Financing SMEs and Entrepreneurs 2013: An OECD Scoreboard

Small and medium-sized enterprises (SMEs) and entrepreneurs are crucial for tracing new paths to more sustainable and inclusive growth, thanks to their role in developing and diffusing innovation and providing employment. However, they can only fulfill this role if they obtain the finance necessary to start and grow their business. Access to finance represents one of the most significant challenges for these firms, which the recent financial and economic crisis has exacerbated in many countries. Addressing this recurrent structural problem is imperative in order to improve the well-being of societies.

*Financing SMEs and Entrepreneurs 2013: An OECD Scoreboard* analyses trends in access to finance over the period 2007-2011, based on annual and quarterly data from central banks and national statistical agencies. It contains a thematic chapter on the role of credit guarantee schemes in enhancing SMEs’ access to finance.

**Objectives**

The Scoreboard’s objective is to collect data on SME and entrepreneurship financing in order to:

1. Improve the understanding of business financing needs and provide the basis for a more informed policy discussion;

2. Give finance suppliers a more comprehensive understanding of their clients’ needs, thus enabling them to design better products and services;

3. Allow policy makers to assess whether firms’ financing needs are being met, and to feed into the design and evaluation of government policies and programmes;

4. Help governments monitor the implications of financial reforms on SMEs’ and entrepreneurs’ access to finance.

Detailed profiles are presented for 25 countries: Canada, Chile, the Czech Republic, Denmark, Finland, France, Hungary, Ireland, Italy, Korea, the Netherlands, New Zealand, Norway, Portugal, Russia, Serbia, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Thailand, Turkey, the United Kingdom and the United States.

The Scoreboard includes 13 indicators of debt, equity and framework conditions for SME and entrepreneurship finance, along with information on public and private initiatives to support SME finance. It also contains a discussion on methodological issues – including recommendations for data improvements – as well as statistical resources.

As country coverage expands and progress is made on methodological issues, the Scoreboard is expected to become the international reference for monitoring developments and trends in SME finance.
Key findings

Finance conditions for SMEs remained tighter than for large firms
Although outstanding SME loans stabilised or returned to a growth pattern in 2011 and early 2012, in most countries, SMEs experienced stiffer credit terms than large firms, in the form of higher interest rates, shortened maturities and increased requests for collateral. In 2011, the cost of SME credit, which had declined during recession, trended upward in most countries, with an increase in the interest rate spread between SMEs’ and large firms’ loans in some countries.

The financing environment for SMEs differed across countries
In many developed economies, SME lending grew moderately over 2010-2011, after the marked decline in business and SME loans at the outset of the global financial and economic crisis. In emerging economies, the more pronounced increase in SME financing was accompanied by a rapid expansion of credit to the business sector overall. The sovereign debt crisis that hit some European countries is expected to lead to further deterioration in bank lending activities and tighter credit conditions for SMEs in those countries.

Investments in venture and growth capital showed signs of recovery
Equity financing was severely affected by the financial crisis in 2008-2009. While the uncertain economic climate continued to act as a drag on equity investments in 2010, a modest recovery occurred. In several economies, the upward trend strengthened in 2011, but the level of equity investments was still well below the pre-crisis level.

The business environment continued to be challenging for SMEs
Bankruptcy figures remained high in most countries, despite modest downward trends. In some countries, bankruptcies continued to rise in 2011, reaching levels that surpassed the height of the crisis in 2009. The working capital problem was aggravated by an increase in payment delays by large firms and public administration.

Government anti-crisis measures were extended or enhanced in some countries
In the aftermath of the crisis, governments were sensitive to the increasing difficulties faced by SMEs in accessing finance. They responded with a variety of instruments, including direct lending, loan and export guarantees, tax payment exemptions and deferral, subsidised interest rates, credit mediation systems, and support to equity financing, among others. In 2010-2011, in economies where recovery began to fade and bankruptcies continued to mount, many of these programmes were extended or enhanced.

Credit Guarantee Schemes were effective in supporting SME finance, but their expanded role poses new challenges
Since the outset of the crisis, credit guarantee schemes have been an instrument of choice for policy makers to improve access to finance by SMEs and young firms. These schemes have been effective in mobilising a large amount of credit for a broad population of firms. However, their increased scale and scope imply greater exposure to risk. These changes are taking place in conjunction with transformations induced by regulatory reforms, which make operational efficiency increasingly important.

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