

## Box 4

**SURVEY ON THE ACCESS TO FINANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE EURO AREA: APRIL TO SEPTEMBER 2013**

This box presents the main results of the ninth round of the “Survey on the access to finance of small and medium-sized enterprises (SMEs) in the euro area”.<sup>1</sup> This survey round was conducted between 28 August and 4 October 2013 in all countries except Slovakia, where survey interviews lasted one week longer. The total sample comprised 8,305 firms, of which 7,674 (i.e. 92%) were SMEs (i.e. they had fewer than 250 employees), with the remainder constituting a control group. This box describes the changes in the financial situation, financing needs and access to financing of SMEs in the euro area over the six preceding months (i.e. from April to September 2013).<sup>2</sup> In addition, developments for SMEs are compared with those for large firms over the same period.

Overall, “finding customers” remained the dominant concern for euro area SMEs (24%, down from 27% in the previous survey round). “Access to finance” was a concern for the second largest percentage of euro area SMEs (16%, unchanged), but was not as significant for large euro area firms (10%, down from 11%).

**Deterioration in the financial situation of SMEs slower than in the previous survey**

In the period from April to September 2013, the financial situation of euro area SMEs continued to deteriorate, albeit at a slower pace than in the previous period. Euro area SMEs continued to report a decline in turnover in net terms<sup>3</sup> (-3%), which was, however, lower than in the previous survey period (-11%; see Chart A). In addition, a high net percentage of euro area SMEs continued to report increases in labour and other costs (43% and 60% respectively, compared with 47% and 69% in the previous period). In line with turnover and cost developments, euro area SMEs reported a continued decline in profits (-25%, compared with -33%). By contrast, large euro area firms reported an increase in turnover on balance in the period from April to September 2013 (20%, broadly unchanged from the previous survey round). In addition, the deterioration in their profits was, on balance, more moderate than that of euro area SMEs (-8%, up from -14%).

Against the background of still high corporate indebtedness, euro area SMEs reported a further net decrease in their leverage in the period from April to September 2013 (-7%, down from -3%). Large euro area firms also reported a stronger deleveraging pattern (-12% on balance, down from -8%).

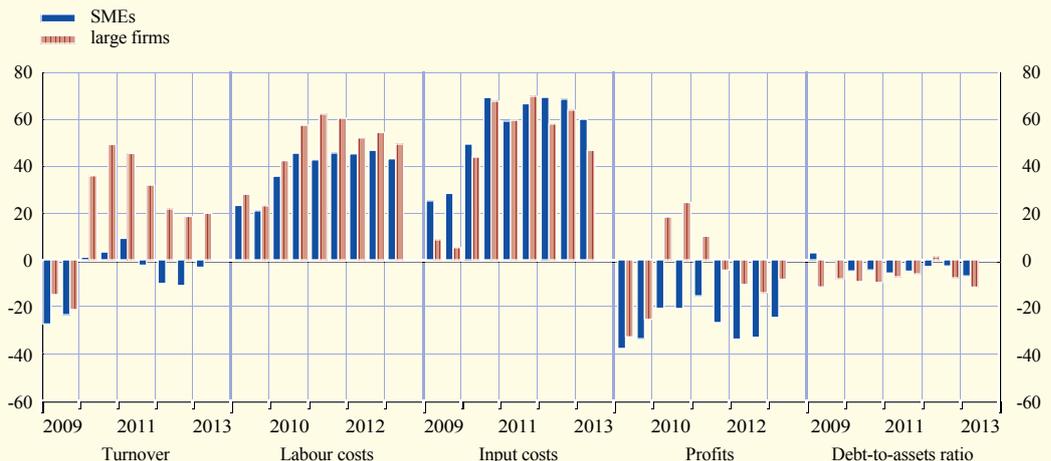
1 A comprehensive report, detailed statistical tables and additional breakdowns were published in the “Statistics” section of the ECB’s website on 14 November 2013 (see “Monetary and financial statistics”/“Surveys”/“Access to finance of SMEs”).

2 The reference period for the previous survey round was October 2012 to March 2013.

3 “Net terms” refers to the difference between the percentage of firms reporting an increase and that of those reporting a decrease.

**Chart A Indicators of the financial situation of euro area firms**

(change over the preceding six months; in net percentage of respondents)



Sources: ECB and European Commission survey on the access to finance of SMEs.

Note: Net percentages are defined as the difference between the percentage of firms reporting an increase for a given factor and that reporting a decrease.

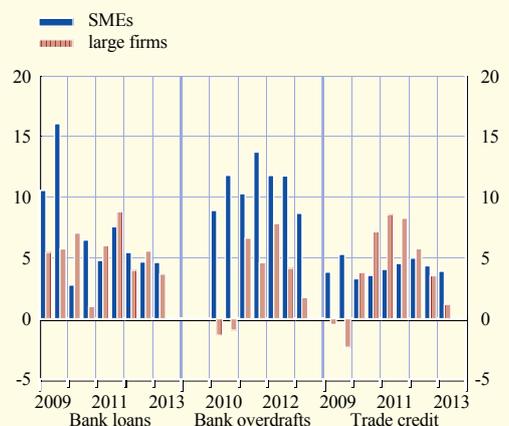
### Smaller increase in the external financing needs of euro area SMEs

On balance, 5% of euro area SMEs reported an increase in their need for bank loans (unchanged from the previous survey round; see Chart B) and 9% reported an increased need for bank overdrafts (down from 12% in the previous survey round). The development of the need for trade credit was similar, with a net percentage of 4% of euro area SMEs reporting an increase (unchanged from the previous survey round). Among the factors affecting SMEs' need for external financing, fixed investment, along with inventory and working capital, played the largest role. For fixed investment, on balance, a smaller percentage of euro area SMEs reported that this factor had an impact on their external financing needs (11%, down from 13%). Euro area SMEs also reported, on balance, a somewhat lesser need for external financing resulting from insufficient availability of internal funds (3%, down from 7%).

Similarly, large firms reported, on balance, a slight decline in the need for bank loans (4%, down from 6% in the previous survey round), trade credit (1%, down from 4%) and bank overdrafts (2%, down from 4%).

**Chart B External financing needs of euro area firms**

(change over the preceding six months; in net percentage of respondents)



Sources: ECB and European Commission survey on the access to finance of SMEs.

Note: Net percentages are defined as the difference between the percentage of firms reporting an increase in needs and that reporting a decrease. Data for bank overdrafts (which also include credit lines and credit card overdrafts) are not available for the first two rounds of the survey.

### Continued deterioration in the availability of external financing for euro area SMEs

Between April and September 2013, the net percentage of euro area SMEs reporting a deterioration in the availability of bank loans increased marginally to -11% (from -10%; see Chart C). Euro area SMEs reported a smaller deterioration in the availability of bank overdrafts on balance (-12%, from -14%) while the availability of trade credit remained broadly unchanged at -6%. Turning to the factors affecting the availability of external financing across different instruments, SMEs indicated that the deterioration was less significant than in the previous round. They continued to refer in particular to a worsening of the general economic outlook, but to a considerably smaller degree (-24% in net terms, from -35%). Indeed, SMEs reported some signals of a reduced deterioration in most of the factors related to the availability of external financing between April and September 2013; the net percentage of euro area SMEs reporting a worsening of their firm-specific outlook was -5%, from -16%. By contrast, SMEs' own capital had a positive impact on the availability of external financing on balance (3%, from -2%). As with these demand-driven factors, SMEs indicated a smaller deterioration in banks' willingness to provide a loan in the period from April to September 2013 (-17%, from -21%).

On balance, euro area SMEs also reported a slight worsening in the terms and conditions of bank loan financing, in line with the marginal net deterioration in the availability of bank loans. They also reported an increase in interest rates (19%, up from 17% in the previous survey), while, with respect to non-price terms and conditions, they signalled a marginal tightening on balance, with a reduction in the size (-1%, down from 3%) and maturity (-1%, down from 0%) of loans. In addition, SMEs reported a more moderate increase in collateral requirements on balance (31%, from 35%).

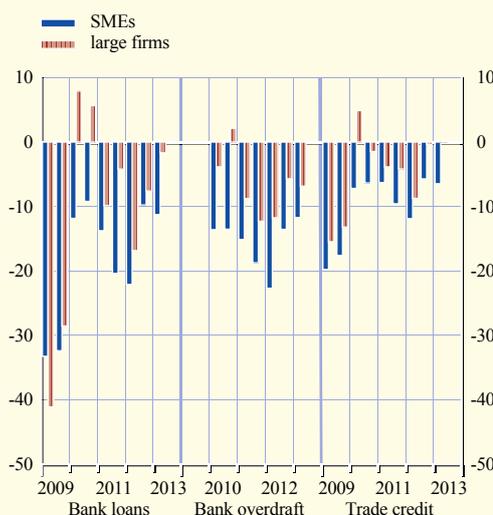
As in the case of euro area SMEs, the availability of bank loans to large firms deteriorated less than in the previous survey period (-2%, up from -8%). In addition, the degree of deterioration remained somewhat smaller than for euro area SMEs, indicating that large firms generally have easier access to finance than SMEs.

### Significant financing obstacles for euro area SMEs, with an unchanged share of successful loan applications and a marginal increase in the rejection rate

When looking at the actual outcome of bank loan applications by SMEs between April and September 2013, the situation shows few signs of improvement at the euro area level. Of the euro area SMEs, 65% reported that they had received the full amount of their loan application

Chart C Availability of external financing for euro area firms

(change over the preceding six months, in net percentage of firms that applied for external financing)



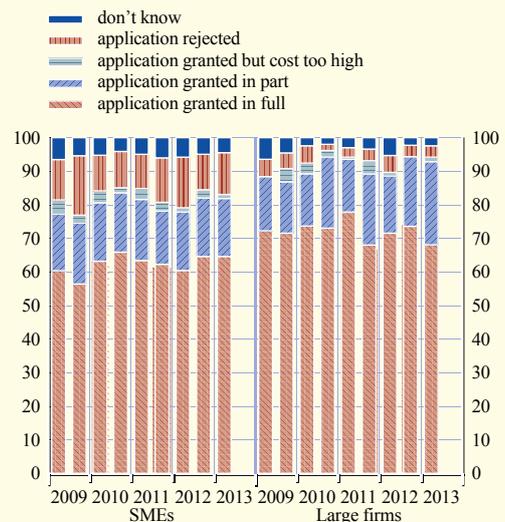
Sources: ECB and European Commission survey on the access to finance of SMEs.

Note: Net percentages are defined as the difference between the percentage of firms reporting an increase in availability and that reporting a decrease.

(unchanged from the previous survey period; see Chart D). By contrast, 12% reported that their bank loan application had been rejected (up from 11%) and 8% that they had received only part of the requested amount (down from 10%). For bank overdrafts, euro area SMEs also reported an unchanged rejection rate (10%). In order to calculate an encompassing measure of financing obstacles, the following percentages are summed: SMEs reporting loan applications which were rejected, those reporting loan applications for which only a limited amount was granted, those reporting loan applications which were not used because the borrowing costs were too high and those that did not apply for a loan for fear of rejection (i.e. discouraged borrowers). The result shows that a share of 12% of all the euro area SMEs surveyed (unchanged from the previous survey round) reported that their desired loan applications were not successful in the period from April to September 2013.<sup>4</sup>

**Chart D Outcome of loan applications by euro area firms**

(over the preceding six months; percentage of firms that applied for bank loans)



Sources: ECB and European Commission survey on the access to finance of SMEs.

For large firms, the rate of success when applying for a bank loan was higher than for SMEs, but declined to 68% (from 74%). The rejection rate remained unchanged at 3%. An encompassing measure of financing obstacles points to a percentage of 8% of large firms (up from 7%), indicating that large firms generally had better access to finance than SMEs.

<sup>4</sup> A new version of the encompassing indicator of financing obstacles was introduced in this survey round based on all SMEs, irrespective of whether or not they applied for a bank loan. See footnote 9 of the report on the survey in the "Statistics" section of the ECB's website (see "Monetary and financial statistics"/"Surveys"/"Access to finance of SMEs").