



## Access to finance worries small and medium enterprises

Access to finance of small business is difficult, but most SMEs still get all or at least part of their financing needs covered. A new survey carried out by the European Commission and the European Central Bank shows that European small and medium sized enterprises (SMEs) have the necessary flexibility to withstand the crisis.

More difficult access to finance is among the top concerns (16%) of SMEs according to the new Flash Eurobarometer survey. Innovative firms are slightly likelier (18%) to indicate access to finance as their most pressing problem than other firms (14%). Greek, Spanish and Lithuanian firms are likelier to indicate access to finance as their main problem, whereas Maltese, Finnish and Belgian firms have the fewest problems accessing finance. Three companies out of ten argue that there has been a decrease in the willingness of banks to provide loans in the past six months. A similar picture emerges when looking at access to public financial support instruments.

### Bank loans still mostly accessible

The availability of bank loans has deteriorated over the last six months for 46% of SMEs. Despite this, over 70% of SMEs got all or part of the bank loan they wanted, and only about 15% were fully rejected. Lack of collateral is seen as the most significant obstacle going forward, and on balance, access to bank loans is expected to deteriorate slightly. Roughly 60% of companies have used at least one source of debt financing in the past six months. The most popular source of debt financing has been the bank: 30% of companies have used bank overdraft facilities or a credit line and 26% have received a bank loan.

### Although SMEs feel the effect of the crisis, a lot of them expect to grow

The crisis has hit European SMEs with 51% indicating that their profitability has decreased over the last six months. About 20% of European firms belong to the category of “gazelles”, i.e. they have grown over 20% per year over three years. Over the next two to three years, about 13% expect a turnover growth of over 20%. The proportion of companies that expect their annual turnover to increase in the next two to three years ranges from 17% in Malta and 20% in Latvia to approximately 60% in Poland, Austria and Norway (59%-61%).

About half of EU businesses expect to grow in terms of annual turnover in the next two to three years: slightly more than a tenth expects a growth rate of over 20% and roughly a third expects to grow moderately – i.e. less than 20% per year. Bank loans are by far the most preferred type of financing for future use: 64% of companies that expect to grow have stated that they would prefer to apply for a bank loan to realise these growth ambitions.

### EU support of SMEs access to finance

For its part, the EU is already helping SMEs to access finance in many ways. For example, the Financial Instruments of the Competitiveness and Innovation Programme (CIP) will, by 2013, have helped about 400 000 small businesses. The European Regional Development Fund (ERDF) will have dedicated €23bn for helping small businesses by 2013.

Further, the European Investment Bank has almost doubled its lending for small businesses, with a target of €30bn for 2008-2011.

### **Up to date information for policy-makers**

All the data comes from the survey that was conducted in cooperation between the European Commission and the European Central Bank (ECB). 9071 firms in the 27 EU Member States, Croatia, Iceland and Norway in June 2009 were interviewed. The survey examined companies':

- past, current and future state
- use of financial instruments
- experiences when applying for various types of external financing
- use of loans as a source of financing
- perceptions about the availability of various types of external financing
- confidence to talk about future financing with banks and equity investors, and
- their preferences and expectations for future financing.

This survey will help policy-makers to assess the specific difficulties faced by small businesses in different countries and with different characteristics. In particular, the survey results will be used to identify key areas of action regarding SMEs' access to finance, including innovative growth-oriented enterprises. For the ECB the survey will provide complementary information concerning the effects of monetary policy and financial market developments on SMEs. Future regular surveys will chart the development of the situation in access to finance over time.

More information: [the survey results](#) and [the ECB report](#).