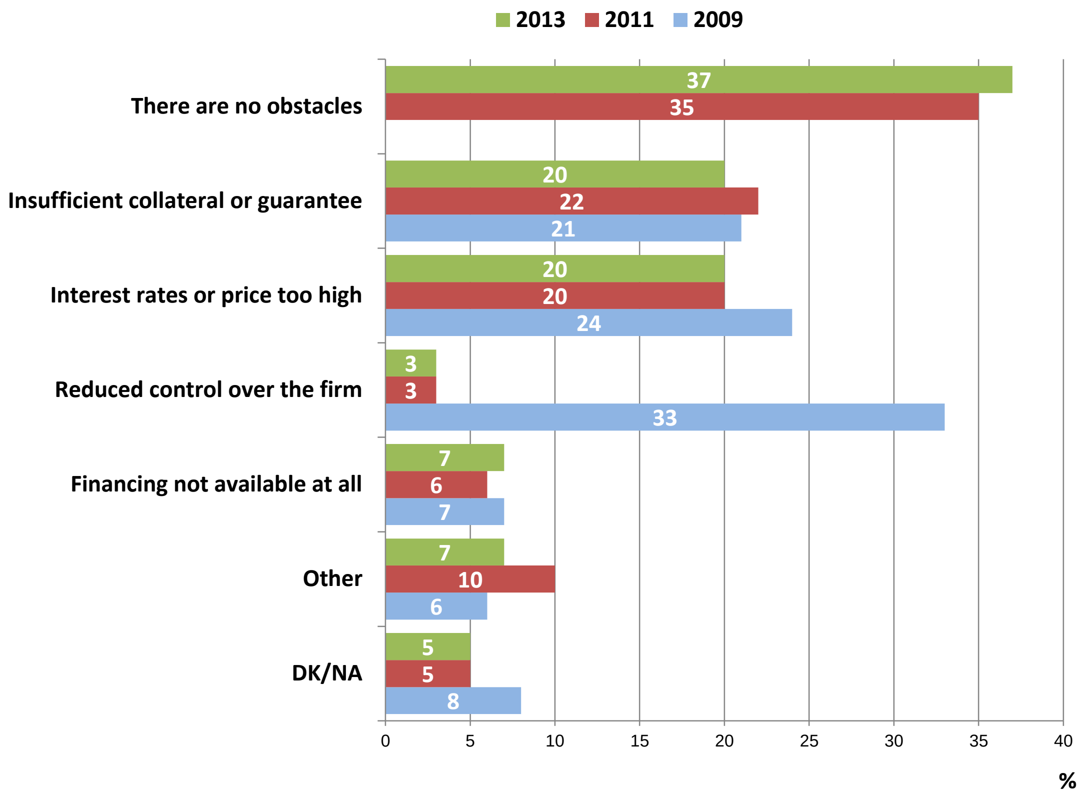
4.3.3 Obstacles to getting external financing

The proportion of SME managers who would prefer a bank or other loan and who believe that there are no obstacles to getting external funding stands at nearly four in ten (37%); a slight increase on 2011, but not statistically significant.

The two largest obstacles to external funding identified by SME managers were insufficient collateral and interest rates being too high – both were selected by 20% of managers. The proportion claiming that interest rates are too high has remained the same since 2011, whilst the proportion claiming insufficient collateral has dropped two percentage points.

The proportion of SME managers who see reduced control of their firm as a major impediment to acquiring external finance remains very low, at three per cent as it was in 2011. Similarly, the proportion claiming that financing is not available at all stands at 7%, the same level as in 2009 and 2011.

Most important limiting factor to get external financing to realise growth ambitions
Those who prefer bank or other loan



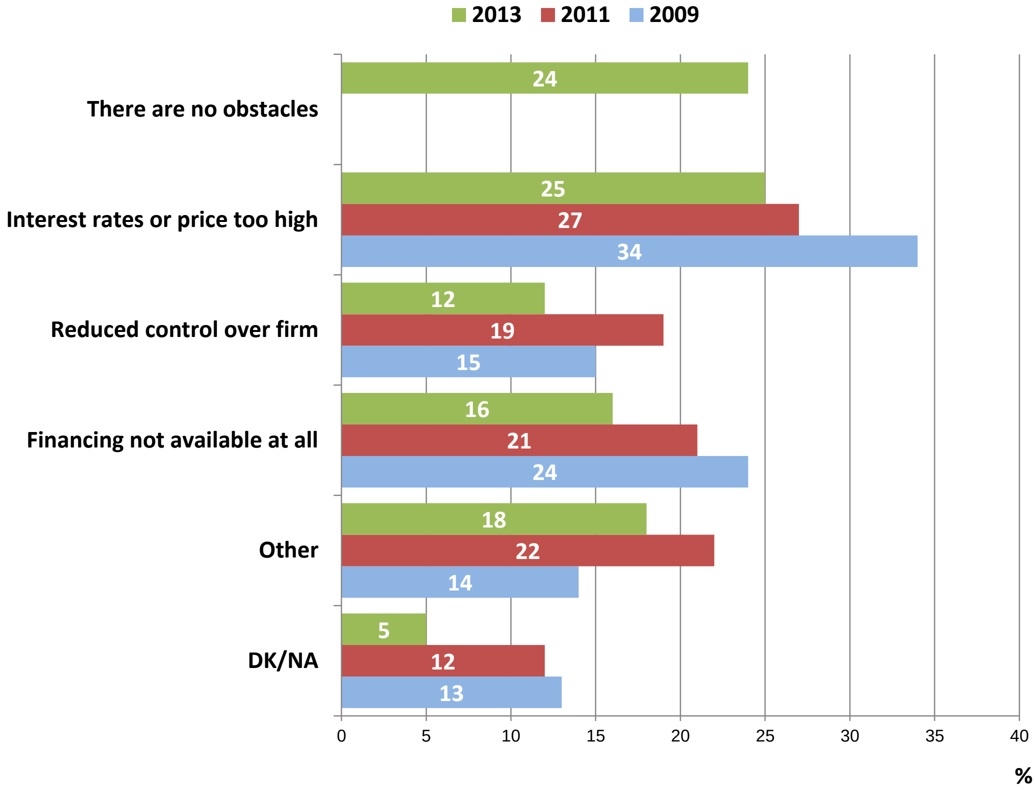
Q22. What do you see as the most important limiting factor to get this financing?
Base: SMEs that expect to grow in the next two to three years, % EU-28

Amongst the mangers of SMEs who would prefer equity investment or mezzanine funding, the biggest obstacle was the interest rate being too high, identified by one in four (25%)

managers questioned. “Other” concerns were the second most frequently cited (18%), followed by financing not being available at all (16%) and reduced control over the firm (12%). The level citing each type of concern has decreased since 2011.

A new code for this wave of the survey was that “there are no obstacles”; around one quarter (24%) of SME managers felt that there were no obstacles to getting external financing.

Most important limiting factor to get external financing to realise growth ambitions
Those who prefer equity investment or mezzanine



Q22. What do you see as the most important limiting factor to get this financing?
Base: SMEs that expect to grow in the next two to three years, % EU-28
N.B. ‘There are no obstacles’ not included as an option in 2011/2009

Country variations

The questions about limiting factors that might stop managers receiving the required external financing were only presented to respondents who said that they expected their company to grow in the next two to three years. Further, each question was only asked of those who would prefer that type of financing. Because of this, the sample size for each country was relatively small and therefore caution is needed when interpreting the results at the individual country level.

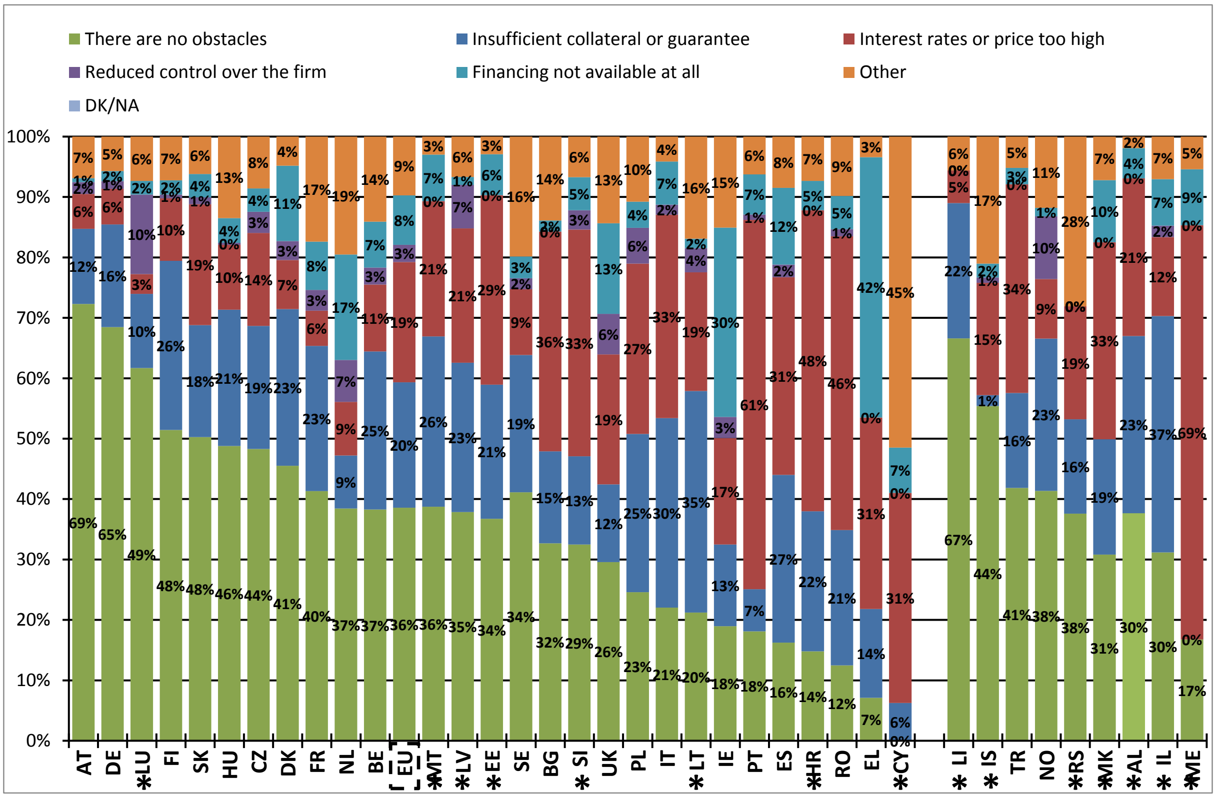
In the chart below, data for all countries has been included, but those marked at the base with an asterisk have an effective base size of less than 50. The data for these countries can only be used for illustrative purposes.

SMEs in Austria and Germany were the most likely to say that they saw no obstacles to obtaining financing. German managers were the most optimistic, with nearly seven in ten (69%) foreseeing no obstacles. In Austria the figure was 65%. By comparison just seven per cent of Greek SME managers saw no obstacles to obtaining funding.

Generally, SME managers were most likely to see interest rates being too high as the biggest obstacle to obtaining financing. Six in ten (61%) Portuguese SME managers and half (51%) of Romanian managers thought that high interest rates were the biggest obstacle. The largest proportion of managers who said that insufficient collateral was an issue were to be found in Italy, where insufficient collateral was cited by three in ten (30%).

SME managers in Ireland and Greece were by some distance the most likely to say that this sort of funding was not available at all, with over four in ten (42%) of Greek SMEs, and three in ten (30%) of Irish SMEs claiming that this was the case.

Most important limiting factor to get a loan



Q22. What do you see as the most important limiting factor to get this financing?
Base: SMEs that expect to grow in the next two to three years, % EU-28

The base sizes for firms that said they preferred mezzanine or equity funding as their source of funding are too small in every country for a country analysis.

At the EU level, one in five (20%) of SMEs foresaw no problems in obtaining funding through their preferred channel. A further one in five (20%) saw high interest rates as the chief obstacle, and a similar proportion (20%) saw this type of funding not being available at all as the main problem. Again, one in five (20%) cited “other” problems as the most important limiting factor, whilst 16% saw reduced control over their firm as the main issue.

Company characteristics

The most established SMEs were more likely to report that there are no obstacles to them getting the funding required to grow their company. Almost four in ten (39%) of SMEs that are more than ten years old said they foresaw no obstacles to obtaining funding, compared with 31% of firms aged between two and ten years old, and 27% of firms younger than two years old.

The smallest SMEs are most likely to say that high interest rates are the main obstacle to obtaining funding. One quarter (24%) of SMEs with 1-9 employees cite this as the biggest obstacle, significantly more than SMEs with 10-49 (16%) and 50-249 employees (15%).

Gazelles and Innovators

There are no statistically significant differences between gazelles and innovator SMEs and SMEs more generally.

Amongst gazelles and innovator firms that prefer bank or other loans as their source of external financing, one quarter (26%) of gazelles and one third (33%) of innovators said they foresaw no problems in obtaining funds, compared to 36% overall (and 42% of non-innovative firms). However, as mentioned before, these differences are not statistically significant.

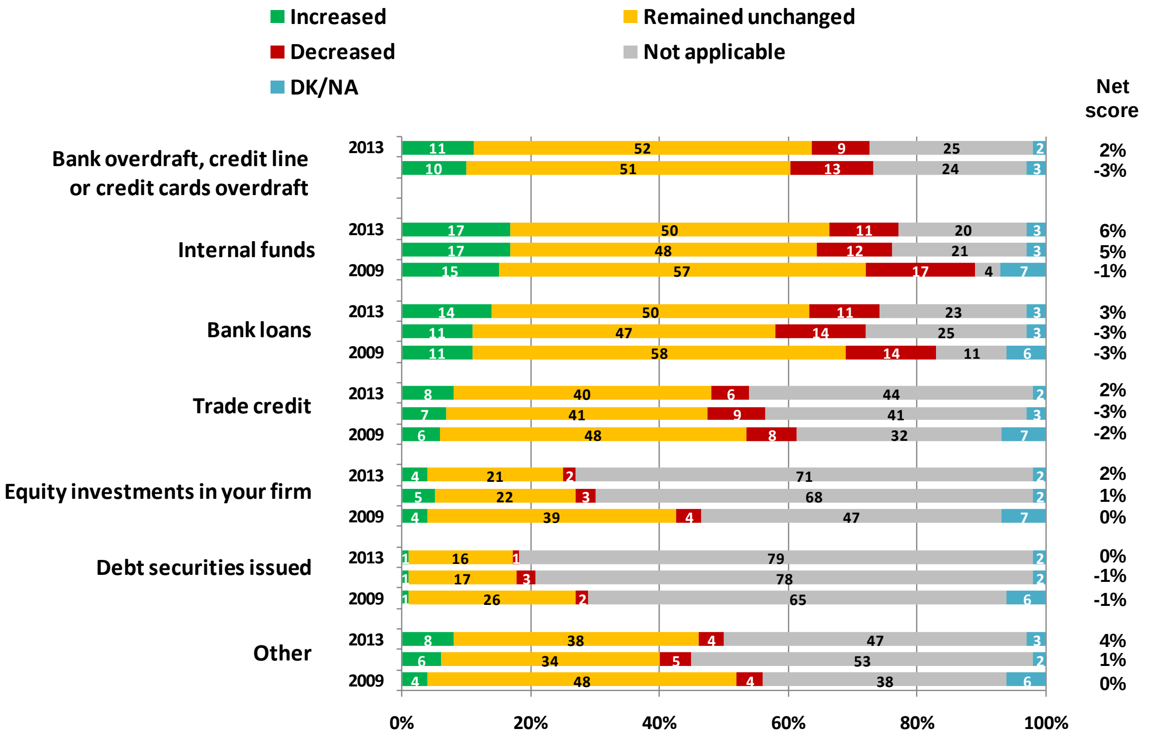
4.4 Expected availability of internal funds and external financing

Overall, attitudes towards the expected availability of internal and external funds have remained similar to attitudes recorded in 2011. Around half of SMEs in the EU think that their access to bank overdrafts (52%), bank loans (50%), and internal funds (50%) will remain the same over the next half year. These scores are in line with findings from 2011. There was the most optimistic about access to internal funds increasing over the next six months, with almost one in five (17%) believing that access will increase.

SME managers were more optimistic about the availability of all types of financing. The proportion who felt that the availability of bank overdrafts and credit lines would decrease fell from around one in seven (13%) to under one in ten (9%), and smaller decreases were recorded regarding internal funds, bank loans and trade credit.

Large proportions of SME managers did not think that funding from equity investments and debt securities were relevant to their firm (71% and 79% respectively). These proportions have grown slightly since 2011. Amongst those who did answer, the majority felt that the availability of these forms of financing would remain the same over the next six months.

Expected availability of internal and external funding



Q23. For each of the following types of financing available to your firm, could you please indicate whether you think they will improve, deteriorate, or remain unchanged over the next 6 months?
Base: All SMEs, % EU-28

Country variations

In this section, we focus solely on the responses of managers who gave an answer.

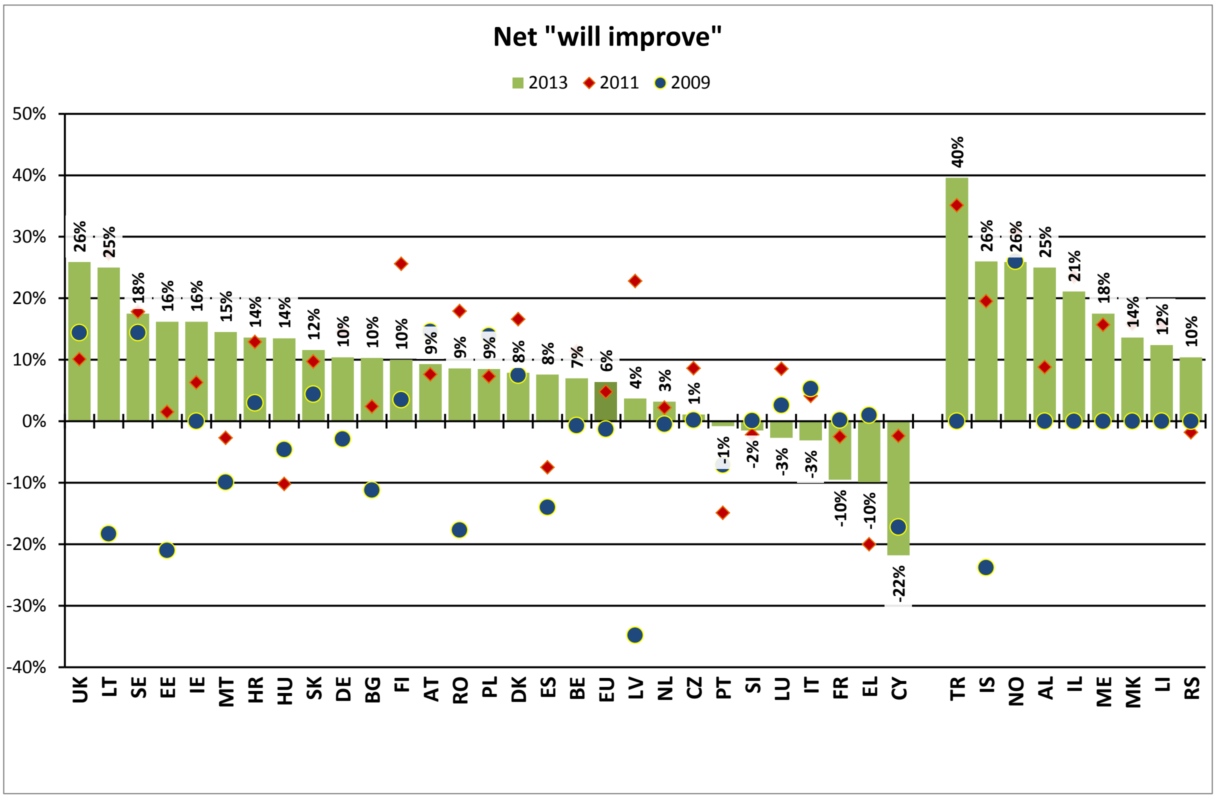
Expected availability of internal funds

Managers of SMEs in the UK were the most optimistic overall about the availability of internal funds, with a net score of +26% overall. The least positive were SME managers from Cyprus, Greece and France, although the small base size means that the Cypriot percentage must not be taken at face value. The score of -10% in France represents a sharp drop in confidence in the availability of internal funds although larger drops were recorded in several countries, most notably Finland and Latvia.

Optimism has risen most sharply in Hungary, with the net score rising by 24 percentage points from -10% to +14% since 2011. Other sharp rises were seen in the UK, where the net score rose by 16 percentage points, as well as in Estonia, where optimism on internal fund availability rose from +2% to +16%. This marks a further rise from the 2009 net score, which was one of the lowest at -21%.

Six in ten (60%) SME managers in Finland believe that the level of availability of internal funds will remain the same over the next six months; the highest score for this wave of the survey. Belief that the availability of internal funds would remain the same dropped sharply in Denmark, from 58% in 2011 to 34% in this wave of the survey.

Expected availability of internal funds



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

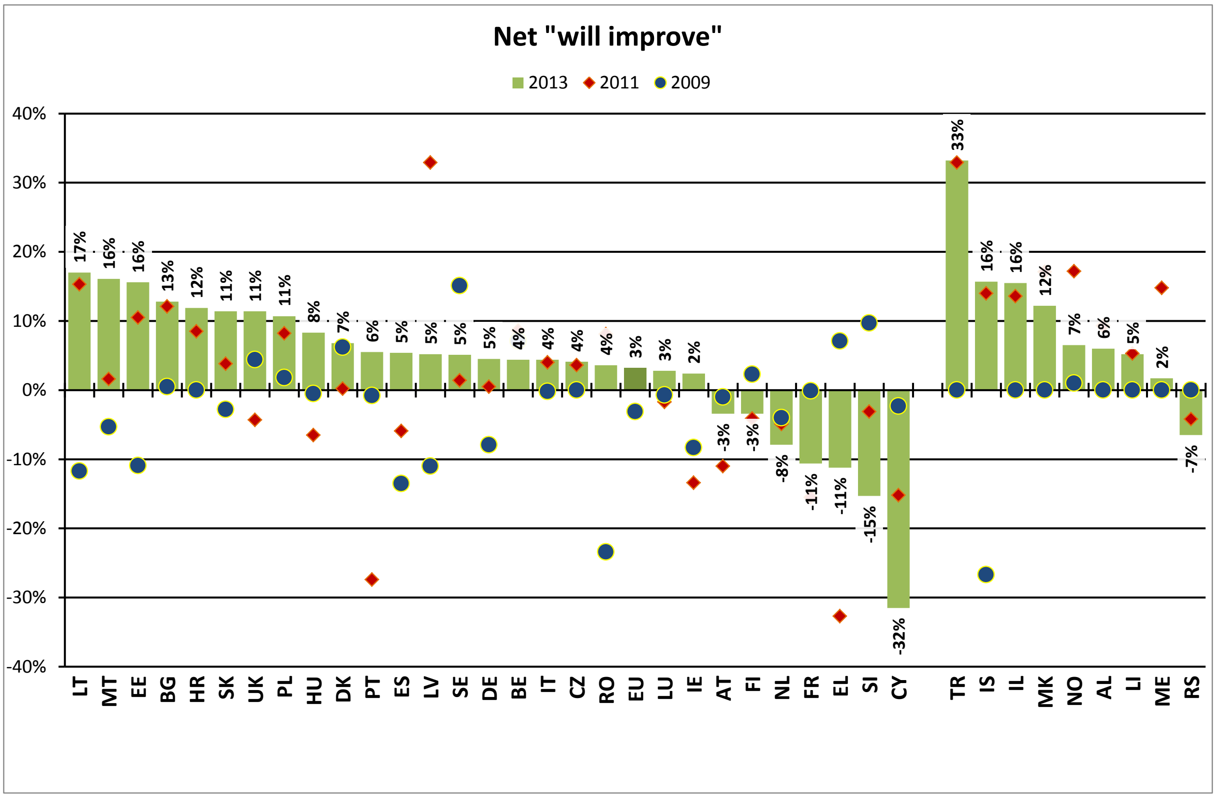
Expected availability of bank loans

Optimism around the availability of bank loans in the next six months has risen significantly in the EU as a whole, with the net feeling that availability will increase rising from -3% to +3%.

Large increases in optimism about the expected availability of bank loans were recorded from managers of SMEs in Portugal and Greece. Optimism in Greece rose 22 percentage points from -33% to -11%, and in Portugal there are now more SME managers saying they are optimistic about the availability of bank loans, after the optimism score rose by 33 percentage points from -27% to +6%.

Pessimism about the availability in bank loans was most clearly present in Latvia, where the optimism score fell from +33% to +5% - although in both waves the base size for Latvia is small so this figure should be treated cautiously. Pessimism also increased amongst SME managers in Cyprus and Slovenia, but across most other countries the predominant message on the expected availability of bank loans in the future is positive.

Expected availability of bank loans



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

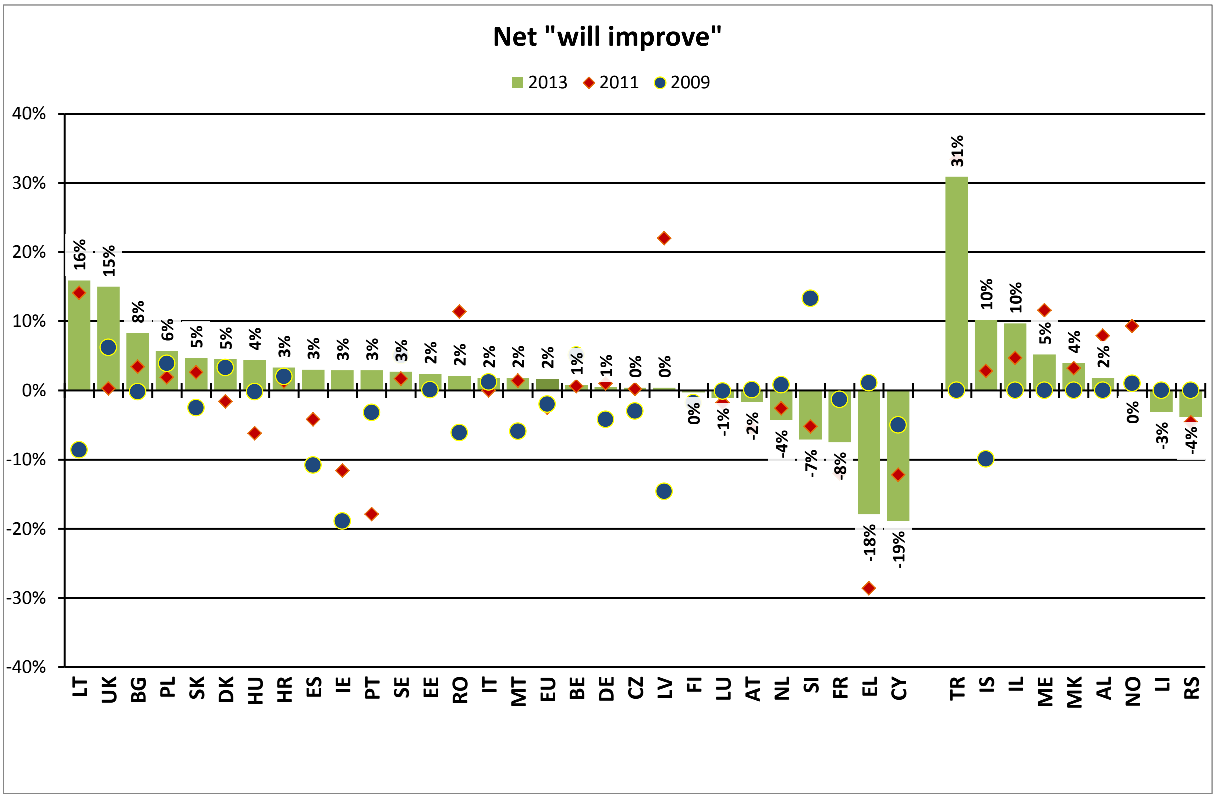
Expected availability of trade credit

Overall the expectation of trade credit availability rose slightly across the EU.

A sharp drop in the expectation of available trade credit was only noted in Latvia where the net optimism scores fell from +22% to 0%, although the small base size should be noted. There was also a smaller drop in Romania, from +11% to +2%.

In other countries managers were more likely to remain as positive, or to become more positive, about the availability of trade credit in the next 6 months. The largest increase was noted in Portugal, where optimism about the availability of trade credit rose from -18% in 2011 to +3% in 2013. Large increases were also noted in the UK (a 15 percentage point rise from 0% to +15%), Ireland (optimism rose 15 percentage points too, from -12% to +3%), and in Greece, where SME managers are still strongly pessimistic, but the net optimism score rose 11 percentage points from -29% to -18%.

Expected availability of trade credit



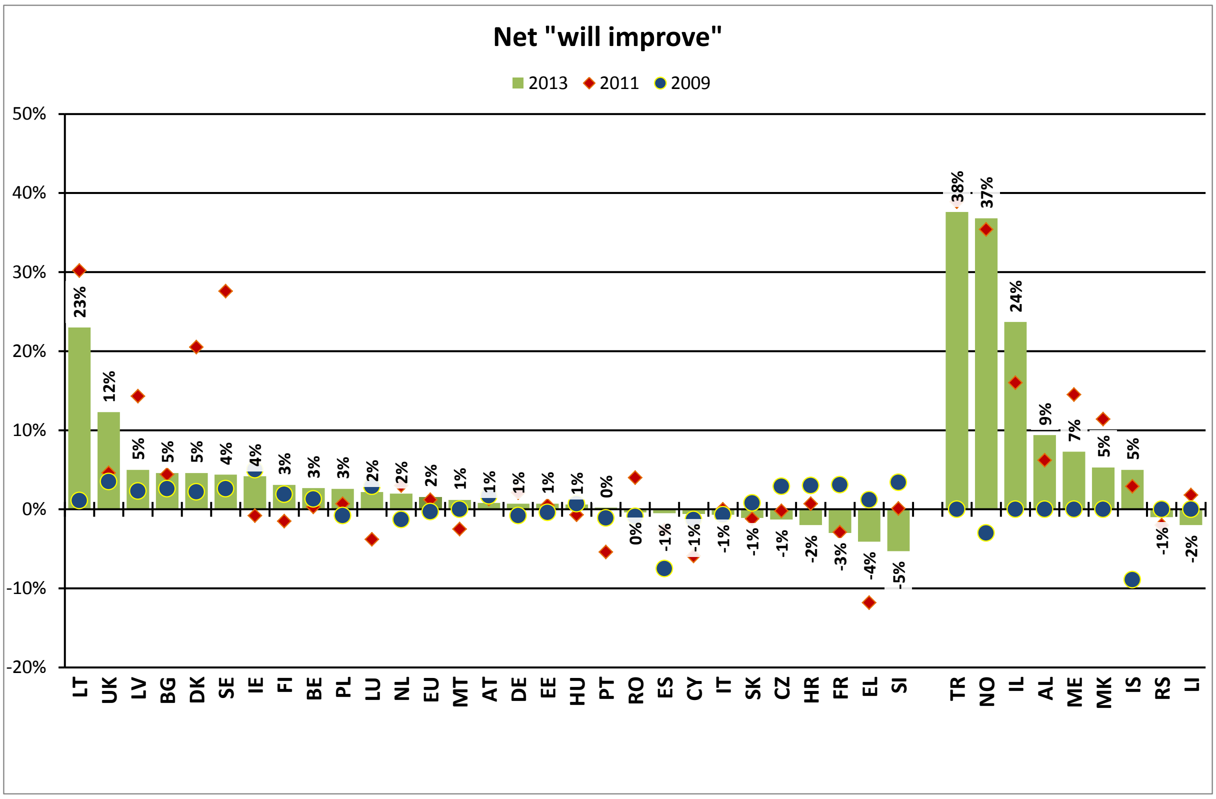
Q23. For each of the following types of financing available to your firm, could you please indicate whether you think they will improve, deteriorate, or remain unchanged over the next 6 months?
Base: % by country

Expected availability of equity investments

The expected availability on equity investments for SMEs across the EU remained at the same level as in 2009 and 2011. This year optimism stands at +2%, a one percentage point increase on 2011 (+1%), which was itself a one percentage point increase on 2009 (0%).

Significant decreases in optimism about the availability of equity investments were observed in Denmark and Sweden, where optimism dropped from +28% to +4% and +21% to +5% respectively.

Expected availability of equity investments



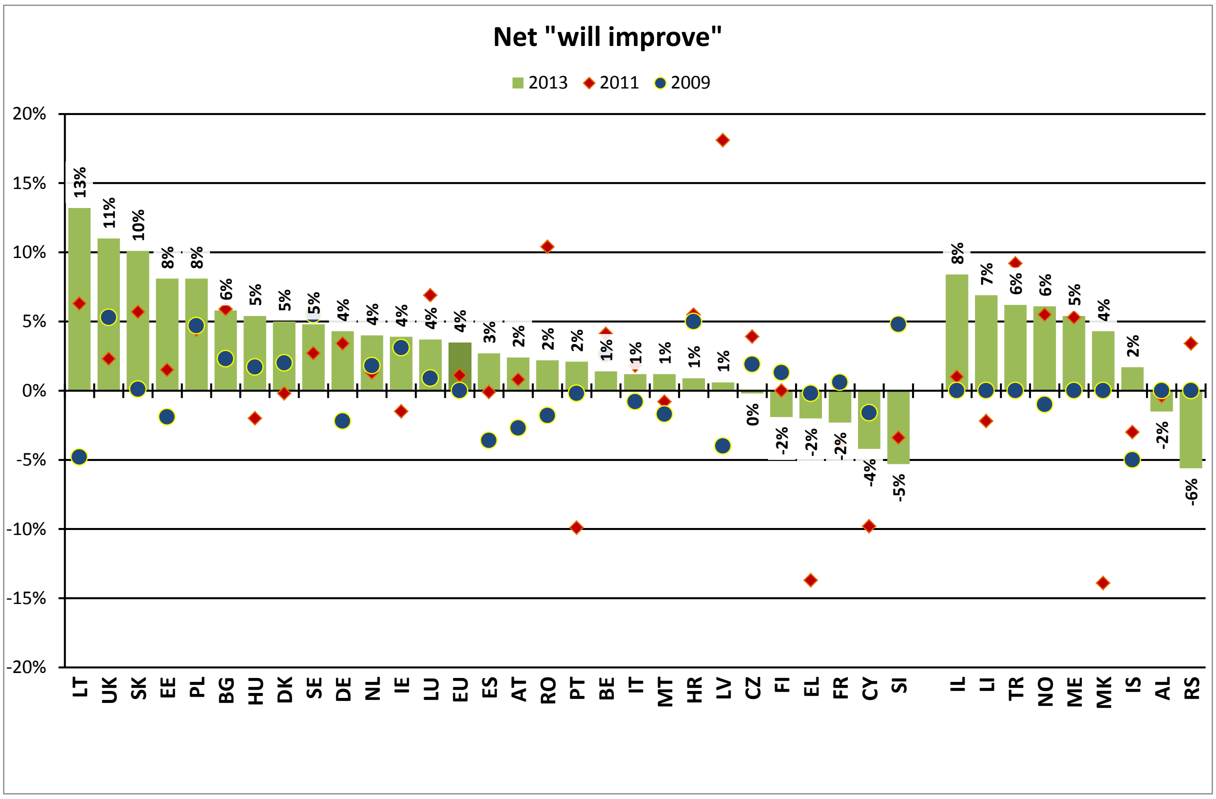
Q23. For each of the following types of financing available to your firm, could you please indicate whether you think they will improve, deteriorate, or remain unchanged over the next 6 months?
Base: % by country

Expected availability of other sources of funding

Overall, the expected availability of other sources of funding (such as loans from a related company or shareholders) rose slightly from 2011, with net optimism reaching +4% from +1% in the previous wave. The proportion of SME managers expecting this source of finance to remain unchanged ranged from 54% in Sweden to 9% in Cyprus.

The largest drops in net optimism about the availability of other sources of funding were noted in Latvia, where the net score dropped from +18% to +1%, and Romania, with a drop from +10% to +2%. Notable rises were recorded in Greece and Portugal, where optimism rose from -14% to -2% and -10% to +2% respectively.

Expected availability of other sources of funding



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

Company characteristics

Internal funds

LSEs were more confident about the future availability of internal funds than SMEs. Almost three in ten (28%) of LSE managers said that the availability of internal funding would increase in the next six months, compared with one fifth (19%) managers of SMEs. The very smallest SMEs, those with between one and nine employees, were the least confident about the future availability of internal funds. Only 15% of SME managers felt that the availability of these funds would increase – significantly smaller than the proportion of larger-size SMEs who felt that same way.

Companies listed on the stock market, and those owned by venture capital firms, were also more likely to be optimistic about the availability of internal funds in the future. One quarter of managers of stock market-listed (25%) and venture capital-owned (26%) firms, felt that the availability of internal funds would increase over the next six months; a significantly larger proportion than for all other ownership structures.

Bank loans

Managers of SMEs with the smallest level of turnover were significantly more likely to say that the availability of bank loans was likely to decrease in the next six months. Fourteen per cent of SME managers of firms with a turnover of less than €2 million per annum felt that the availability of such loans would decrease – double the proportion of SME managers of firms with turnover above €50 million per annum who felt that same way (7%). Larger firms are not significantly more likely to think that availability of bank loans will increase, however – but they are significantly more likely to believe that the availability of loans will remain the same. Whilst 48% of firms with turnover under €2 million believe that the availability of bank loans will remain the same, the proportion rises for firms with turnover between €2 million and €10 million (55%), €10 million and €50 million (56%), and over €50 million (60%).

Gazelles and Innovators

Gazelles were significantly more likely than stagnating and shrinking firms to believe that the availability of bank loans would increase in the short term. 18% of Gazelle SME managers believed that the availability of loans would increase, compared with 11% of firms experiencing no growth, and 13% of shrinking firms. There was, however, no significant difference between gazelles and firms experiencing some growth (16%), moderate growth (15%), or high growth (18%).

Innovator firms were significantly more likely than non-innovative firms to report that the availability of bank loans would increase, with 16% of innovators and 11% of non-innovators saying that availability would improve. Innovator firms were also significantly more likely to report that they felt the availability of bank loans would deteriorate too, with 12% of innovator managers claiming this, compared to 10% of non-innovators.

Other sources

The proportion of SME managers who felt that trade credit was not an applicable source of financing for their firm ranged from 84% in Estonia down to 12% in Ireland, and the proportion who felt the same about equity investments and venture capital covered a similar range, from 94% in Portugal to 14% in Latvia. This reduces the effectiveness of comparisons for both types of financing.

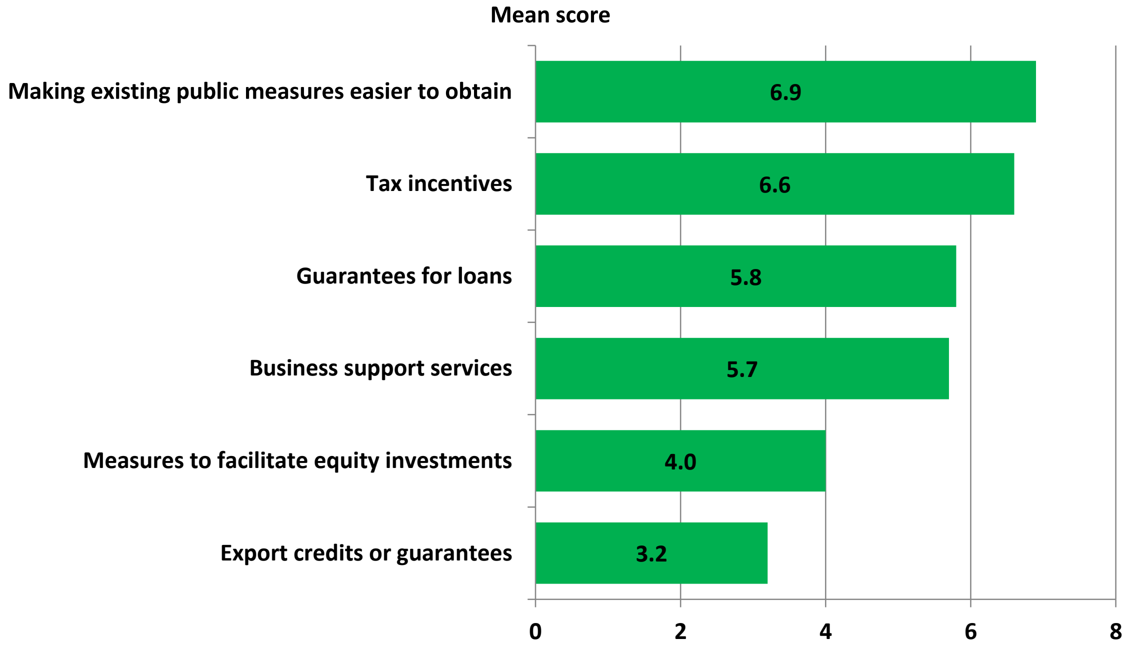
However there has been a small but significant increase in optimism around the availability of trade credit across the EU, with the net availability score rising from 0% to +4%. Optimism in the availability of equity investments has remained at the same level as measured in 2011.

4.5 Importance of factors on future financing

SMEs were asked to rate how important six specific mechanisms are in helping their company's financing in the future, using a 1-10 scale (where1 is "not at all important" and 10 is "extremely important"). Making existing public measures easier to obtain (for example through the reduction of administrative burdens) continues to be the mechanism which is deemed to be most important (with a score of 6.9 out of 10), followed by tax incentives and guarantees for loans. Export credits or guarantees have the lowest mean score.

In fact, the 2013 ranking of these mechanisms is unchanged from 2011 and there are no significant differences in the overall mean ratings.

Importance of factors in companies' financing in the future

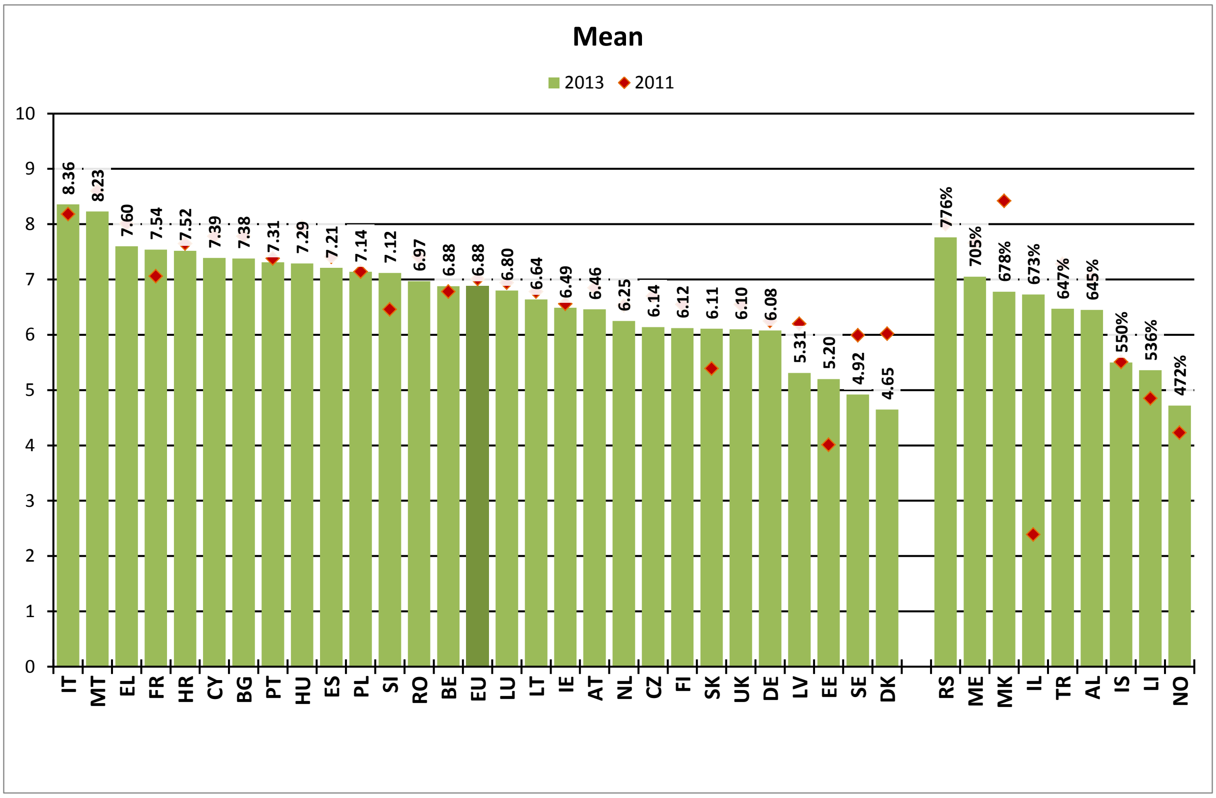


Q24. On a scale of 1-10, where 10 means it is extremely important and 1 means it is not at all important, how important are each of the following factors for your company's financing in the future?
Base: mean scores EU-28 SMEs

Country variations

Making existing public measures easier to obtain was considered to be especially important in Italy and Malta, both of which have an overall mean score of over 8 (8.4 and 8.2 respectively). These two countries had the highest rating for this mechanism in 2011 as well (8.6 for Malta and 8.2 for Italy). In contrast, it is seen as less important in Sweden and Denmark, where scores under 5 are seen. Again, this is in line with the distribution of scores in 2011 for these countries.

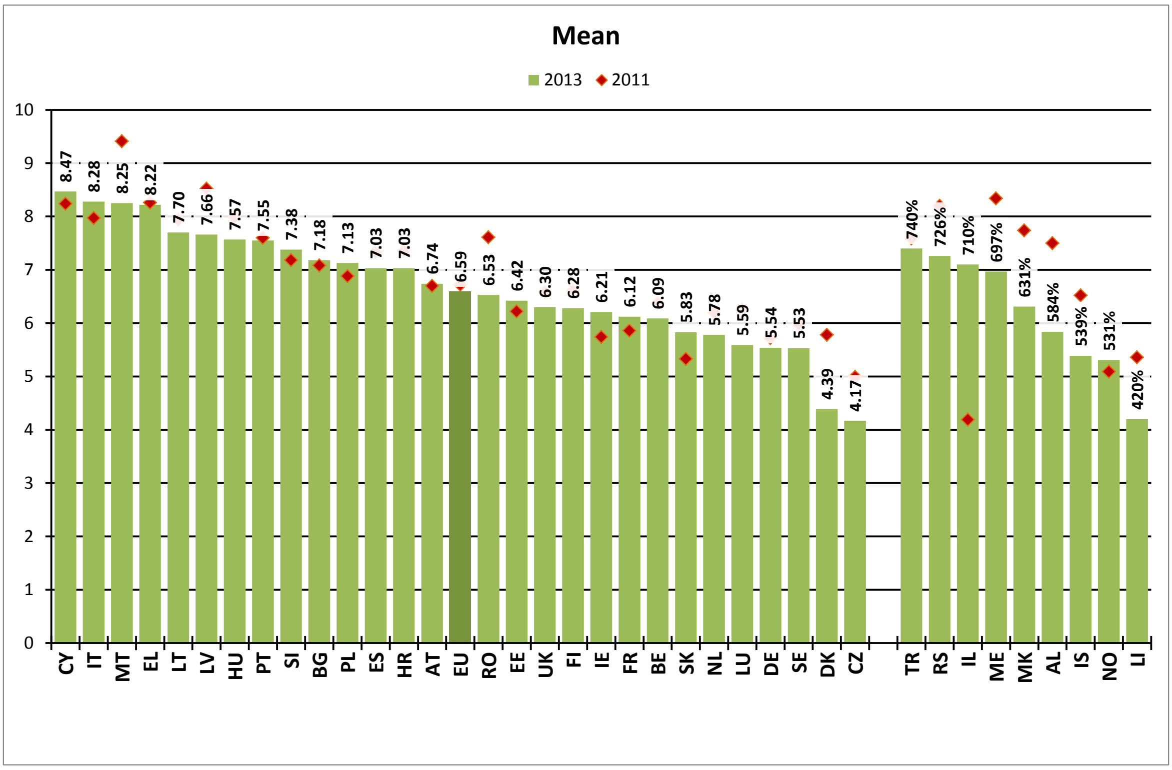
Importance of making existing public measures easier to obtain in companies' financing in the future



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 company's financing in the future?
Base: mean scores by country

Tax incentives are seen to be particularly important in Cyprus (8.5), Italy (8.3), Malta and Greece (8.2 each), but receive scores below 5 out of 10 in the Czech Republic (4.2) and Denmark (4.4). This distribution is broadly similar to that seen in the 2011 wave of the survey.

Importance of tax incentives in companies' financing in the future

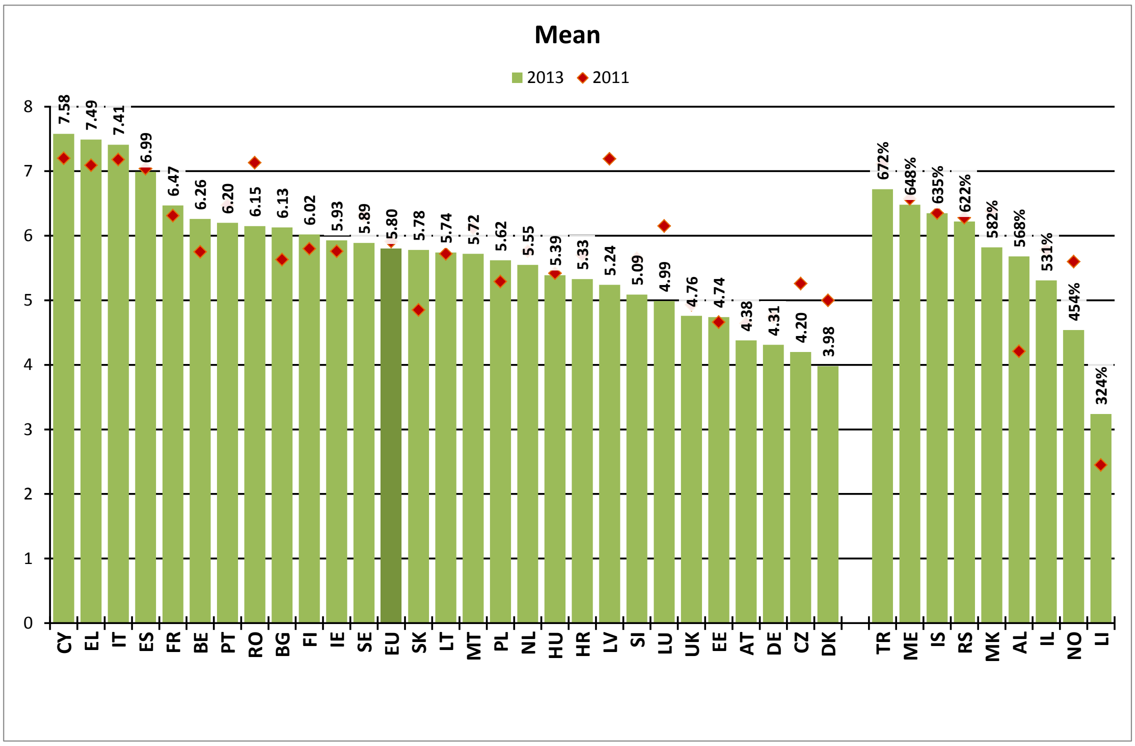


Q24. On a scale of 1-10, where 10 means it is extremely important and 1 means it is not at all important, how important are each of the following factors for your company's financing in the future?
Base: mean scores by country

In Cyprus, SME managers were most likely to say that **guarantees for loans** would be important in their company's future financing (mean score of 7.6). Guarantees for loans were also seen as important mechanisms by managers in Greece and Italy (7.4 and 7.4 respectively). In 2011, Cyprus was similarly the country where most managers rated guarantees for loans as important.

In contrast, Germany (4.3), the Czech Republic (4.2) and Denmark (4.0) had the lowest rating for the importance of this mechanism.

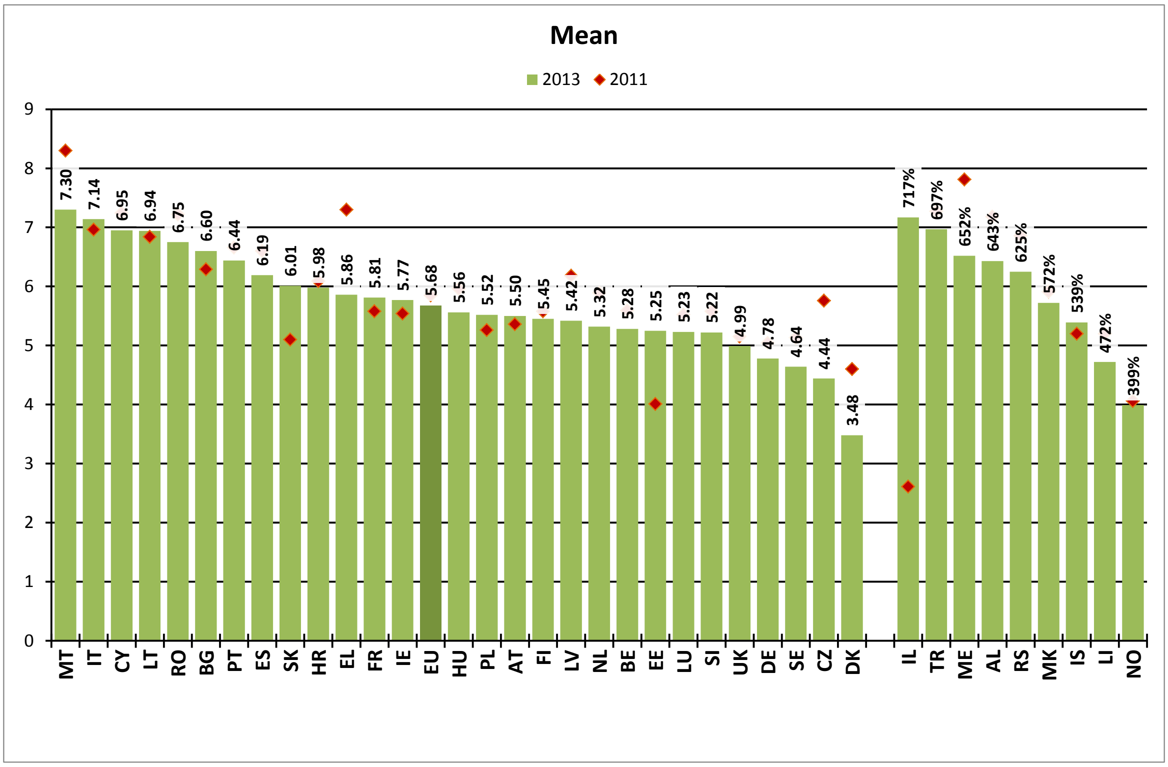
Importance of guarantees for loans in companies' financing in the future



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 company's financing in the future?
Base: mean scores by country

As seen elsewhere, Malta (7.3), Italy (7.1) and Cyprus (7.0) were the countries where SME managers considered business **support services** as important in companies' financing in the future. Again, Denmark is the country where the perceived value of this mechanism is most muted (with a mean score of 3.5 out of 10). These results are broadly aligned with those from 2011.

Importance of business support services in companies' financing in the future

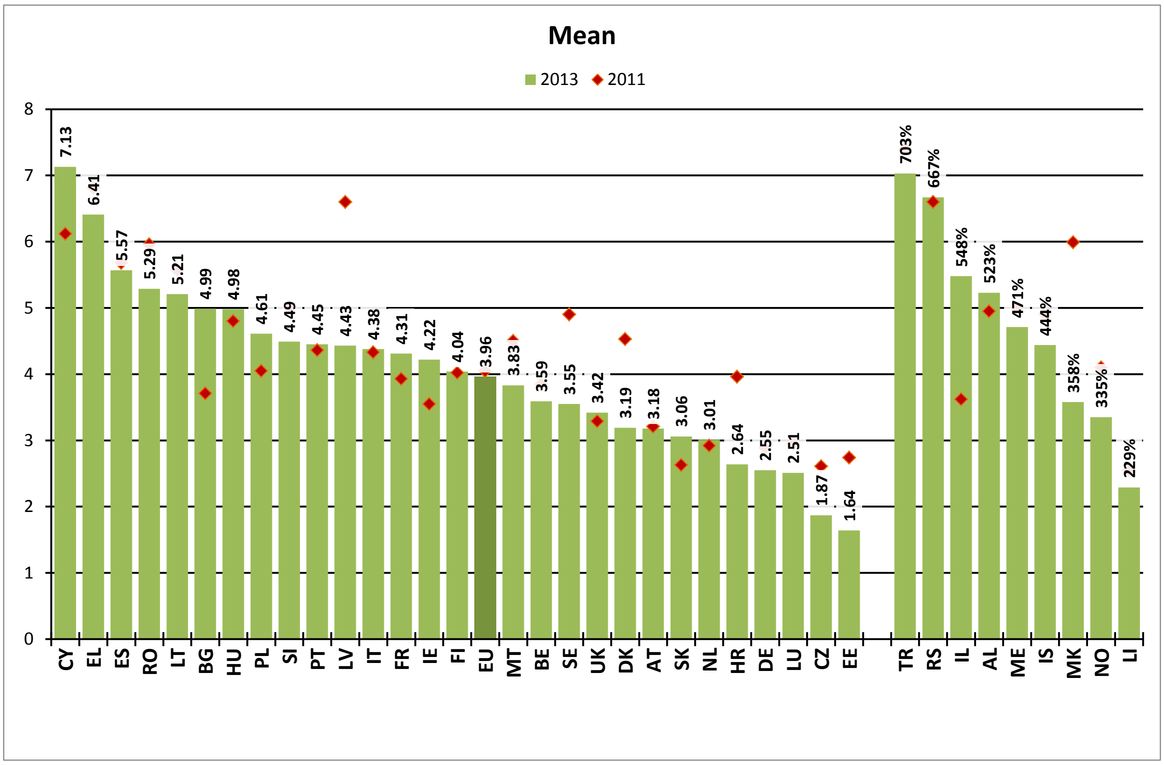


Q24. On a scale of 1-10, where 10 means it is extremely important and 1 means it is not at all important, how important are each of the following factors for your company's financing in the future?
Base: mean scores by country

The overall mean score for **measures to facilitate equity investments** is 4.0 out of 10, which mirrors the overall EU rating in 2011 (4.1). This is the lowest overall rating for any of the mechanisms measured in the survey. At the top of the country distribution is Cyprus once more, with a mean of 7.1 and at the bottom of that range is Estonia, with a mean score of just 1.6.

The UK and Ireland have the highest proportion of SME managers saying that they cannot answer for this mechanism, either because they do not know or it is not applicable to their firm (26% and 28% respectively).

Importance of measures to facilitate equity investments in companies' financing in the future

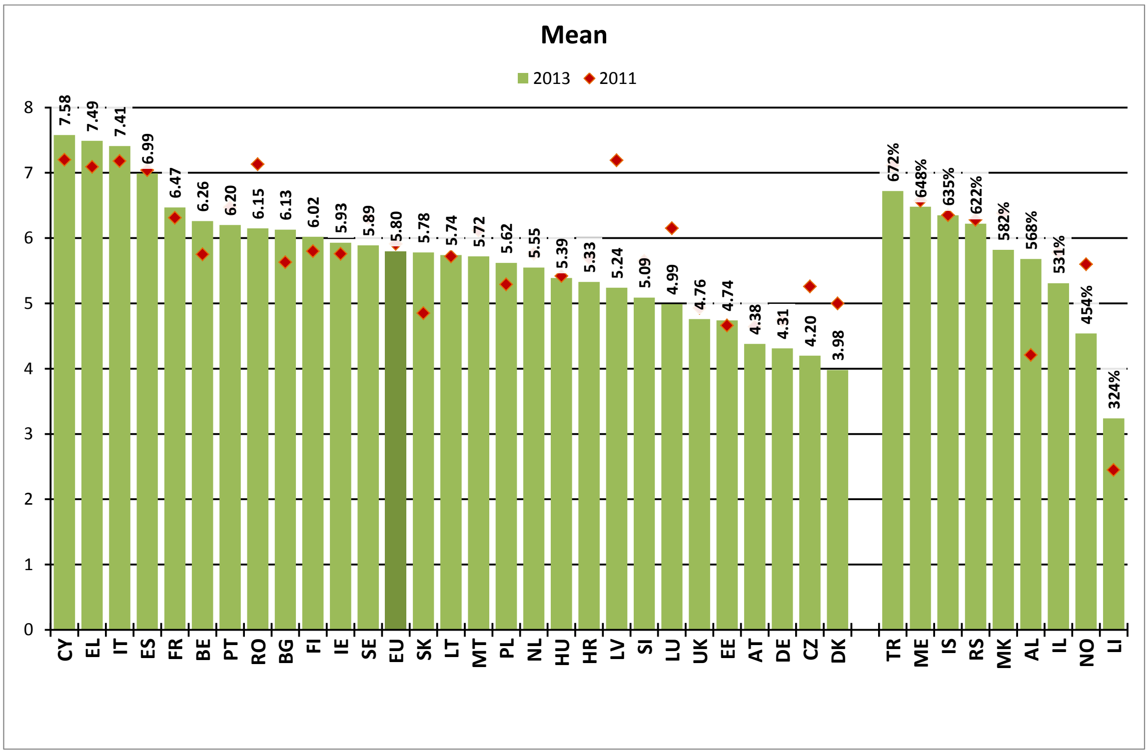


Q24. On a scale of 1-10, where 10 means it is extremely important and 1 means it is not at all important, how important are each of the following factors for your company's financing in the future?
Base: mean scores by country

Export credits or guarantees receive a higher overall EU rating in 2013 (5.8 out of 10) than in 2011 (3.3), but Cyprus and Greece again have relatively high value on this mechanism's importance to companies' future financing. Greece has a mean score of 7.6, while Cyprus and Italy have average ratings of 7.1,

Denmark, the Czech Republic and Germany once again have the lowest importance ratings for export credits or guarantees.

Importance of export credits or guarantees in companies' financing in the future



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 company's financing in the future?
Base: mean scores by country

Company characteristics

Views on the importance of each factor in future financing did not vary much according to the size or type of the company in question. As a general rule, SMEs tended to rate each factor as more important to their future financing than LSEs.

5. Characteristics and current state of companies

This chapter focuses on the activities and innovations that SMEs have recently undertaken to boost growth in their business, the growth that they have actually achieved, their changes in profit, mark-up and other key measures and changes in debt-to-asset ratios.

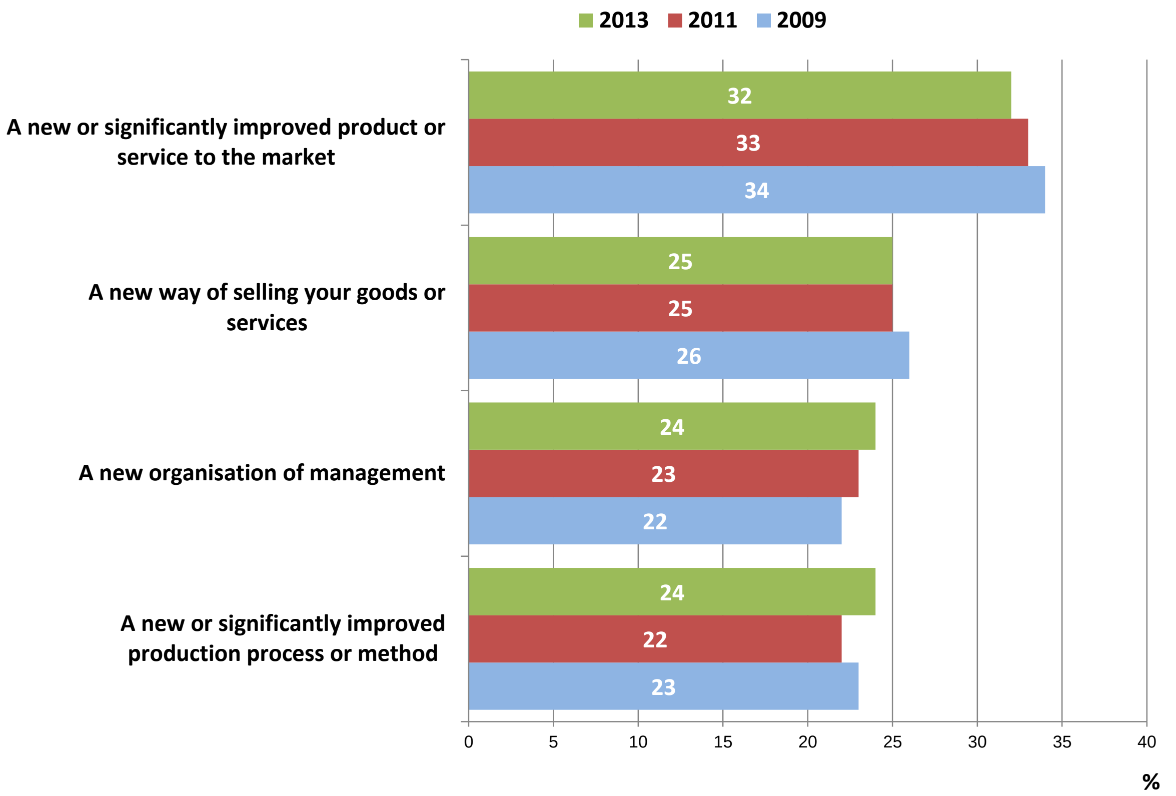
5.1 Innovative companies

5.1.1 Innovative activities

Nearly one-third (32%) of EU SMEs had introduced *a new or significantly improved product or service to the market* in the past 12 months. The level of this type of innovation has slightly declined since 2009 and 2011. One in four (25%) EU SMEs had introduced *a new way of selling their goods or services* over the last 12 months, unchanged from the level seen in 2011. Almost as many (24%) had introduced *a new organisation of management*, the extent of which has very gradually increased from 2009, and the same level was seen (24%) for introducing *a new or significantly improved production process or method*, similar to 2009 and 2011 levels.

Overall, 57% of EU SMEs had introduced at least one of these types of innovation over the previous 12 month. This was unchanged from 2011 levels (also 57% overall) and slightly above 2009 (55% overall).

Innovative activities introduced in the past 12 months



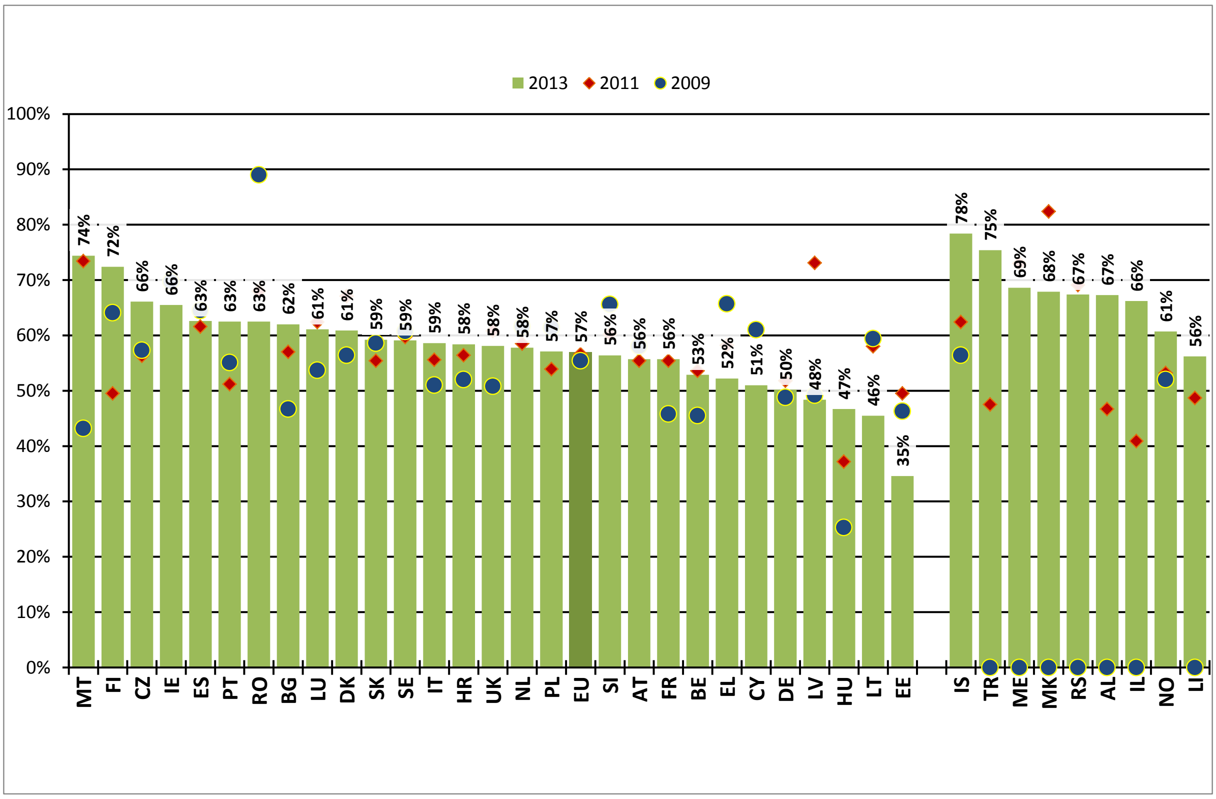
Q1. During the past 12 months have you introduced…..?
Base: All SMEs,% EU-28

Country variations

Comparatively high levels of innovation were reported by SME managers in Malta (74% introducing some form of innovative activity) and Finland (72%). In most EU countries at least half the SMEs had introduced at least one of these types of innovation in the past 12 months, with only Estonia being clearly below average (35%). In most cases levels had changed little since 2011, apart from a significant increase in Finland (50% to 72%) and a big decrease in Latvia (down from 73% to 48%).

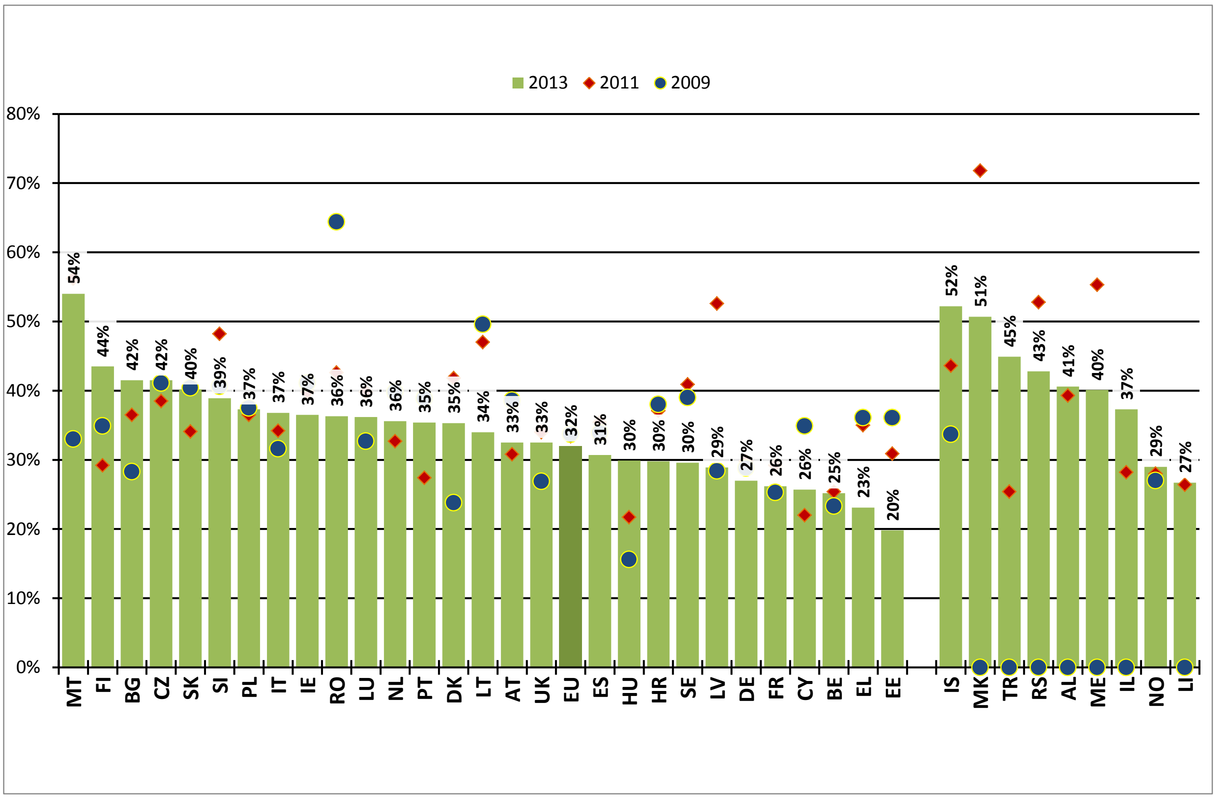
Levels of innovation were slightly higher among non-EU SMEs, especially in Iceland (78%) and Turkey (75%), and in most cases had increased from 2011 levels.

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



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

Introduction of a new or significantly improved **product or service**

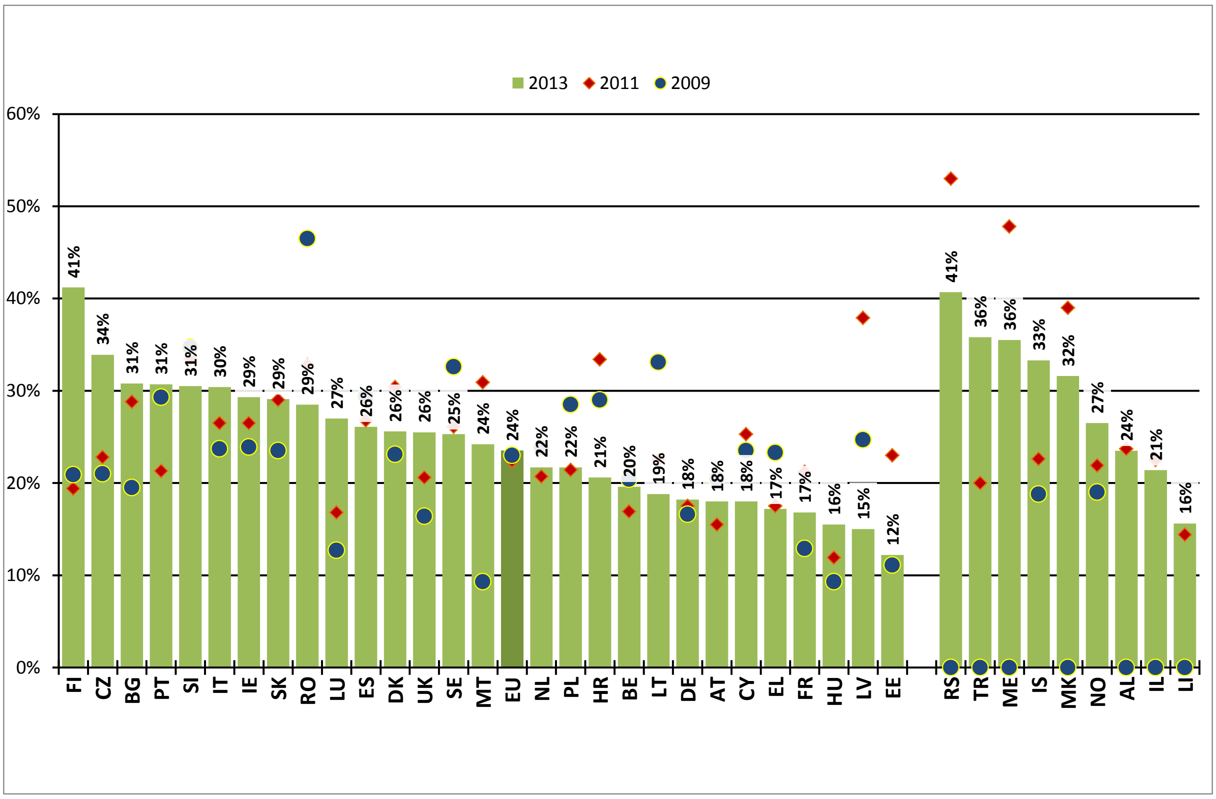


Q1. During the past 12 months have you introduced…..?
Base: All SMEs, % by country

Over half of SMEs in Malta, Iceland and FYROM said that they had introduced *a new or significantly improved product or service* in the last 12 month, clearly ahead of the levels in all other countries. In most EU countries the level lay between 25% and 45%, but was over 35% in most non-EU countries. The lowest proportions were in Greece (23%) and Estonia (20%).

There have been some clear shifts since 2011, with marked increases in Finland (29% to 44%) and Portugal (27% to 35%) but also clear falls in Slovenia (48% to 39%), Lithuania (47% to 34%) and Latvia (53% to 29%), as well as in FYROM (72% to 51%) and Montenegro (55% to 40%) among the non-EU countries.

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



Q1. During the past 12 months have you introduced…..?

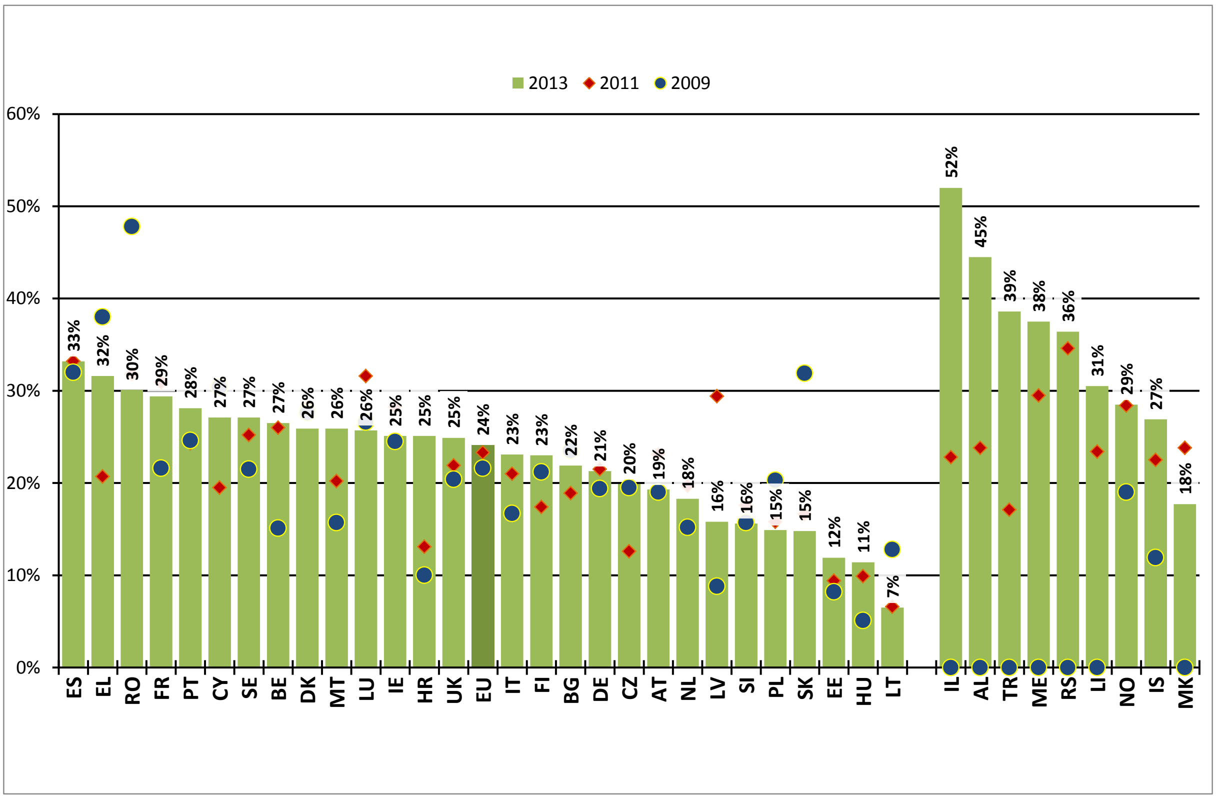
Base: All SMEs, % by country

SMEs in Finland (41%) and Czech Republic (34%) were the most likely EU countries to have introduced a *new or significantly improved production process or method*. The level in most EU countries was at least 18% (one in six) but this type of innovation was least frequent in Estonia (12%) and Latvia (15%).

The level of this type of innovation has remained steady or risen in most countries since 2011, with the biggest increases seen in Finland (19% to 41%) and Czech Republic (23% to 34%). However, there were significant declines in Croatia (33% to 21%), Latvia (38% to 15%) and Estonia (23% to 12%).

Outside the EU there were also big drops in Serbia (53% to 41%) and Montenegro (48% to 36%).

Introduction of a new **organisation of management**

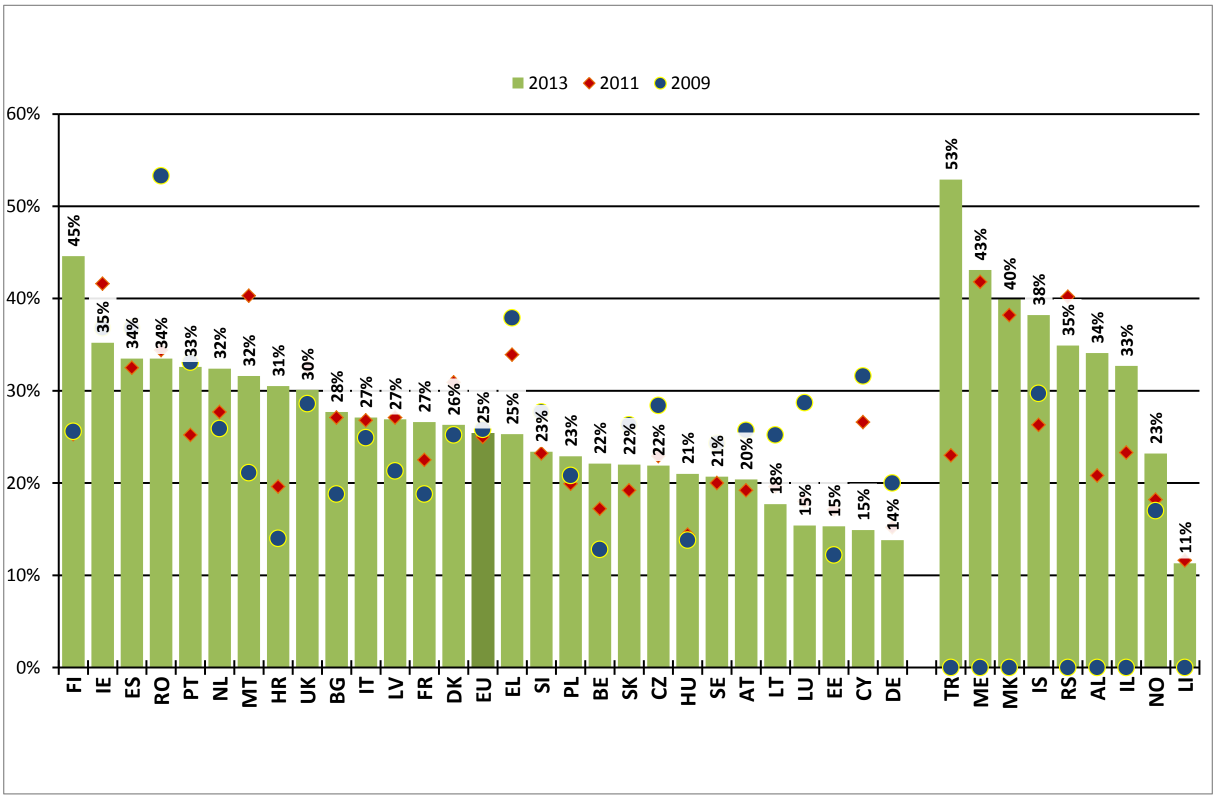


Q1. During the past 12 months have you introduced…..?
Base: All SMEs, % by country

In most EU countries between 20% and 33% of SMEs had introduced *a new organisation of their management* in the last 12 months, with the highest levels seen in Spain (33%) and Greece (32%). Very low levels of reorganisation were reported Estonia (12%), Hungary (11%) and Lithuania (7%).

Levels of reorganisation were broadly similar to 2011 levels apart from a marked increase in Greece (21% to 32%) and, outside the EU, in Israel (23% to 52%) and Albania (24% to 45%).

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



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

Innovation levels for new ways of *selling goods or services* over the last 12 months for EU SMEs mostly lay between 20% and 33% apart from a markedly higher level in Finland (45%) and lower levels in Luxembourg (15%), Estonia (15%), Cyprus (15%) and Germany (14%). There was also a very high level reported in Turkey (53%).

Levels have not altered much since 2011 apart from significant declines in Malta (40% to 32%), Greece (34% to 25%) and Cyprus (27% to 15%), but a very big increase in Turkey (23% to 53%).

Innovation and other company characteristics

The likelihood of introducing an innovation (i.e. to have introduced at least one of these forms of innovation in the last 12 months) was relatively high among all businesses, but also rose somewhat with company size from 54% among micro SMES (1-9 employees) to 60% of the largest SMEs (50-249 employees). LSEs (businesses with 250+ employees) were even more likely (66%) than SMEs (57%) to have introduced some form of innovation.

Throughout the rest of this report, *innovators* are defined as SMEs that introduced at least one of these types of innovation, and *non-innovators* are those SMEs that introduced none of them.

There was some variation by sector with industry based SMEs being most likely to have introduced at least one type of innovation (66%) whilst SMEs in construction were the least likely (44%), as was seen in 2009 and 2011. SMEs backed by venture capital or business-angels were clearly the most innovative group (74%). Gazelles (70%) and high growth SMEs (69%) also tended to be clearly more innovative than non-growing SMEs (48%). SMEs that were actually shrinking (over the past 3 years) showed similar levels of innovation (57%) to those that were moderately growing (57%), but we cannot be sure how getting smaller was linked to innovation (e.g. possibly an attempt to reverse the decline).

Looking at the types of innovation in more detail showed some differences in these patterns by type of innovation. There was little difference by size of SME regarding the introduction of a **significantly improved product or service** (32% overall for SMEs) or introducing **an improved production process or method** (24% of SMEs), but these were a little more likely for LSEs (36% and 28% respectively).

However, introducing a **new way of selling goods or services** was most likely among the smallest business (28% of micro SMEs with 1-9 employees) than bigger SMEs (21% of those with 50-249 employees) and LSEs (22%).

The reverse was true for introducing a **new management organisation** over the past 12 months which was most likely among LSEs (34%) and small to medium sized SMEs (28%-29% for those with at least 10 employees) than micro SMEs (19% if they had only 1-9 employees) and those with only one owner (19-20%, compared to 33% if they were listed).

There was little difference by SME sector for introducing a **new management organisation**, but those in the industry sector were clearly the most likely to have introduced a **significantly improved product or service** (43%) or an **improved production process/method** (36%) whilst these were least likely in the construction sector (17% and 18% respectively). Not surprisingly SMEs involved in trade (30%) or services (26%) were the most likely to have introduced **a new way of selling**, whilst industrial SMEs were the least likely (19%).

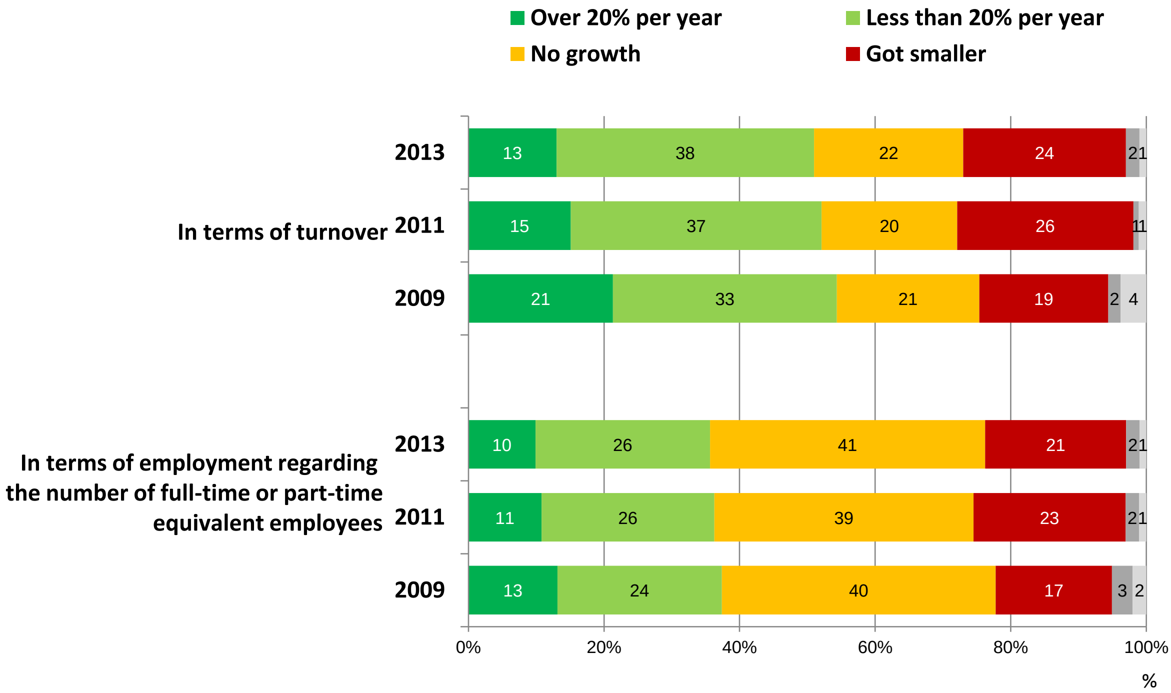
High growth SMEs were more likely than stagnant or shrinking SMEs to adopt all four types of innovation, but in the case of a **new management organisation** SMEs that were getting smaller were almost as likely (28%) as those expecting high growth (32%) to have introduced this compared with stable non-growing SMEs (19%). The same pattern was seen for **new ways of selling**, shrinking SMEs (28%) being almost as likely as high growth SMEs (30%) to have introduced this compared with stable/non-growing SMEs (22%).

5.1.2 Growing – and high growth – SMEs

When asked to estimate how much their business had grown over the last three years in **employee numbers (full and part time)**, EU SMEs were most likely (41%) to have experienced no growth. Almost as many (36%) had taken on more staff though – a quarter (26%) employed lower than 20% more employees per year whilst one-in-ten (10%) had taken on over 20% more per year. So the majority of EU SMEs said that they had remained stable or grown in employee terms over the last 3 years. Just over one-in-five (21%) said that their business had fewer employees per year, though without specifying how many less, over the same period.

The net growth level for employee numbers (total growing minus those getting smaller) was +15%, one percentage point above the level reported in the 2011 survey when the relative levels of those growing rather than shrinking were very similar, but below 2009 levels of +20%.

Companies' average yearly growth (in terms of turnover and number of employees)

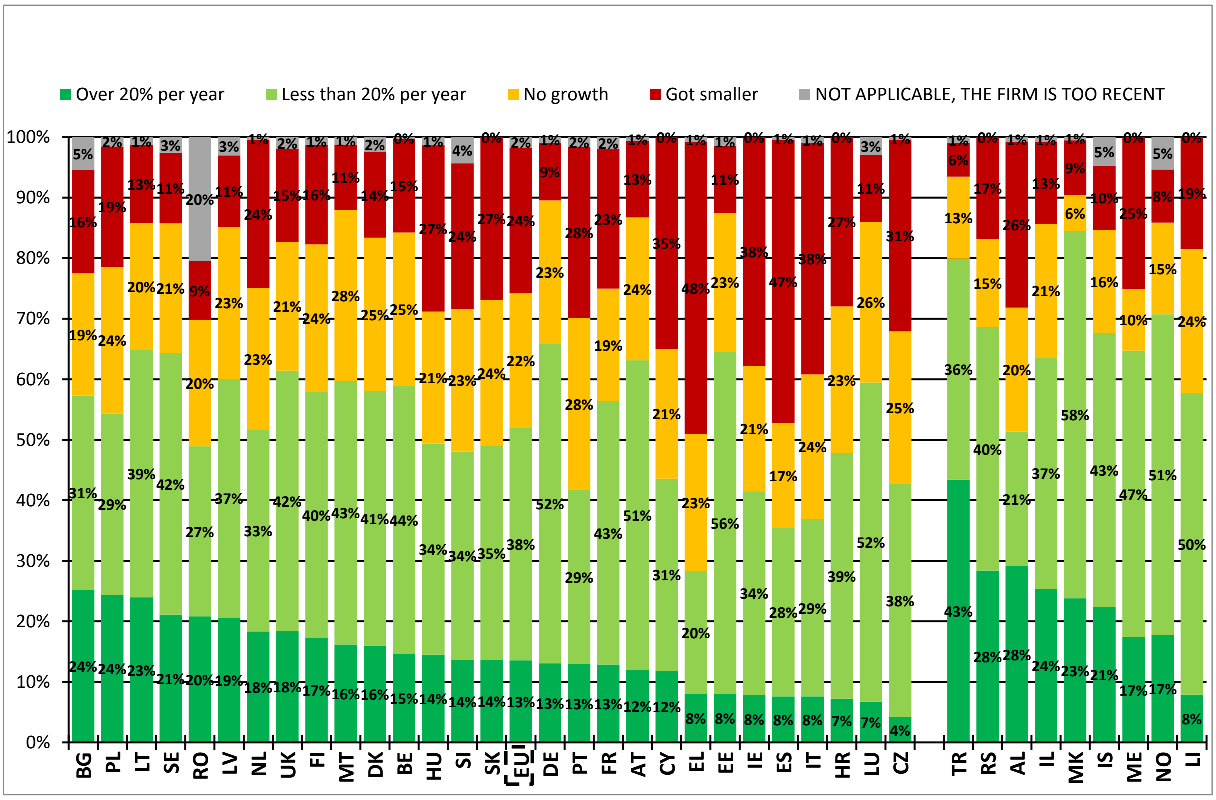


Q16. Over the last three years, how much did your firm grow on average per year…..?
Base: All SMEs,% EU-28

SMEs were also asked how much their business had grown per year **in terms of turnover** over the last three years. Growth results were more positive than for employment, with just over half (51%) reporting some degree of growth in turnover, 38% growing up to 20% per year and 13% growing over 20%.One in five (22%) reported stable turnover and no growth over the last three years, but nearly a quarter (24%) were getting smaller on this measure. This was larger than the proportion getting smaller in terms of employees. Stability year on year was clearly more likely for employee numbers (41%) than for turnover (22%).

The net growth level for turnover was +28%, nearly twice as high as the net level for employee numbers (+15%). Net turnover growth levels were very similar to 2011 (+26%) but below 2009 levels (+35%).

Companies' average yearly growth (in terms of turnover)



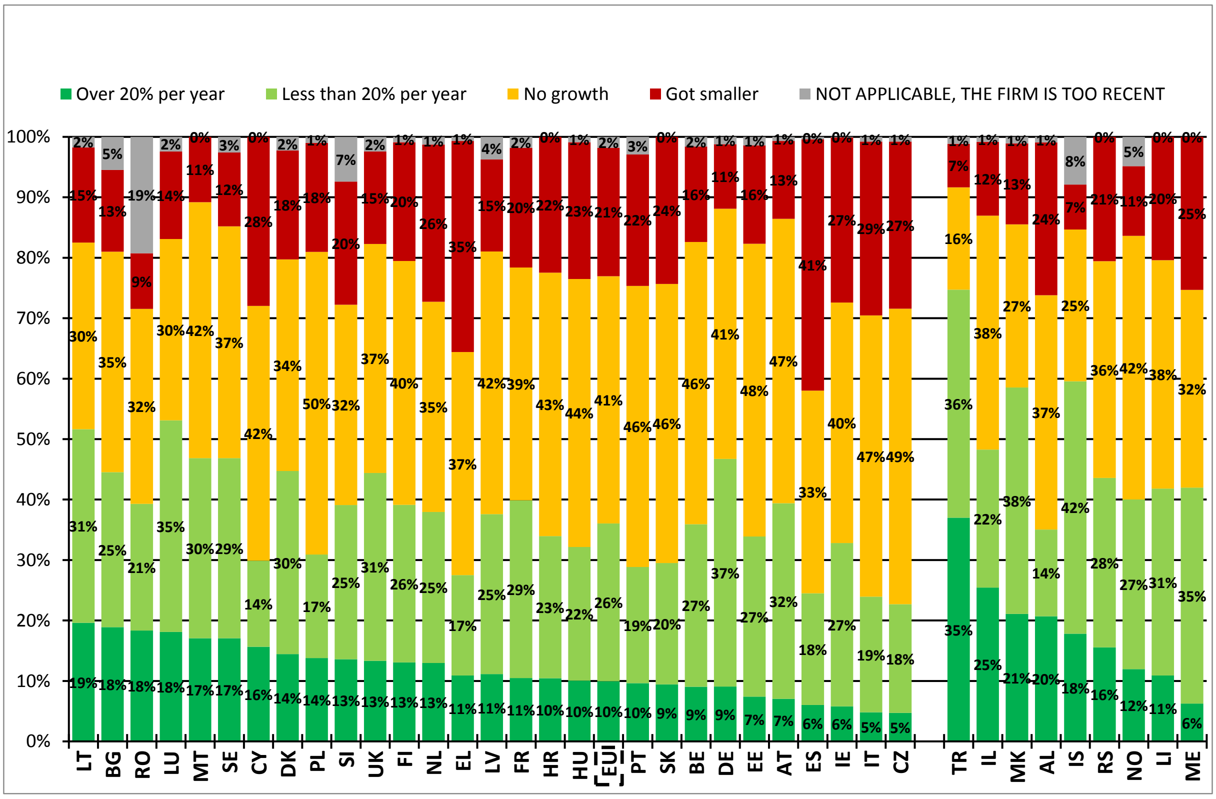
Q16. Over the last three years, how much did your firm grow on average per year…..?
Base: All SMEs, % by country

Country variations

The countries with the highest proportion of SMEs reporting high growth in turnover (i.e. over 20% per year over the last three years) were Bulgaria (24%), Poland (24%) and Lithuania (23%). Taking high and moderate growth together, German SMEs were the most likely to report turnover growth each year (65%), followed by Sweden (63%), Lithuania (62%), and Austria (63%). Outside the EU Turkish SMEs reported the highest level of strong growth in turnover (43%).

The biggest levels of falling turnover were seen in Greece (48%) and Spain (47%), as also reported in 2011.

Companies' average yearly growth (in terms of number of employees)



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

Lithuanian SMEs had the highest level (19%) reporting strong growth (over 20% year on year for the last three years) in employee numbers, followed by Bulgaria, Romania and Luxembourg (18% in each reporting strong growth). Taking strong and moderate growth together over half the SMEs in Lithuania (51%) and Luxembourg (53%) were growing. Turkish employment by SMEs was also very strong (72% reporting growth in employee size).

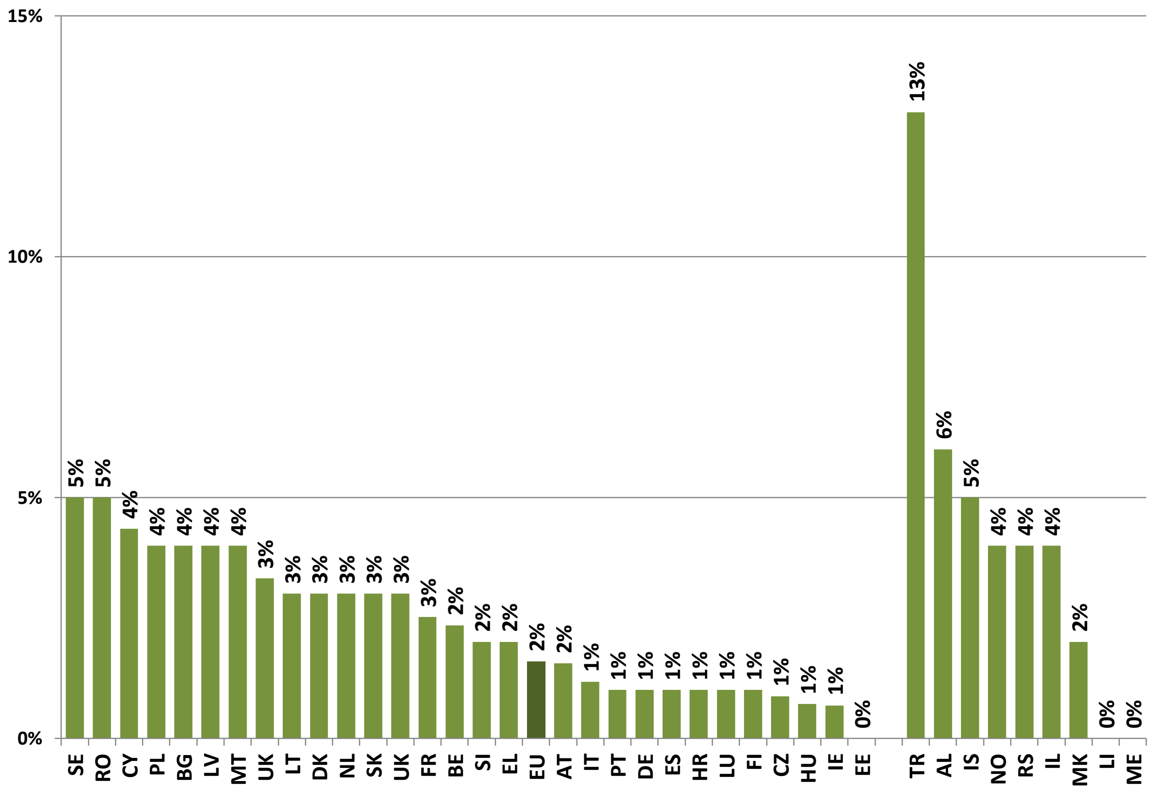
However, there were high levels of SMEs reporting falls in employee numbers in Spain (41%) and Greece (35%), as there were in 2011 (43% and 24% respectively). The situation has improved somewhat in Ireland, 27% reporting falling employee levels in 2013 (and 33% rising) compared with 48% falling in 2011 (and only 25% rising).

5.1.3 Gazelles

Gazelles are a specific type of high growth company – these are companies that are up to five years old with an average growth over 20% per year, over a period of three years. Nearly all of the EU countries surveyed included some gazelles. Our analysis looked specifically at SME gazelles.

The EU countries with the highest proportion of SME gazelles in 2013 were Sweden (5%) and Romania (5%). Outside the EU, Turkey had a very high level with 13% gazelles.

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



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

Innovative SMEs (i.e. those which had introduced innovation in at least one area of products, services, production processes, management organisation or sales methods) were more likely to show high levels of turnover growth (16% in 2013) than non-innovators (10%) and less likely to be stable non-growers (19% versus 26%). The gap between innovators and non-innovators for high turnover levels was 6% in 2013, the same size gap as seen in 2011 (also 6% difference). The level of high growth over the past three years has declined from 2009 to 2011 and 2013 for both innovative and non-innovative SMEs.

SME Companies' average yearly growth in terms of **turnover** by year and innovation

	Over 20% per year	Less than 20% per year	No growth	Got smaller	Not applicable	DKNA
2013 EU-28	13%	38%	22%	24%	2%	1%
2011 EU-27	15%	37%	20%	26%	1%	1%
2009 EU-27	21%	33%	21%	19%	2%	4%
INNOVATION						
2013 Non-innovative companies	10%	37%	26%	25%	1%	1%
2011 Non-innovative companies	12%	36%	23%	27%	*%	1%
2009 Non-innovative companies	15%	32%	26%	20%	3%	4%
2013 Innovative companies	16%	38%	19%	23%	2%	1%
2011 Innovative companies	18%	37%	18%	25%	1%	1%
2009 Innovative companies	26%	34%	18%	18%	2%	3%

Growth and other company characteristics

LSEs were slightly more likely (12%) than SMEs (10%) to report high growth in employee numbers (over 20% year on year for the last three years) but had almost the same level reporting falling numbers (20% versus 21% for SMEs). SMEs were much more likely to report no growth/stability (41%) than LSEs (21%).

Micro SMEs (1-9 employees) were much more likely than larger SMEs to report no change to employee numbers (51% compared with 33% of those with 10-49 employees) but only a little more likely to be shrinking (23% versus 20% of 10-49 employee businesses). Growth in employee numbers (high or moderate levels) was less likely among the micro-SMEs (22%) than small SMEs (46% of those with 10-49 employees) or larger SMEs (50% of those with 50-249 employees).

Construction SMEs were more likely (31%) than other sectors (20% to 22%) to report shrinking employee numbers. Gazelles and high growth SMEs had very high levels (69% and 58% respectively) reporting high growth in employee numbers.

LSEs were more likely to report high or moderate growth in turnover (71%) than SMEs (51%) and the likelihood of growth also increased with the size of SME from 42% of micro SMEs to 62% for those with 50-249 staff. Shrinking turnover was significantly more likely among SMEs in the construction sector (34%) than other sectors (27% trade, 22% in industry and services).

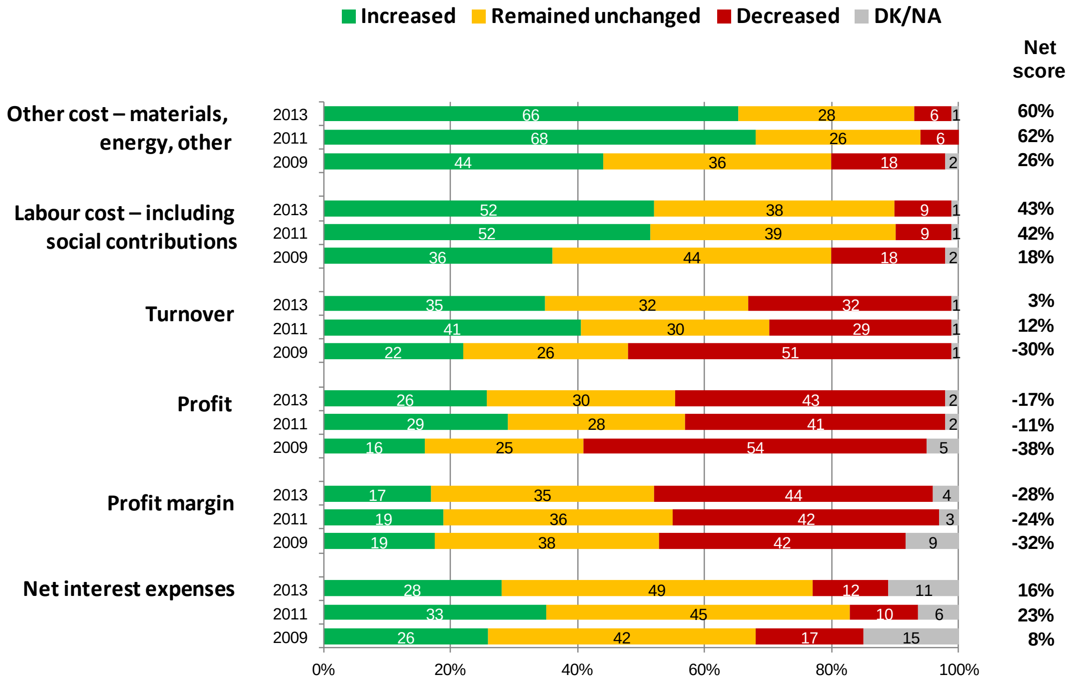
5.2 The financial situation of companies

5.2.1 Income generation indicators

When SME managers were asked which indicators linked to their firm's income generation had changed over the past 6 months the biggest change was reported for *other non-labour costs (material, energy, etc.)*. 66% reported that these had increased and only 6% decreased, a net increase of +60%.

Just over half (52%) also reported that *labour costs* had increased, and only 9% decreased, i.e. a net increase of +43%

Situation of companies compared to six months ago



Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased over the past 6 months in your company.
Base: All SMEs, % EU-28

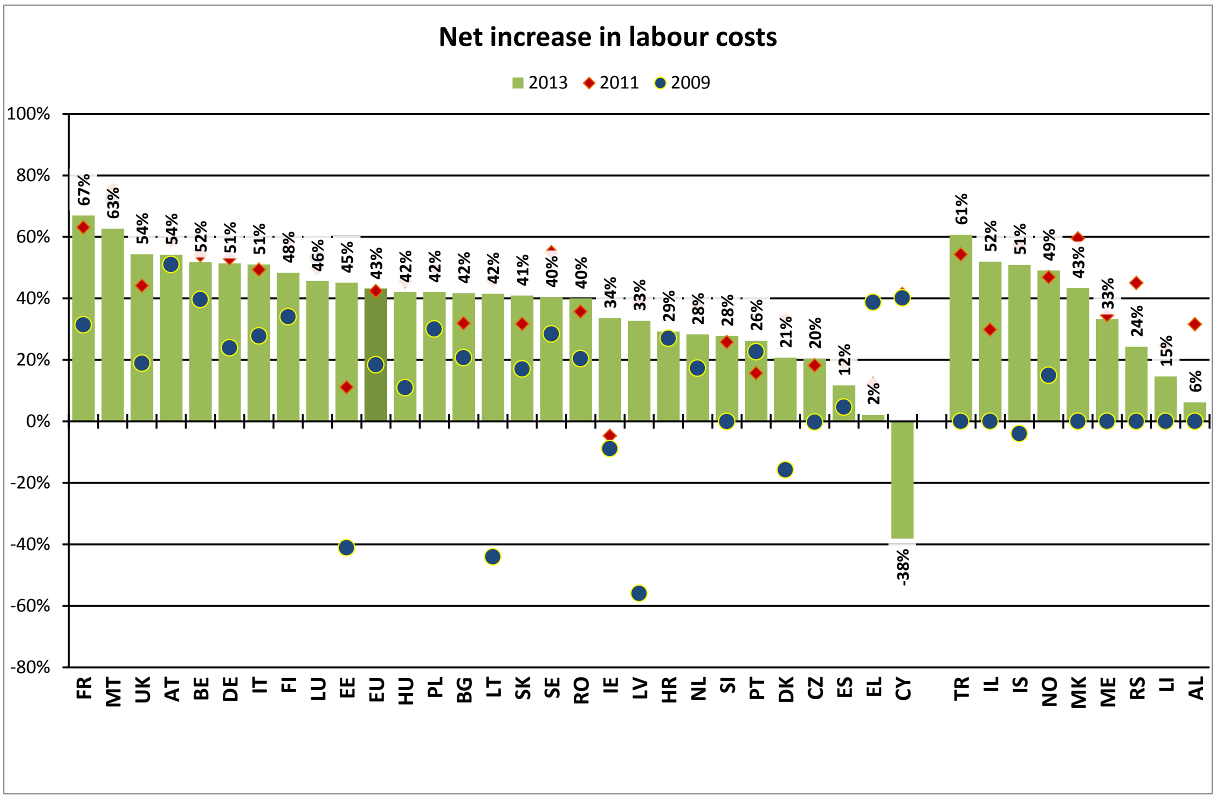
The net increase for net interest expenses in the last 6 months was lower (+16%, due to 28% reporting an increase and 12% a decrease).

Results for *turnover* were evenly more evenly balanced, 35% of EU SME managers reporting that this had increased but 32% decreased, only a net change of +3%. This is markedly lower than the 2011 net change of +12% for turnover.

There were net decreases for both profit (-17%) and profit margin (-28%), very similar to the levels seen in 2011. Over two-fifths reported that each of these had decreased in the last 6 months.

Country variations – cost and interest expenses

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

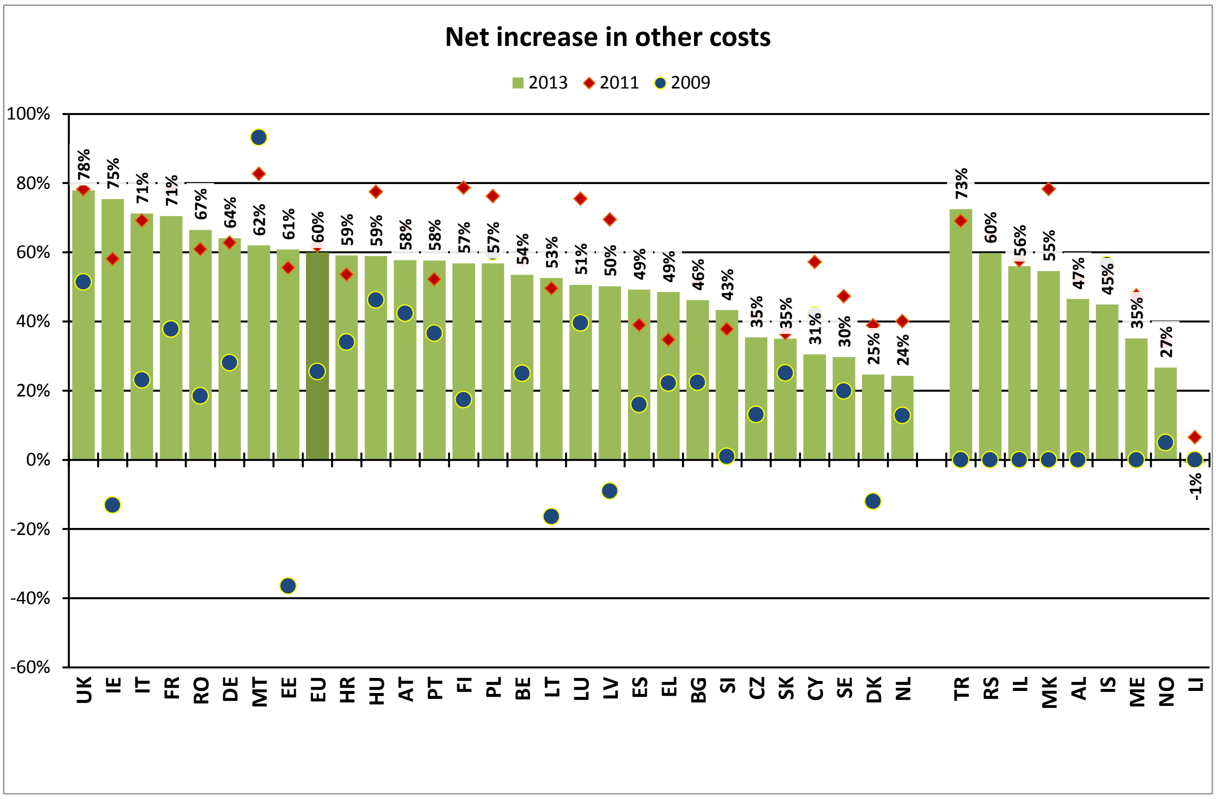


Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased over the past 6 months in your company.
Base: All SMEs, % by country

There was a marked spread in the reported net increase in SME *labour costs* in the last 6 months across the EU. The highest net ratings were seen for France (+67%) and Malta (+63%). Fifteen of the EU countries reported net levels between +40% and +54%, but ten countries reported net increases of +34% or less. The smallest net increase was seen in Spain (+12%) and Greece (+2%) and only Cyprus reported a net decrease (-38%). The results were broadly similar to 2011 apart from big increases in the net levels in Estonia (up from +11% to +45%) and Ireland (up from -5% to +34%).

A similar spread of levels was reported in non-EU countries, the highest increase being seen for SMEs in Turkey (+61%).

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

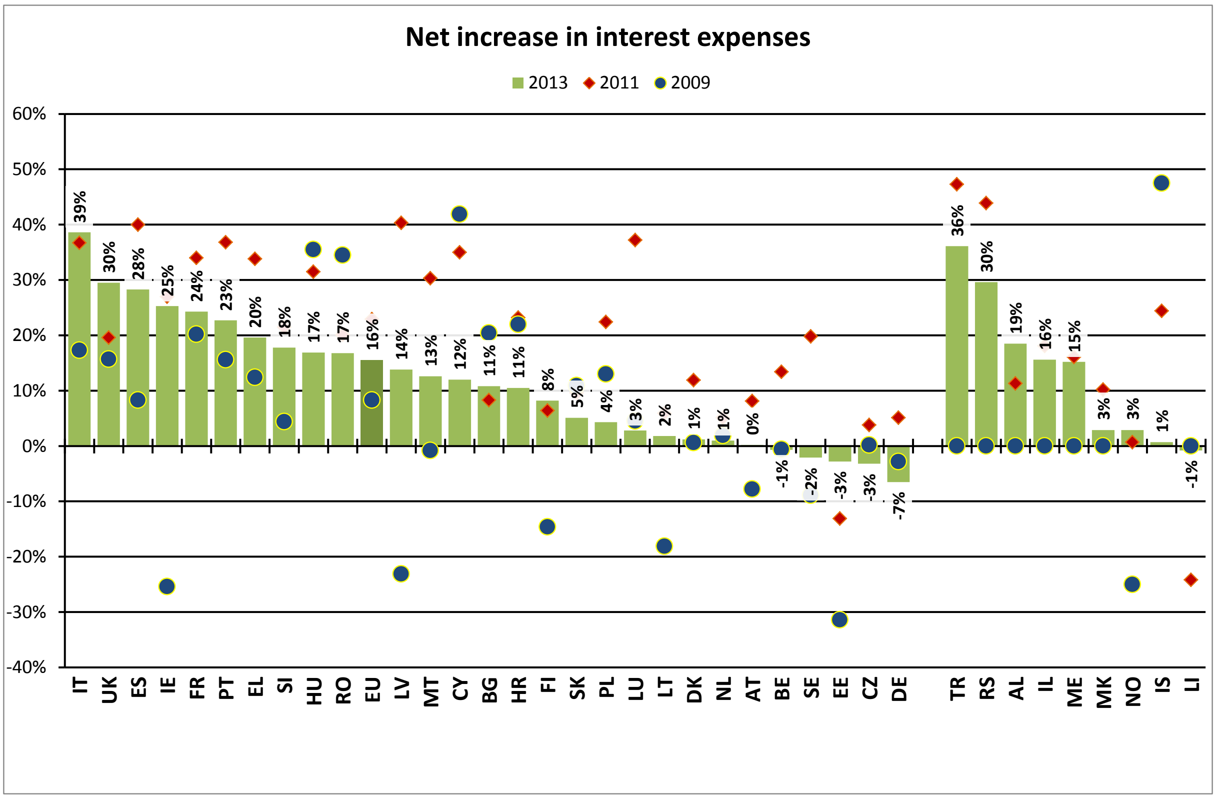


Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased over the past 6 months in your company.
Base: All SMEs, % by country

All EU countries reported net increase for *other costs*, and most countries reported levels of at least +40%. The highest levels were reported in the UK (+78%) and Ireland (+75%), and there was a similar level seen for Turkey (+73%). The lowest levels were seen for SMEs in Denmark (+25%) and Netherlands (+24%).

The levels of net increase were similar or a little lower to those seen in 2011. The biggest falls were seen in Finland (dropping from +79% to +57%) and Cyprus (+57% to +31%). The biggest increase was in Greece (from +35% in 2011 to +49% in 2013).

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



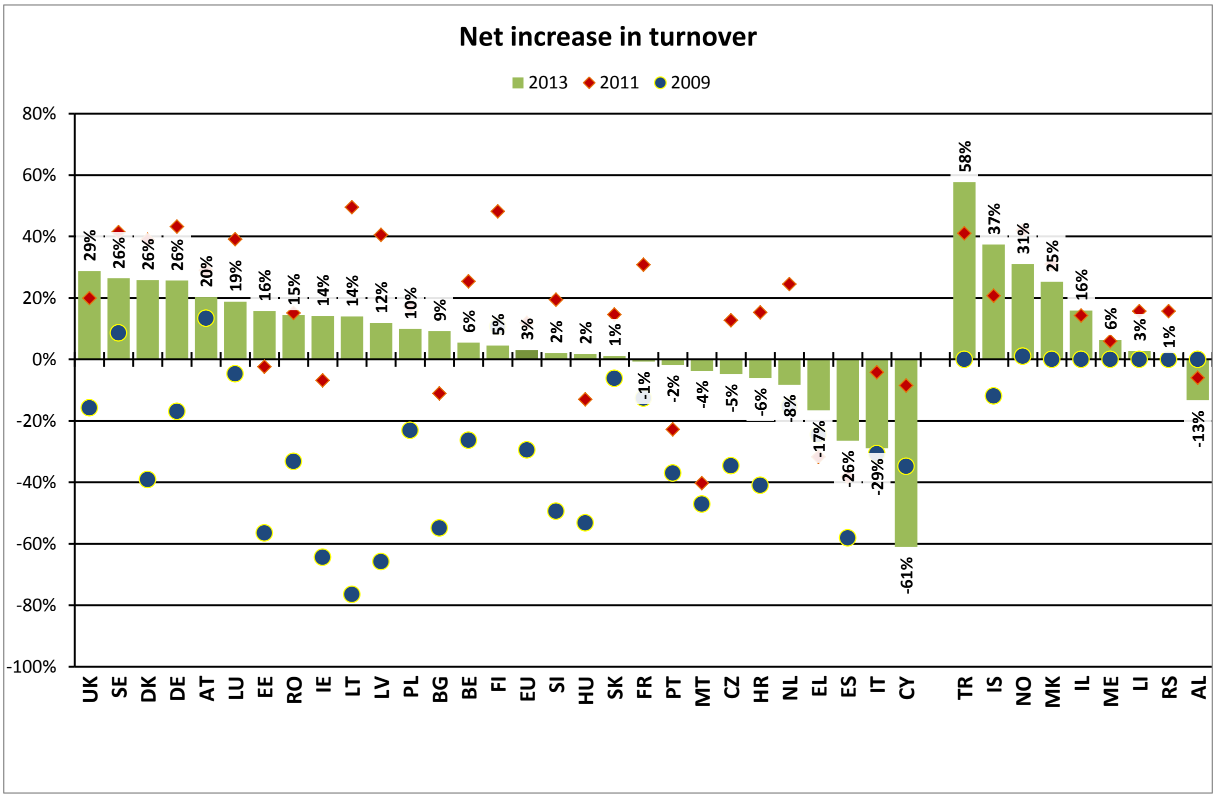
Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased over the past 6 months in your company.
Base: All SMEs, % by country

There was a wide spread in net increases in *net interest expenses* from +39% in Italy and +30% for the UK, all the way down to -3% in Estonia and the Czech Republic and -7% in Germany. In nearly all countries levels have fallen considerably from 2011, except in Italy (up from 37% to 39%) and the UK (up from +20% to +30%).

Country variations – turnover, profit and mark up

There were considerable variations between countries for SME turnover, profit and profit margin.

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

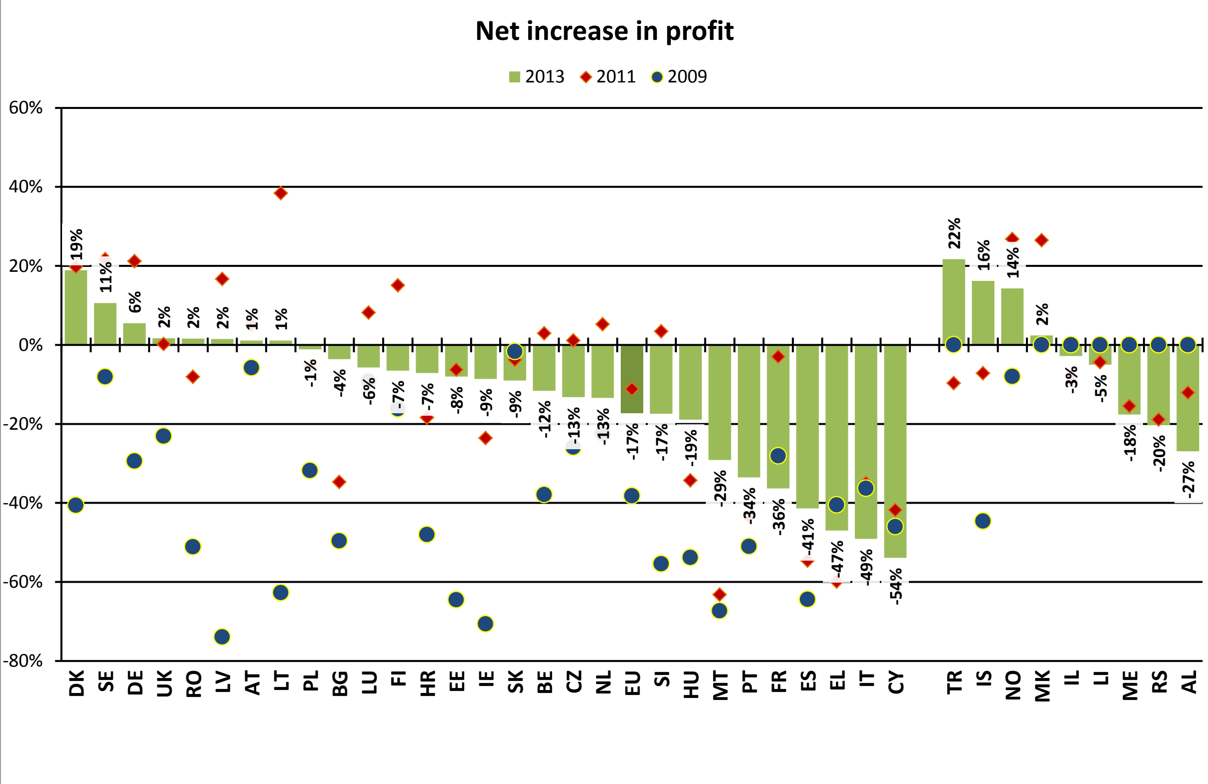


Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased over the past 6 months in your company.
Base: All SMEs, % by country

For *turnover* eighteen of the EU countries reported a net increase but ten countries saw a net decrease. The biggest net increases were reported by SMEs in the UK (+29%), Sweden, Denmark and Germany (all +26%). However, there were large decreases reported in Spain (-26%), Italy (-29%) and Cyprus (-61%).

About half the EU countries reported a lower net increase than in 2011, the biggest falls being seen for Finland (down from +48% to +5%), Cyprus (from -9% to -61%) and Netherlands (down from +25% to -8%). However, in some countries the net increase had improved since 2011, in particular in Malta (-40% to -4%) and Ireland (from -7% to +14%).

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

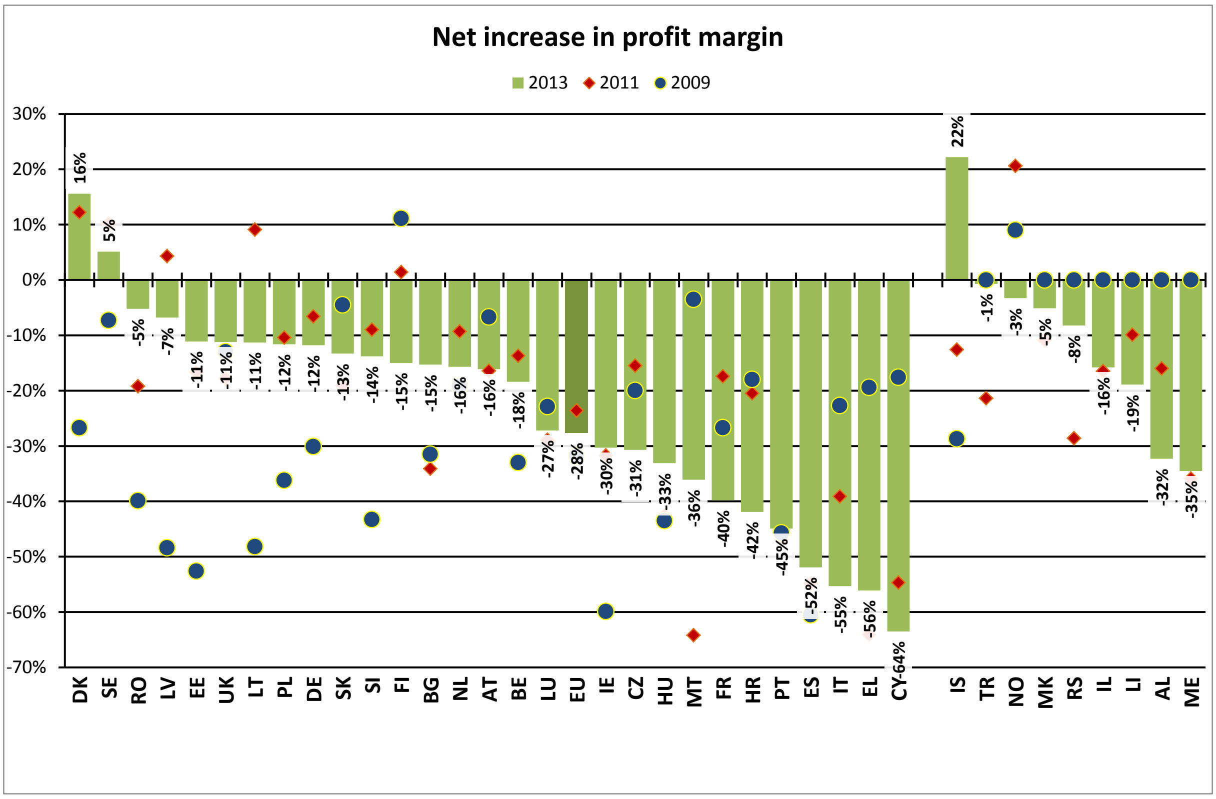


Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased over the past 6 months in your company.
Base: All SMEs, % by country

There was also a wide spread of results for changes in *profit*. The biggest net increases were in Denmark (+19%) and Sweden (+11%), but only eight EU countries reported a positive net increase. The majority of countries reported net decreases and these were worst in Greece (-47%), Italy (-49%) and Cyprus (-54%).

In 16 countries the net increase was lower than seen in 2011. In particular there were considerable falls in Lithuania (from +38% to +1% in 2013) and France (from -3% to -36%). But results had improved in some countries since 2011, in particular for Bulgaria (-35% to -4%) and Malta (-63% to -29%).

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



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

There was also considerable variation for net improvement levels for *profit margin*. Only SMEs in Denmark (+16%) and Sweden (+5%) reported net increases in profit margin over the past six months. Fourteen EU countries reported net changes of no worse than -20% but there were especially low figures for Cyprus (-64% of SMEs reporting a net increase), Greece (-56%), Italy (-55%) and Spain (-52%).

Outside the EU only SMEs in Israel reported a positive net increase in profit margins (+22%).

In the majority of EU countries results were worse (lower + net increase levels) in 2013 than in 2011. Big falls were seen for Lithuania (+9% to -11%), France (-17% to -40%), Croatia (-21% to -42%) and Italy (-39% to -55%). Among the few improved results the biggest improvements were seen in Malta (from -64% in 2011 to -36%) and Bulgaria (from -34% to -15%).

A summary – income generation

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

- A deterioration in their financial situation (i.e. had decreased for at least two of the three financial aspects) – two-fifths (41%) of EU SMEs had seen such a change. This is slightly worse than the 38% level seen in 2011.
-
- An improvement in their financial situation (i.e. had increased for at least two of the three financial aspects) – a quarter (25%), down from 28% in 2011
- No change in their financial situation (i.e. had remained unchanged for at least two of the three financial aspects), also known as "stagnant" (28%) which was slightly higher than the 2011 level of 26%

Clear majorities of SMEs in Cyprus (65%), Italy (61%), Greece (59%) and Spain (58%) were classified as experiencing a deteriorating financial situation as defined above. These levels were lower (i.e. less worse) than reported in 2011 for Greece (67% deteriorating in 2011) and Spain (64% in 2011) but higher for Cyprus (56% in 2011) and Italy (50%).

Improvement in their financial situation was most likely to be reported in Denmark (42% of SMEs) and the UK (39%). These results were similar to the 2011 levels (45% and 37% respectively).

Company characteristics

Large EU companies (LSEs with 250+ employees) had a significantly higher net increase score than SMEs for changes in *turnover* over the last 6 months (+29% versus +3%). The difference was even greater when compared to micro-SMEs (with only 1-9 employees) which had a net increase of -11% for turnover (i.e. shrinking). Along with LSEs, small and medium sized SMEs were also clearly growing (+13% for 10-49 employee businesses and +17% for those with 50-249 staff). Industrial sector SMEs had the strongest score for turnover (+8%), just ahead of the service sector (+4%), with the construction sector having the lowest net score (-6%). Gazelles had a very high net increase in turnover (+56%) but there was much less difference between innovators (+8%) and non-innovators (-4%).

There was a similar pattern for *profit* with LSEs having a positive net increase score (+6%), i.e. overall profits were growing. However, EU SMEs overall had a net decrease (-17%) over the last 6 months for profits, with micro-SMEs (-27%) having the lowest net score and the largest SMEs the least negative (-7% for 50-249 employee businesses). Industry based SMEs had the strongest, though negative, net score (-11%) and construction the worst (-30%). Gazelles had the strongest results for SMEs (+17%).

Very similar results were seen for *profit margins*, although very few groups reported these as growing. LSEs had a net increase of -6%, far better than seen for SMEs (-28%) overall. However, there was not such a large difference between the micro-SMEs (-33%) and the largest SMEs (-19%) as was seen for *profits*. The construction sector had the worst result (-41% for profit margin). Gazelles were the only type of SMEs to report a positive net increase (but less than +0.5%).

Comparisons of the various cost pressures revealed a similar pattern by size for *labour costs* and *net interest expenses* but not for *other costs.*

Labour cost increases over the last 6 months were strongest among LSEs (+51% versus 43% for SMEs) and weakest but still increasing for the micro-SMEs (+39%). The services sector reported the largest increase (+45%) and construction the lowest (but still +36%). The smallest increase was reported by SMEs that were getting smaller (+17% net increase).

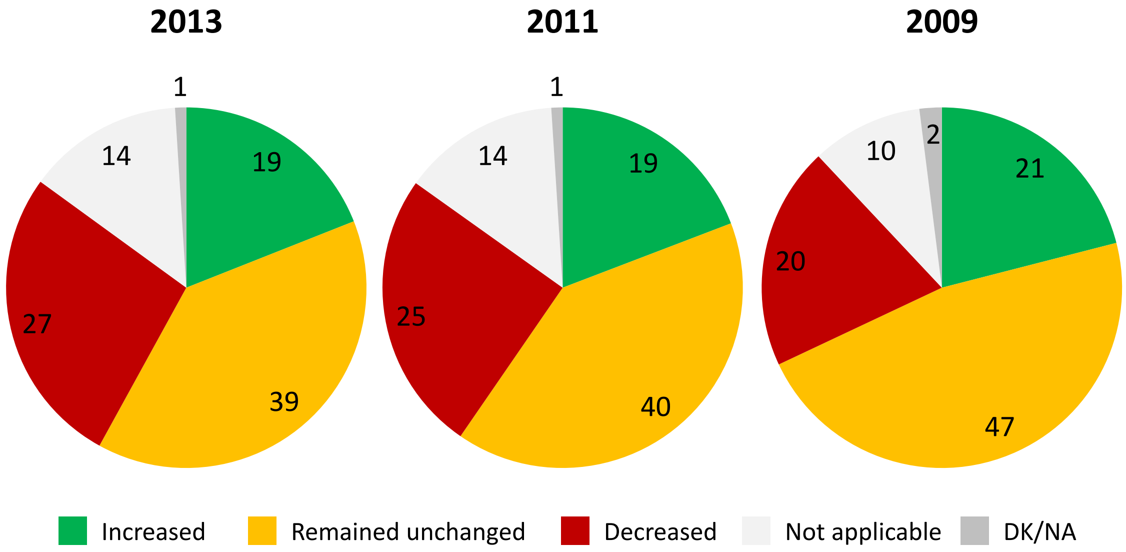
Other cost increases, however, were broadly similar across all company sizes (+51% for LSEs and +60% for SMEs) and the differences between SME sectors were also small (ranging from +56% to +61%).

Net interest expenses, like labour costs, did vary by size. The net increase reported was lowest for LSEs (-1% versus +16% for SMEs overall) but strongest for the micro-SMEs (+21% compared with +5% for the largest SMEs with 50-249 employees). There was less difference between SME sectors, with construction the highest (+24%) and industry (+10%) the lowest.

5.2.2 Changes in companies' debts to assets ratio

More SMEs overall reported that their debts-to-assets ratio had decreases in the past 6 months (27%) rather than increased (19%), whilst about two-fifths saw no change. This is very similar to the 2011 results with just a slight further decrease. The biggest shift was seen between 2009 and 2011.

Companies' debt-to-assets ratio



Q3. Would you say that the amount of debt compared to the assets of your company has decreased, remained unchanged or increased over the past 6 months Base: All SMEs, % EU-28

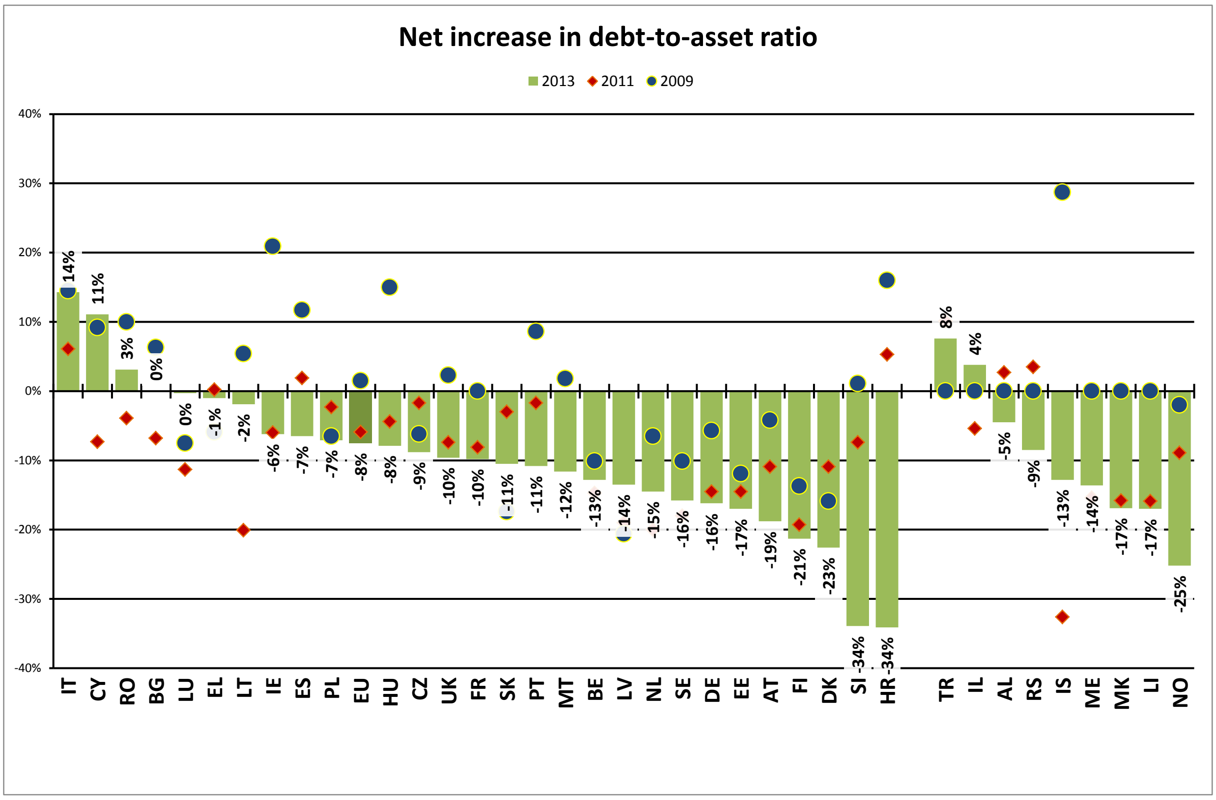
Country variations

The largest proportion of SMEs for most EU countries reported seeing no change in their debts-to-assets ratio over the last 6 months. Comparing the net increase scores by country showed that most were broadly similar, but there were some clear outliers. SMEs in Italy

(+14% net increase) and Cyprus (+11%) were the only countries to show a marked positive net increase in the ratio. In contrast four countries (Finland, Denmark, Slovenia and Croatia) reported improvements greater than -20% in their ratio. Outside the EU Norway showed the lowest net increase (-25%).

There was a significant increase in the ratio (debts to assets) in Cyprus from 2011 (-7%) to 2013 (+11%) and in Lithuania (-20% to -2%). The biggest drops in the ratio (i.e. improved debt to asset ratios) were in Slovenia (-7% to -34%) and Croatia (+5% to -34%)

Companies' debt-to-assets ratio



Q3. Would you say that the amount of debt compared to the assets of your company has decreased, remained unchanged or increased over the past 6 months Base: All SMEs, % countries

Company characteristics

LSEs reported that their debt-to-asset ratio had improved over the last 6 months (with a net increase of -13%). This was slightly lower than for EU SMEs overall (-8%) with the largest SMEs (net decrease of -10% for 50-249 employees) closer to LSE levels than micro-SMEs (-5%).

The net score for construction sector SMEs was about evenly balanced (+0.3%) whilst industrial SMEs had the lowest ratio (-11%). High growth SMEs had the lowest ratio (-14% versus +1% for SMEs that were getting smaller).

Technical Annex

Appendix 1: Sampling

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

- Country – 28 EU members states and other countries participating in the Entrepreneurship and Innovation Programme (EIP): Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden, United Kingdom, Iceland, Liechtenstein, Norway, Montenegro, The former Yugoslav Republic of Macedonia, Turkey, Albania, Serbia and Israel

- Company size – micro (1-9 employees), small (10-49 employees), medium (50-249 employees) and large (250+ employees)

The survey excluded firms in the following sectors – agriculture, fishing, public administration, financial services, activities of households, extra-territorial organisations and bodies, holding companies (on the basis of the NACE rev 1.1 code 7415). The statistical stratification took into account economic activities at the 0-digit level of the European NACE-Nomenclature v1.1. Interviews were conducted in the C, D, F, G, H, I, K, M, N and O sectors.

Therefore firms from the following sectors were sampled:

C	Mining and quarrying	I	Transport, storage and communication
D	Manufacturing	K	Real estate, renting and business activities
E	Electricity, gas and water supply	M	Education
F	Construction	N	Health and social work
G	Wholesale and retail trade	O	Other community, social and personal service
H	Hotels and restaurants		

Overall, 14,859 interviews were conducted across 37 countries, including 13,855 interviews across the EU 28 countries, between 28th August and 14th October 2013, using a CATI (Computer Assisted Telephone Interviewing) methodology throughout. Only eligible individuals within each company were surveyed (i.e. those with responsibility for the company's financial decisions, such as MDs/CEOs, FDs and other equivalent job functions).

As a general principle, the sample in each country was stratified by size classes as follows:

- Micro (1-9 employees): 30%
- Small (10-49 employees): 30%
- Medium (50-249 employees): 30%
- Large (250+ employees): 10%

These benchmarks had to be slightly adapted to the number of enterprises available within each stratum in the universe of companies corresponding to a few countries. An additional stratification by sector (industry, construction, trade, services) was also carried out in all countries. However, due to the size variance across the various business sectors, no quotas were set in this phase of sampling for the various industry sectors (implicit stratification was implemented).

The sample used for the survey is (after weighting) representative of the population of firms in each of the eleven countries and for the following size classes:

Dun & Bradstreet provided the sample lists according to the above outlined criteria (within strata the random selection of firms was carried out by Dun & Bradstreet). All respondents were screened to ensure that only qualified individuals were interviewed. Participating job functions included Managing Director/Owner/Proprietor, Chief Executive Officer and Chief Financial Officer/Head of Finance (the person most knowledgeable about the financial situation of the firm).

Planned and achieved interviews

The number of interviews planned varied by the size of country. The table below and overleaf shows the target number of interviews by country and the achieved number of interviews by country (overall and by size).

	Target number of interviews (n)	Total interviews achieved (n)	Interviews achieved: 1-9 employees (n)	Interviews achieved: 10-49 employees (n)	Interviews achieved: 50-249 employees (n)	Interviews achieved: 250+ employees (n)
Austria	500	501	177	180	114	30
Belgium	500	500	195	205	85	15
Bulgaria	500	502	151	151	150	50
Croatia	100	100	30	30	30	10
Cyprus	100	100	30	30	30	10
Czech Republic	500	429	74	150	155	50
Denmark	500	500	145	155	150	50
Estonia	100	100	30	30	30	10
Finland	500	501	201	200	85	15
France	1,000	1,002	300	300	301	101
Germany	1,000	1,000	300	300	300	100
Greece	500	500	200	199	86	15
Hungary	500	500	150	151	149	50
Ireland	500	500	200	200	85	15
Italy	1,000	1,000	300	300	300	100
Latvia	200	200	60	60	60	20
Lithuania	300	301	79	98	92	32

Luxembourg	100	100	30	30	30	10
Malta	100	100	30	30	30	10
Netherlands	500	500	180	185	105	30
Poland	1,000	1,011	308	300	303	100
Portugal	500	500	180	180	110	30
Romania	500	500	155	154	145	46
Slovakia	300	300	85	90	95	30
Slovenia	100	100	30	30	30	10
Spain	1,000	1,001	300	301	300	100
Sweden	500	507	148	159	150	50
UK	1,000	1,000	300	300	300	100
EU-28 TOTAL	13,900	13,855	4,368	4,498	3,800	1,189
Albania	90	90	30	32	28	-
Israel	90	90	25	34	31	-
Iceland	100	100	34	33	33	-
Liechtenstein	50	51	19	19	13	-
Montenegro	90	90	30	35	25	-
FYROM	90	90	30	30	30	-
Norway	150	150	45	54	51	-
Serbia	90	90	30	30	30	-
Turkey	250	253	78	91	84	-
TOTAL	14,900	14,859	4,689	4,856	4,125	1,189

Appendix 2: Questionnaire

Final questionnaire for a survey on access to finance of EU SMEs (Common version), September 2013 survey (Wave 9)

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

[INTERVIEWER, READ OUT ONLY IF RESPONDENT IS FROM PANEL: *You may remember that we spoke to you about six months 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 enterprises and in the monetary policy of the European Central Bank. Can I email or fax you some more information about the survey?]*

May I speak with the person who would best be able to provide information on how your enterprise is financed?
Your answers to this voluntary survey will be treated in strict confidence, used for statistical purposes and published in aggregate form only.

<u>Section 1: General characteristics of the firm (*Demographic part, common*)</u>

[COMMON] D2. How would you characterise your enterprise? Is it...

[READ OUT – ONLY ONE ANSWER]

- part of a profit-oriented enterprise (e.g. subsidiary* or branch) not taking fully autonomous financial decisions 1
- an autonomous profit-oriented enterprise, making independent **financial** decisions ** 2
- a non-profit enterprise (foundation, association, semi-government) 3
- [DK/NA] 9

* SUBSIDIARIES AND BRANCHES ARE CONTROLLED BY A PARENT COMPANY, WHICH OWNS THE MAJORITY OR ALL OF THE CAPITAL OF THESE ENTITIES. IN CONTRAST TO A BRANCH, A SUBSIDIARY IS A SEPARATE, DISTINCT LEGAL ENTITY.
** IN THE SENSE OF MAKING INDEPENDENT MANAGEMENT DECISIONS (THIS INCLUDES PARTNERSHIPS AND CO-OPERATIVES).

[IF 3 (NON-PROFIT) → STOP INTERVIEW]

[COMMON][8] D1. How many people does your company 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 COMPANY.

[READ OUT – ONLY ONE ANSWER]

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

[IF 0 EMPLOYEES → STOP INTERVIEW → INTERVIEW NOT VALID]
[IF NA/DK → STOP INTERVIEW → INTERVIEW NOT VALID]

THE COMPANY MUST HAVE AT LEAST 1 EMPLOYEE BEYOND THE FOUNDER(S), IF THE FOUNDER IS THE ONLY EMPLOYEE – WE STILL CONSIDER THAT TO BE A 0 EMPLOYEE FIRM. 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.

For reference purposes, here are the categories that are used for the analysis

- 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 company?

[READ OUT – ONLY ONE ANSWER]*[NACE code will be included from the sample register file.]*

- Mining...1
- Construction 2
- Manufacturing [INCLUDING ELECTRICITY, GAS AND WATER SUPPLY] 3
- Wholesale or retail trade 4
- Transport 5
- Real estate 6
- Other services to businesses or persons 7

- Agriculture [STOP INTERVIEW → INTERVIEW NOT VALID]..........................8
- Public Administration [STOP INTERVIEW → INTERVIEW NOT VALID]...9
- Financial services [STOP INTERVIEW → INTERVIEW NOT VALID] 10
- [None of these cases] [SPECIFY → IF RECODING NOT POSSIBLE STOP INTERVIEW → INTERVIEW NOT VALID] 11
- [DK/NA] [STOP INTERVIEW → INTERVIEW NOT VALID]...........................99

[8] 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 two years. [ECB] questions are only asked in the euro area.

[COMMON] D4. What was the annual turnover of your company in [YOUR COUNTRY] in 2012?

[READ OUT – ONLY ONE ANSWER IS POSSIBLE]

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

- Up to € 2 million 1
- 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] D5. In which year was your firm registered?*

[READ OUT – ONLY ONE ANSWER IS POSSIBLE]

NUMERICAL ANSWER [1700-2013] (four digits, less or equal than [YEAR OF SURVEY])
[DK/NA] 9999

* In case of a past acquisition, please refer to the year when the acquiring company was registered, or, in case of a merger, of the largest company involved (in terms of employees).
For reference purposes, here are the categories that are used for the analysis. The age of the firm is calculated as 2013 minus the year of registration.

- 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

[COMMON] D6. Who are the owners of your firm? Please select the most appropriate category in terms of majority holders if more than one category applies.

[READ OUT – ONLY ONE ANSWER POSSIBLE]

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

[COMMON] D6b. What is the gender of the owner/director/CEO of your firm?

[READ OUT – ONLY ONE ANSWER IS POSSIBLE]

- Male 1
- Female 2
- [DK/NA] 9

Section 2: General information on the type and situation of the firm

We will now turn to your company's current situation. When asked about the changes experienced by your company over the last six months, please report just the changes over this period.

[ALL FIRMS]
[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 firm is facing?**

[READ OUT – ROTATE CODES 1 TO 6 ONE ANSWER PER LINE. DK/NA (CODE 99) OPTION PERMITTED]

1. Finding customers ....
2. Competition ....
3. Access to finance [EXPLAIN IF NEEDED: FINANCING OF YOUR FIRM – 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 ....

[FILTER: IF TWO OR MORE ITEMS HAVE THE HIGHEST SCORE IN QUESTION Q0b, ASK Q0c. IF DK/NA RESPONSES FOR **ALL** ISSUES AT Q0B, THEN SKIP TO Q1]
[COMMON] **Q0c: I see that you have given an equally high score to several problems. If you compare them, which one of them is more pressing than the other[s], even if it is by a very small margin?**

[ROTATE - ONLY ONE ANSWER IS POSSIBLE – LIST ONLY THOSE THAT HAVE THE HIGHEST SCORE OF QUESTION Q0b]

- Finding customers 1
- Competition 2
- Access to finance 3
- Costs of production or labour 4
- Availability of skilled staff or experienced managers 5
- Regulation 6
- Other 7
- [ALL PROBLEMS ARE EQUALLY PRESSING]..8
- [DK/NA] 9

[ALL FIRMS]
[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. The following indicators are relevant for the income generated by your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased over the past 6 months in your company?
[READ OUT – ONLY ONE ANSWER PER LINE]

- Increased 1
- Remained unchanged 2
- Decreased...3
- [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) Net interest expenses [= INTEREST EXPENSES MINUS INTEREST INCOME = WHAT YOU PAY IN INTEREST FOR YOUR DEBT MINUS WHAT YOU RECEIVE IN INTEREST FOR YOUR ASSETS] 1 2 3 9
e) Profit [= NET INCOME AFTER TAXES]... 1 2 3 9
f) Profit margin [= THE DIFFERENCE BETWEEN THE SELLING PRICE AND THE COST PRICE FOR EACH UNIT]... 1 2 3 9

[COMMON] Q3. Would you say that the amount of debt compared to the assets of your company has decreased, remained unchanged or increased over the past 6 months?
[READ OUT – ONLY ONE ANSWER IS POSSIBLE]

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

Section 3: Financing of the firm

We turn now to the financing of your firm.

All firms participating in the survey are asked the same questions. Some financing sources that will be covered are quite specialised and might not be relevant for your firm. You can say that this source is not applicable to your firm, but please only do so if your firm has never used this source of financing in the past.

[COMMON] Q4. Turning to the financing structure of your firm, to finance normal day-to-day business operations or more specific projects or investments, you can use internal funds and external financing.
For each of the following sources of financing, could you please say whether you used them during the past 6 months, did not use them but have experience with them, or did not use them because this source of financing has never been relevant to your firm?
[READ OUT – ONE ANSWER PER LINE]

- Used in the past 6 months..1
- Did not use in the past 6 months, but have experience with this source of financing 2
- Did not use as this source of financing has never been relevant to my firm [INSTRUMENT IS NOT APPLICABLE TO MY FIRM] 7
- [DK] 9

a) Retained earnings or sale of assets [INTERNAL FUNDS LIKE CASH OR CASH EQUIVALENT RESULTING FOR INSTANCE FROM SAVINGS, RETAINED EARNINGS, SALE OF ASSETS] 1 2 7 9
b) Grants or subsidised bank loan [INVOLVING SUPPORT FROM PUBLIC SOURCES IN THE FORM OF GUARANTEES, REDUCED INTEREST RATE LOANS ETC.] 1 2 7 9
c) Bank overdraft, credit line or credit cards overdraft [*BANK OVERDRAFT* = NEGATIVE BALANCE ON A BANK ACCOUNT WITH OR WITHOUT SPECIFIC PENALTIES; *CREDIT LINE* = PRE ARRANGED LOAN THAT CAN BE USED, IN FULL OR IN PART, AT DISCRETION AND WITH LIMITED ADVANCE WARNING; *CREDIT CARD OVERDRAFT* = NEGATIVE BALANCE ON THE CREDIT CARD]....................................... 1 2 7 9
d) Bank loan (new or renewal; excluding overdraft and credit lines)................ 1 2 7 9
e) Trade credit [= PURCHASE OF GOODS OR SERVICES FROM ANOTHER BUSINESS WITHOUT MAKING IMMEDIATE CASH PAYMENT] 1 2 7 9
f) Other loan (for instance from a related company or shareholders, excluding trade credit; from family and friends)... 1 2 7 9
g) Leasing or hire-purchase or factoring [LEASING AND HIRE-PURCHASE = OBTAINING THE USE OF A FIXED ASSET (E.G. CARS OR MACHINERY) IN EXCHANGE OF REGULAR PAYMENTS, BUT WITHOUT THE IMMEDIATE OWNERSHIP OF THE ASSET. 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. 1 2 7 9
h) Debt securities issued... 1 2 7 9
i) Subordinated loans, participating loans, preferred stocks or similar financing instruments [=ALL TYPES OF MEZZANINE FINANCING THAT CONTAIN CHARACTERISTICS OF BOTH DEBT AND EQUITY – FOR EXAMPLE, A LOAN THAT RANKS BELOW OTHER DEBTS IF A COMPANY GOES INTO LIQUIDATION OR FILES FOR BANKRUPTCY, OR A LOAN THAT GIVES THE LENDER THE RIGHT TO CONVERT THE LOAN TO AN OWNERSHIP OR EQUITY INTEREST IN THE COMPANY UNDER SPECIFIED CLAUSES AND CONDITIONS] 1 2 7 9
j) Equity [QUOTED OR UNQUOTED SHARES OR OTHER FORMS OF EQUITY PROVIDED BY THE OWNERS THEMSELVES OR BY EXTERNAL INVESTORS, INCLUDING VENTURE CAPITAL OR BUSINESS ANGELS. BUT EXCLUDING MEZZANINE FINANCING IN TERMS OF PREFERRED STOCKS]... 1 2 7 9
l) [DID NOT USE EXTERNAL FINANCING] 1 2 7 9

[IF NONE OF THE FINANCING SOURCES IS SELECTED AS USED, PLEASE CONFIRM BY ASKING: “BASED ON THE REPLY TO THIS QUESTION, CAN YOU CONFIRM THAT YOUR FIRM HAS NOT USED ANY SOURCE OF FINANCING IN THE PAST 6 MONTHS, NEITHER INTERNAL NOR EXTERNAL?” AND RE-CODE THE CATEGORY WHERE APPROPRIATE.]

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

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

f) Bank overdraft, credit line or credit cards overdraft................................ 1 2 3 7 9
a) Bank loans (new or renewal; excluding overdraft and credit lines)........... 1 2 3 7 9
b) Trade credit 1 2 3 7 9
c) Equity [INCLUDING VENTURE CAPITAL OR BUSINESS ANGELS] 1 2 3 7 9
d) Debt securities issued.. 1 2 3 7 9
e) Other [LOAN FROM A RELATED COMPANY OR SHAREHOLDERS AND FROM FAMILY AND FRIENDS, LEASING AND FACTORING, GRANTS] 1 2 3 7 9

[ECB]Q6. For each of the following items, would you say that they have increased, decreased, or had no impact on your firm's needs for external financing over the past 6 months?
[READ OUT – ONE ANSWER PER LINE]

- Increased needs for external financing 1
- No impact on needs for external financing......................2
- Decreased needs for external financing...........................3
- [NOT RELEVANT, DID NOT OCCUR]............................7
- [DK] 9

a) Fixed Investment 1 2 3 7 9
b) Inventories and working capital.. 1 2 3 7 9
c) Availability of internal funds 1 2 3 7 9

[INTERVIEWER READ:] For the following item, if that has occurred during the past 6 months, please indicate if it has increased or decreased your firm's needs for external financing. [IF THE ITEM DID NOT OCCUR IN THE PAST 6 MONTHS, CODE 7 = NOT RELEVANT/DID NOT OCCUR]

d) Mergers & Acquisitions and corporate restructuring................................ 1 2 3 7 9

[COMMON] Q7A. For each of the following ways of financing, could you please indicate whether you: applied for them over the past 6 months,; did not apply because you thought you would be rejected; did not apply because you had sufficient internal funds; or did not apply for other reasons? [PROMPT IF NEEDED: **Other external financing includes loans from other lenders, equity or debt issuance, leasing, factoring, etc., but excludes overdrafts, credit lines, bank loans and trade credit]**
[READ OUT – ONE ANSWER PER LINE]

- 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

d) Bank overdraft, credit line or credit cards overdraft 1 2 3 4 9
a) Bank loan (new or renewal; excluding overdraft and credit lines) 1 2 3 4 9
b) Trade credit.. 1 2 3 4 9
c) Other external financing 1 2 3 4 9

[FILTER: FOR EACH OF THE ITEMS OF Q7A WHICH IS "APPLIED", 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?** [PROMPT IF NEEDED: **Other external financing includes loans from other lenders, equity or debt issuance, leasing, factoring, etc., but excludes overdrafts, credit lines, bank loans and trade credit]**
[READ OUT – ONLY ONE ANSWER PER LINE]

- Applied and got everything 1
- Applied and got most of it [BETWEEN 75% AND 99%] 5
- Applied but only got a limited part of it [BETWEEN 1% AND 74%] 6
- Applied but refused because cost too high 3
- Applied but was rejected..4
- [DK] 9

d) Bank overdraft, credit line or credit cards overdraft 1 3 4 5 6 9
a) Bank loan (new or renewal; excluding overdraft and credit lines) 1 3 4 5 6 9
b) Trade credit.. 1 3 4 5 6 9
c) Other external financing 1 3 4 5 6 9

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

- Improved 1
- Remained unchanged 2
- Deteriorated..3
- [NOT APPLICABLE TO MY FIRM – {ONLY IF CODES 2 TO 9 AT Q7A}]..7
- [DK] 9

[FILTER: ALL FIRMS. CODE 7 IS NOT TO BE USED FOR FIRMS HAVING "APPLIED" IN Q7A.d), Q7A.a) and Q7A.b) RESPECTIVELY]

- f) Bank overdraft, credit line or credit cards overdraft 1 2 3 7 9
- a) Bank loans (new or renewal; excluding overdraft and credit lines) 1 2 3 7 9
- b) Trade credit.. 1 2 3 7 9

[FILTER: IF ANY OF Q7A IS 1 "APPLIED" OR 2 "DID NOT APPLY BECAUSE OF POSSIBLE REJECTION"]

- c) Equity [INCLUDING VENTURE CAPITAL OR BUSINESS ANGELS] 1 2 3 7 9
- d) Debt securities issued.. 1 2 3 7 9
- e) Other [LOAN FROM A RELATED COMPANY OR SHAREHOLDERS AND FROM FAMILY AND FRIENDS, LEASING AND FACTORING, GRANTS] 1 2 3 7 9

[FILTER: ALL FIRMS]

[COMMON] Q11. The availability of external financing depends on various factors, which are in part related to the general economic situation, to your company's situation and to lenders' attitudes. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past 6 months?
[READ OUT – ONE ANSWER PER LINE]

- Improved 1
- Remained unchanged 2
- Deteriorated...3
- [NOT APPLICABLE TO MY FIRM [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 firm's own capital.. 1 2 3 9
- e) Your firm's credit history 1 2 3 9

[FOR THE FOLLOWING TWO ITEMS, CODE 7 IS NOT TO BE USED FOR FIRMS HAVING "APPLIED" IN Q7A.a) and Q7A.b) RESPECTIVELY]

- f) Willingness of banks to provide a loan.. 1 2 3 7 9
- g) Willingness of business partners to provide trade credit 1 2 3 7 9

- h) Willingness of investors to invest in equity or debt securities issued by your firm 1 2 3 7 9

[FILTER: Q7A.A) OR Q7A.D) IS APPLIED (BANK LOANS, AND OVERDRAFTS, CREDIT LINES AND CREDIT CARD OVERDRAFTS)]

[COMMON] Q10. We will now consider the terms and conditions of the <u>bank financing</u> (including bank loans, overdraft and credit lines) available to your firm. For each of the following items, could you please indicate whether they were increased, remained unchanged or were decreased over 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, e.g. 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: ALL FIRMS]

[ENTR] Q12.What is the size of the last loan, of any kind, that your firm has obtained in the last two years?

[READ OUT– ONLY ONE ANSWER IS POSSIBLE]

[FOR NON-EURO COUNTRIES THE AMOUNTS IN EURO WILL BE CONVERTED TO NATIONAL CURRENCY.]

- We did not take a loan 1
- Smaller than €25,000 2
- €25,000- €99,999.. 3
- €100,000 - €249,999... 6
- €250,000 - €1 million... 7
- Over €1 million.. 5
- [DK/NA]... 9

[FILTER: Q12 IS 2, 3, 4, OR 5]

[ENTR] Q13. Who provided you with this last loan?

[READ OUT– ONLY ONE ANSWER IS POSSIBLE]

- Bank 1
- Private individual - family or friend................................ 2
- Other sources (e.g. microfinance institutions, government-related sources)...................................... 3
- [DK/NA]... 9

[FILTER: Q12 IS 2, 3, 4, OR 5]

[ENTR] Q14. What did you use this last loan for?

[READ OUT– ROTATE – SEVERAL ANSWERS POSSIBLE]

- Working capital 1
- Land/ buildings or Equipment/vehicles 2
- Research and development or intellectual property......... 3
- Promotion 4
- Staff training.. 5
- Buying another business.. 6
- Other.. 7
- [DK/NA]... 9

Section 4: Future, growth and obstacles to growth

[ENTR] Q16.Over the last three years (2009-2012), how much did your firm 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 FIRM 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 company 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 to talk about financing with banks and to obtain the desired results? And how about equity investors/ venture capital firms?
[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 firms 1 2 7 9

[ASK IF Q17=1 OR 2]
[ENTR] Q20. If you need external financing to realise your growth ambitions, what type of external financing would you prefer most? [ASK THIS AND NEXT TWO QUESTION IF Q17 = 1 OR 2 (FIRM EXPECTS TO GROW)]
[READ OUT– ROTATE- ONLY ONE ANSWER IS POSSIBLE]

- Bank loan 1
- Loan from other sources (E.G. TRADE CREDIT, RELATED COMPANY, SHAREHOLDER, PUBLIC SOURCES) 2
- Equity investment [INCLUDING VENTURE CAPITAL OR BUSINESS ANGELS] 3
- Subordinated loans, participating loans, preferred stocks or similar financing instruments [ALL TYPES OF MEZZANINE FINANCING THAT CONTAIN CHARACTERISTICS OF BOTH DEBT AND EQUITY – FOR EXAMPLE, A LOAN THAT RANKS BELOW OTHER DEBTS IF A COMPANY GOES INTO LIQUIDIDATION OR FILES FOR BANKRUPTCY, OR A LOAN THAT GIVES THE LENDER THE RIGHT TO CONVERT THE LOAN TO AN OWNERSHIP OR EQUITY INTEREST IN THE COMPANY UNDER SPECIFIED CLAUSES AND CONDITIONS] 4
- Other 5
- [DK/NA] 9

[ENTR] Q21. And what amount of financing would you aim to obtain?
[READ OUT– ONLY ONE ANSWER IS POSSIBLE]

- Smaller than €25,000 1
- €25,000- €99,999........ 2
- €100,000 - €249,999 5
- €250,000 - €1 million........ 6
- Over €1 million 4
- [DK/NA]........ 9

[FOR NON-EURO COUNTRIES THE AMOUNTS IN EURO SHOULD BE CONVERTED TO NATIONAL CURRENCY.]

[ENTR] Q22. What do you see as the most important limiting factor to get this financing?

[ASK IF BANK OR OTHER LOAN (1 OR 2 IN Q20):]

A.

[READ OUT– ONLY ONE ANSWER IS POSSIBLE]

- There are no obstacles 8
- Insufficient collateral or guarantee................................ 1
- Interest rates or price too high...................................... 2
- Reduced control over the firm 3
- Financing not available at all 4
- Other.. 5
- [DK/NA].. 9

[ASK IF EQUITY INVESTMENT OR MEZZANINE (3 OR 4 IN Q20):]

B.

[READ OUT– ONLY ONE ANSWER IS POSSIBLE]

- There are no obstacles 8
- Interest rates or price too high...................................... 2
- Reduced control over the firm 3
- Financing not available at all 4
- Other.. 5
- [DK/NA].. 9

[FILTER: ALL FIRMS]

[COMMON] Q23. 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 is not applicable to my firm].........................7
- [DK] 9

[FOR ITEMS g), b) AND d) BELOW, CODE 7 IS NOT TO BE USED FOR FIRMS HAVING "APPLIED" IN Q7A.d), Q7A.a) and Q7A.b) RESPECTIVELY]

a) Retained earnings or sale of assets [INTERNAL FUNDS]...................... 1 2 3 7 9
g) Bank overdraft, credit line or credit cards overdraft 1 2 3 7 9
b) Bank loans (new or renewal; excluding overdraft and credit lines) 1 2 3 7 9
d) Trade credit... 1 2 3 7 9
c) Equity [INCLUDING VENTURE CAPITAL OR BUSINESS ANGELS] 1 2 3 7 9
e) Debt securities issued 1 2 3 7 9
f) Other [LOAN FROM A RELATED COMPANY OR SHAREHOLDERS AND FROM FAMILY AND FRIENDS, LEASING AND FACTORING, GRANTS].. ..1 2 3 7 9

[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 company'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 (E.G. SUPPORT FOR VENTURE CAPITAL OR BUSINESS ANGEL FINANCING)
c) Export credits or guarantees
d) Tax incentives
e) Business support services (E.G. ADVISORY SERVICES, TRAINING, BUSINESS NETWORKS, CREDIT MEDIATION, MATCH-MAKING SERVICES ETC)
f) Making existing public measures easier to obtain (E.G. THROUGH THE REDUCTION OF ADMINISTRATIVE BURDENS)

C1/ Thank you for taking part in this survey. Would you like to receive a copy of the published results? SINGLE CODE

Yes 1 - READ OUT: Please confirm your email address and we will send you the link for the publication. WRITE IN EMAIL ADDRESS
No 2

C2/ The survey will be repeated in about six months, with a shorter questionnaire. Would you be willing to participate in that survey as well? SINGLE CODE

Yes 1 - CONFIRM AND WRITE IN RESPONDENT'S NAME
No 2

Appendix 3: Country abbreviations

The following ISO code abbreviations are used in the report for each of the countries covered in the survey.

Belgium	BE	Iceland	IS
Bulgaria	BG	Liechtenstein	LI
Croatia	HR	Norway	NO
Czech Republic	CZ	Montenegro	ME
Denmark	DK	Former Yugoslav Republic of Macedonia [9]	MK
Germany	DE	Turkey	TR
Estonia	EE	Albania	AL
Ireland	IE	Serbia	RS
Greece	EL	Israel	IL
Spain	ES		
France	FR		
Italy	IT		
Cyprus	CY		
Latvia	LV		
Lithuania	LT		
Luxembourg	LU		
Hungary	HU		
Malta	MT		
Netherlands	NL		
Austria	AT		
Poland	PL		
Portugal	PT		
Romania	RO		
Slovenia	SI		
Slovakia	SK		
Finland	FI		
Sweden	SE		
United Kingdom	UK		

[9] *Provisional abbreviation which in no way pre-judges the definitive name of this country, which will be agreed once the current negotiations at the United Nations have been completed*