



**European Commission**  
Enterprise and Industry

# **SMEs' Access to Finance**

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## **Survey 2011**

### **Analytical Report**

**7 December 2011**



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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# **2011 SMEs' Access to Finance survey**

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# Introduction

Access to finance is a key determinant for business start-up, development and growth for Small and Medium-Sized Businesses (SMEs<sup>1</sup>) and they have very different needs and face different challenges with regard to financing compared to large businesses<sup>2</sup>. 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<sup>3</sup>, 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 38 countries, including the 27 European Union (EU) and 17 euro area countries was undertaken in June-July 2009 and again in August-October 2011.

This report details the feedback from the 2011 wave and examines wave-on-wave significant changes between the two surveys.

It focuses on the findings from the 27 EU countries. Other countries of the European Free Trade Association (EFTA) or participating in the Entrepreneurship and Innovation

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<sup>1</sup> SMEs are defined in this report as firms with 1-249 employees; LSEs as firms with 250+ employees

<sup>2</sup> 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*.

<sup>3</sup> 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

Programme (EIP)<sup>4</sup> 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 €2m 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
- *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

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<sup>4</sup> 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](http://ec.europa.eu/enterprise/policies/international/competitiveness-innovation/participation/index_en.htm)

The analysis of the SME results in this report is based on the employment criterion. We also examined innovative<sup>5</sup> companies and those showing higher levels of growth. These companies, including those termed ‘gazelles<sup>6</sup>’ (that is young companies, up to five years old, which are experiencing growth of more than 20% per year over a period of three years), 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 from 2009, at an EU-wide level (i.e. across all 27 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.

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<sup>5</sup> 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

<sup>6</sup> All companies in our sample of EU businesses (i.e. both SMEs and LSEs) are included in our analysis of ‘gazelles’

# Summary

## Most pressing problem

- *Access to finance* is the second most pressing problem facing EU SMEs, after *finding customers*. It is cited by around one in seven business managers (alongside *competition*) and it is the most pressing problem in Greece (mentioned by 30%), Slovenia and Estonia.

## Use of financing

- When looking at recent sources of financing in the last six months, EU companies most often said they used only external financing (in 56% of cases). This has more than doubled since 2009 (27%). One fifth (20%) said that they used both internal and external sources of funding and a very small proportion (4%) said they only used internal funding (down from 14% in 2009).
- SMEs were more likely to have only used external financing than LSEs <sup>7</sup>(56% compared with 50%), while larger enterprises were more likely to have used both internal and external sources of finance.
- The most widely used external sources of financing in 2011 were bank overdrafts (40%), leasing/hire purchase/factoring (36%), trade credit (32%) and bank loans (30%). In total, 75% of EU SMEs used at least one source of debt financing in the past six months. This was an increase on the level in 2009, when 61% had used debt financing for the same period.
- Equity financing, was used by less than one in ten SMEs (7%) in the last six months. Its use was more likely by larger businesses (11% of those with 250+ employees) and SMEs owned by venture firms (14%). *Gazelles* (firms that are less than five years old who have grown at more than 20% per annum) were also slightly more likely (12%) than SMEs overall to have used equity financing.

## Experiences with applications for external finance

- Just under a fifth (19%) of EU SMEs applied for a *bank loan* in the past 6 months, down from 26% in 2009. Applications for bank loans were most common in France (31%) and Slovenia (30%), while for SMEs in Germany, Italy and Poland there were significant drops in the proportion of firms applying for bank loans from 2009. The main reason for not applying for finance (in around a half of cases) was that internal funds were sufficient.
- SMEs in Luxembourg (33%) and Slovakia (27%) were the most likely to have applied for a *bank overdraft* in the past six months. Those in Estonia (25%) and Italy (25%) were the next most likely. Those in Sweden (3%) and Finland (5%) were least likely.
- While having sufficient internal funds was the most common reason overall for not applying for this finance, those in Ireland (12%), Greece (11%) and Iceland (10%) were most likely to have not applied because of possible rejection.
- Larger enterprises and those which have existed for longer were more likely to have applied for these forms of external finance in the past year. Firms in the services

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<sup>7</sup> As stated, SMEs are defined as firms with 1-249 employees; LSEs as firms with 250+ employees

sector were less likely to have done so. However, those that are innovative (firms that introduced new product, service, marketing idea, production method or organisation of management in the past 12 months), were more likely to have applied for external finance in the past six months, as were *gazelles*.

- Around two-thirds of EU SMEs who applied for external finance got everything they requested. Applying for bank loans and/or overdrafts were the most likely types of finance to result in outright rejection – in 11% and 10% of cases respectively. The proportion of SMEs who applied for external financing and got everything they requested has increased generally since 2009. The proportion getting everything they requested from a bank loan increased from 59% to 63% in this time, those getting the same via trade credit went up from 55% to 69%, and with other types of external financing the increase was particularly marked, from 53% to 71% since 2009.
- SMEs in Finland and Sweden were more likely than those in most other countries to have got everything they requested when applying for bank loans and bank overdrafts. In Greece and Ireland the proportions that were rejected was significantly higher than the EU average and the proportions who got everything they wanted significantly lower overall.
- In general, larger and older enterprises who apply were more likely to get the external finance that they requested. For example, 77% of LSEs who applied for a bank loan in the past six months got everything compared with 63% of SMEs. Younger and smaller SMEs were both more likely to only get some of the finance they requested, and, indeed, to be rejected outright. 24% of SMEs active between 2 and 5 years were rejected, compared with only 9% of firms active for 10 years or more.

### **Loans as external source of financing**

- Half (50%) of SMEs in the EU have taken out a loan in the past two years. This is up from 46% in 2009. Those in Cyprus, the UK and Denmark were less likely to have taken a loan in that time, while those in Spain, France and Latvia were more likely. Smaller enterprises were less likely to have taken a loan in the past two years - 44% of firms with 1-9 employees, compared with 61% of LSEs.
- Among those SMEs to have taken out a loan, €100,000 to €1 million was the most common amount borrowed. This was the case for one in three (33%) of the loans last obtained by these firms, a similar proportion to 2009 (29%). Loans greater than €1 million were taken out more widely in Austria (22%), and the Netherlands (23%) than elsewhere in the EU. At the other end of the spectrum, SMEs in Latvia, Estonia and Romania, who took out a loan, were more likely to borrow a small amount (36%, 50% and 35% respectively of firms in each country who took out a loan most recently borrowed less than €25,000).
- Banks were by far the most common provider of loans to SMEs in the EU. Of those who obtained a loan in the last two years, 87% obtained their loan from that source. This is broadly unchanged from 2009 (88%). Only 4% obtained their loan from a private individual such as a family member or friend, while 8% obtained their loan from another source, such as micro-finance institutions or government-related sources. SMEs in Greece were among the most likely to have got their last loan from a bank, 97% of those who obtained a loan getting it from this source.
- *Working capital and land/buildings* and *equipment/vehicles* were the dominant purposes for taking out a loan in the past two years. *Working capital* was the purpose of 46% of the loans, while *purchasing land, buildings, equipment or vehicles*

accounted for 44% of the loans. This is similar to the profile in 2009. SMEs in Greece were most likely to have used their most recent loan for working capital (in 85% of cases).

- In Italy there has been a significant increase in the proportion of firms using their loan for working capital since 2009. This has increased from 35% to 43% in that time. In Bulgaria there was an ever greater increase – from 49% to 70% using their loans for working capital.

### Access to external financing

- On balance, SME managers were clearly more pessimistic than optimistic about the *general economic outlook*. Just over two-fifths (43%) said it had deteriorated in the past six months, while 12% said that there had been an improvement and 39% said it was unchanged. The overall net balance of opinion (the proportion saying it has improved less those who say it has deteriorated) was -30%. The most optimistic viewpoint was seen from managers in Latvia, Lithuania and Denmark, while the most negative was seen in Spain, Hungary and Ireland. Views about the general economic outlook were fairly consistent between SMEs and LSEs.
- Results have improved since the 2009 survey when the overall net balance of opinion was -64%, over twice as negative as in 2011. Results have improved in nearly all countries since 2009, except for Greece and Slovenia.
- Overall SME managers were a little more likely to be pessimistic (26%) than optimistic (21%) about their own *firm-specific outlook* with respect to sales and profitability over the last 6 months. Managers were most optimistic in Lithuania, Sweden and Germany, while the least optimistic countries were Estonia, Portugal and Greece. Views about firms' own outlooks were more positive the larger the company.
- Overall managers were slightly more likely to indicate that their *firm's own capital* had improved (25%) rather than deteriorated (21%) over the last 6 months. The proportion saying 'improved' was up from 15% in 2009. Improvements in firms' capital were most likely to have occurred in Denmark and Sweden. In contrast, less than 10% of managers reported an improvement in Cyprus, Greece, Portugal and Spain. Micro-sized businesses (with fewer than 10 employees) were the most pessimistic about their firm's own capital.
- Nearly twice as many SMEs said that their *credit history* improved over the past 6 months (22%) as said it had deteriorated (13%), with 59% unchanged. EU managers in 2011 were also more than twice as likely to have reported improvements in credit history than in the 2009 survey (10%). However, there was considerable variation between countries. The highest levels of improvement in credit history were seen in the Netherlands (32%) and Belgium (30%) but levels were much lower in Greece (6%) and Portugal (8%).
- Across all the EU SMEs surveyed, it was more likely to be reported that banks had become less willing to provide a loan over the last 6 months (27%) rather than more willing (13%), with 33% unchanged. . Also, in some countries banks' willingness was clearly more likely to have worsened rather than remained steady and the highest levels of deterioration were reported in Spain (50%), Greece (46%), Romania (41%), and Ireland (38%). In 2009 the balance was even more negative, with nearly four times as many SMEs reporting that banks willingness to loan had worsened (32%) rather than improved (7%).

- A considerable proportion of managers in the EU (43%) could not give an opinion as to whether *access to public financial support* had changed in the past six months since this was not applicable to their firm. Among those who could make a judgement they were seven times more likely to judge that it had deteriorated (22%) rather than improved (3%). Managers in Romania, Spain and Ireland were the most likely to think that access to public financial support had deteriorated over the past 6 months.
- Overall SME managers in the EU were twice as likely to have seen the *willingness of business partners to provide credit* to have deteriorated over the last 6 months (14%) rather than improve (7%). However, for two out of five managers (41%) the situation did not apply to their firm. The biggest levels of improvement were seen in Latvia and Lithuania but the reported trade credit situation was most challenging in Ireland, Greece, Hungary and Romania.

### **Changes in the need for external financing**

- Looking at the overall results across the EU, the balance of opinion was that the SMEs' need for a bank loan was slightly more likely to have increased over the previous 6 months (15%) rather than decreased (12%), but most said that their situation was unchanged (42%). This is consistent with the pattern for bank overdrafts, trade credit and other forms of external finance and is also fairly consistent with the pattern in 2009.
- The highest levels of increased need for bank loans were in Greece, Cyprus and France. Only in a few countries did the level of need decrease more than it rose. The biggest falls were seen in the Netherlands and Slovakia. The majority of managers who considered the situation relevant to their company saw no change in their company's need for trade credit from business partners in the past six months and a similar picture applies for equity investments.
- For the most part the need for different types of external financing was also more likely to be described as stable rather than having increased or decreased between different types of SME (e.g. by size, sector, ownership). However, the need for bank loans was slightly more likely to have been applicable among the largest companies, only 26% of managers of LSEs saying it was not applicable compared with 31% among SMEs, with the same difference applying to the need for trade credit.

### **Terms and conditions of bank financing**

- Just over half (52%) of all managers whose company had applied for a bank loan reported that interest rates had been increased by the bank over the last six months. Only 8% reported a reduction in rates, and 33% that there had been no change. This compared to only 37% of managers in 2009 reporting increased rates and 28% reporting a reduction. The majority of managers in Spain (81%), Greece (67%), Ireland (72%) and Italy (75%) reported that rates had increased.
- LSEs that had applied for a bank loan in the past six months were the most likely to have seen their bank decrease the level of interest rates (14%, compared with 8% among SMEs) and this also applied for other charges (9% reported that these decreased compared with 4% for SME managers).
- The available size of the loan or credit line was also more likely to have been increased among these larger companies (27% of LSEs compared with 20% reported by managers of SMEs)

- In most cases, non-price terms and conditions remained unchanged over the past six months. However, conditions were more likely to have been increased than decreased (e.g. a third of managers reported that the collateral requirements had been increased by their bank compared with only 3% seeing a decrease).
- More positively for businesses, the available size of loan was slightly more likely to have increased (19%) than been decreased (17%). However, the other conditions attached were also more likely to have grown (29%) than been reduced (3%). Only in the case of the available maturity of the loan was the balance of change fairly even, 8% reporting an increase and 8% also reporting a decrease (74% unchanged).

### **Outlook for the future**

- Nearly three-fifths (56%) of EU managers expected their company's turnover to grow over the next two to three years – up from 46% in 2009. Around one in nine (11%) expected an annual growth rate of over 20% while nearly half (45%) expected moderate growth of up to 20% per year. A quarter thought that their company will remain the same size (28%) and nearly one in eight expected their company to shrink (13%).
- The proportion of managers who expected their turnover to increase in the next two to three years ranged from 32% in Greece and Portugal to 82% in Latvia and Lithuania. SME managers in Greece and Spain were the most pessimistic about potential growth. Nearly a third (31%) of managers in Greece and 35% in Spain expected their company to become smaller over the next two to three years.
- Managers of LSEs were significantly more likely to say that they expected their firm to grow over the next three years than managers of SMEs (74% compared to 56%). Similarly, those from SMEs were more likely than those from LSEs to say that they expected their company to decrease in size over the next three years (13% compared to 6%).
- Younger companies were more optimistic than more established companies about future growth. Seven in ten managers from companies that have been active for less than two years expected growth (71%) compared to 54% of those active for more than 10 years. This difference is even more pronounced when considering substantial growth. A quarter of those from firms active less than two years said that they anticipate growth of more than 20% a year over the next few years (24%) compared to one in 11 managers in firms that have been in business for more than a decade (9%).

### **Confidence in being able to get future financing**

- Most SME managers in the EU (63%) said that they felt confident that they would be able to obtain the desired result after talking to banks about financing, broadly in line with the findings from 2009. Most were not able to talk about their confidence in talking with equity investors and venture capital firms about finance, as it was not relevant to their firm.
- Confidence in getting a desired result from banks was most widespread in Latvia, Malta and Austria. Managers of SMEs companies in Greece were the least confident, with more than half (55%) saying that they were not confident about obtaining the desired result when they talk to banks about financing, a rise from 2009.
- Between 2009 and 2011, there has been a significant rise in the proportion of SME managers who were confident to talk about financing with equity investors and

venture capital firms in France (17% to 23%), Germany (11% to 20%) and, most markedly, in Latvia (11% to 55%). In Greece, the proportion that said they were not confident rose from 20% to 40%. Confidence to talk about future financing with banks was highest among managers of SMEs in the industry sector (68% were confident, compared to 59% in the construction sector) and SMEs with a turnover of between €10 million and €50 million (76%, compared to 58% of those with a turnover of below €2 million).

### **External financing in the future**

- Among SME managers who expected their company to grow in the coming years, bank loans were by some distance the most favoured form of financing (among 63%), which is similar to the findings from 2009 and consistent across all EU countries. Managers of LSEs were slightly less likely than their counterparts in SMEs to say that bank loans were their favoured form of funding (57% compared to 63%).
- There is significant variation in the amount of financing that SMEs would aim to obtain to realise their growth ambitions. The highest proportion (29%) said that they would aim for financing of between €100,000 and €1 million and a further quarter (26%) said they would aim for financing of between €25,000 and €99,999.
- SME managers who would prefer a loan from a bank or another source to realise their growth ambitions were asked if there would be any limiting factors that might stop them receiving such financing. Of these managers, only around a third said that there would be no obstacles (35%).
- Around one in five managers said that insufficient collateral (or guarantee) would be the main limiting factor stopping them receiving financing (22%) and a similar proportion said that interest rates and a price that could be seen as being too high would limit their ability to attract financing (20%). Managers who would prefer equity investment or 'mezzanine' financing to achieve their anticipated growth highlighted interest rates or the price being too high as the main limiting factor in getting such finance (27%). This was also the most commonly cited obstacle in 2009, but the proportion saying it is an issue has fallen from 34% to 27%.
- Managers in larger firms were more likely to say that there were no obstacles to getting the loan they need to realise their growth ambitions. For example, 45% of managers from LSEs said there were no obstacles compared to 35% of managers from SMEs.

### **Expected availability of internal funds and external financing**

- When asked about their company's prospects for acquisition of internal funds, half of SME managers said that they expect availability will remain unchanged in the next six months (48%). Around one in six said that they expected their company's prospects for internal funds to improve in the next six months (17%) and one in eight thought it will deteriorate (12%). Managers in Greece were the most pessimistic about their future prospects for acquiring internal funds, while those in Finland were the most positive. Larger companies tended to be more positive about the future availability of internal funds. A quarter of managers in LSEs said they expected the availability of internal funds to improve over the next few months compared to 17% of managers from SMEs.
- Managers of SMEs were slightly more pessimistic about the availability of bank overdraft, credit line or credit cards overdraft in the next six months. While most

thought it would not change (51%), slightly more thought it would deteriorate (13%) than thought it would improve (10%).

- Similarly, around half thought that there would be no change in the availability of bank loans in the next six months (47%), but 14% thought their availability would deteriorate compared to 11% who thought their availability would improve. There has been little change in views about the availability of bank loans since 2009. Managers in Greece and Portugal were the most pessimistic about their availability, while those in Latvia were the most positive.
- A majority of SME managers in every country said that they expected the availability of trade credit to remain unchanged in the next six months. Managers in Finland, the UK and Romania were the most positive here, while those in Greece and Portugal were again the most negative.
- A majority of managers expected no change in the availability of other sources of funding in the next six months. Managers in Latvia were the most likely to expect other sources of funding to improve in the next six months, while those in Greece were the least positive.

### **Importance of factors on future financing**

- When asked to rate on a 1 to 10 scale the importance of a number of different mechanisms to help their company's financing in the future (where 1 means 'not at all important' and 10 means 'extremely important'), managers across the EU rated *making existing public measures easier to obtain (for example, through the reduction of administrative burdens)* as the most important (mean score: 7.0).
- This was followed by *tax incentives* (6.7), *guarantees for loans* (5.9) and *business support services* (5.9). Of relative less importance were *measures to facilitate equity investments (such as support for venture capital or business angel financing)*, which on average was rated as 4.1 out of 10, and *export credits or guarantees*, which averaged 3.3.

### **The current state of companies**

- Nearly three-fifths of SMEs in the EU have introduced some form of innovation (i.e. a new or significantly improved product or service, organisation of management, way of selling their goods or services or production process) in the past year, which is broadly unchanged from 2009. These types of innovation were most widespread in Latvia (73%) and Malta (73%) and least common in Hungary (37%).
- Large businesses were somewhat more likely to have introduced an innovation in the last 12 months – over two-thirds of LSEs (68%), compared with 57% of SMEs. SMEs working in industry were most likely to have undertaken some form of innovation (64%) and those in the construction industry least likely (43%).
- Just over half (52%) of SMEs said that they grew in turnover in the past three years and 15% said that they have grown by more than 20% on average per year. Overall, just over a quarter (26%) said that their turnover has declined. There were fewer SMEs registering significant growth (of over 20%) in 2011 compared with 2009 (21%). Significant turnover growth was most widespread in Lithuania, Cyprus and Poland, while Ireland, Spain, Estonia and Greece experienced the most prevalent declines in turnover.

- Nearly two-fifths (37%) of SMEs in the EU have grown in staff numbers on average annually in the past three years, which is broadly unchanged from 2009. Cyprus and Lithuania saw the most widespread growth of over 20% in number of employees over the last three years. As with turnover, SMEs were significantly more likely to have seen no growth in staffing levels (twice the proportion of LSEs).

### **The financial situation of companies**

- *Labour costs* and *other costs (such as materials and energy)* were seen to have increased most widely in the past 6 months, with *net increase* figures (those saying they have seen an increase minus those who have seen a decrease) of +42% and +62% respectively. The net increase for *net interest expenses* was markedly lower at +23%. In contrast, both *profit* and *profit margins* saw net decreases (-12% and -23% respectively) in the past 6 months.
- Around two-fifths (41%) of SMEs said that they saw an increase in *turnover* in the past 6 months, with a minority (29%) experiencing a decrease (much lower than in 2009, at 51%).
- Malta, Finland and France had the highest net increase figures for both *labour costs* and *other costs*, while Latvia and Spain had the highest figures for *net interest expenses*. Decreases in *profit* and *profit margins* were both most widely seen in Spain, Greece and Malta.
- LSEs were much more likely to have seen increases in their *turnover* in the past 6 months than SMEs (+45% versus +12% net increase) and SMEs in industry were more likely to have increases in turnover (+27% net increase) than other sectors.
- Most often, SMEs saw no change in their debts-to-assets ratio, while slightly more saw a decrease in that ratio than saw an increase (25% versus 19%). This is a similar pattern to 2009. Increases were most widely seen in Italy, Malta and Spain. Decreases were most widely seen the Netherlands, Finland and Lithuania.

# 1. SMEs' most pressing problems

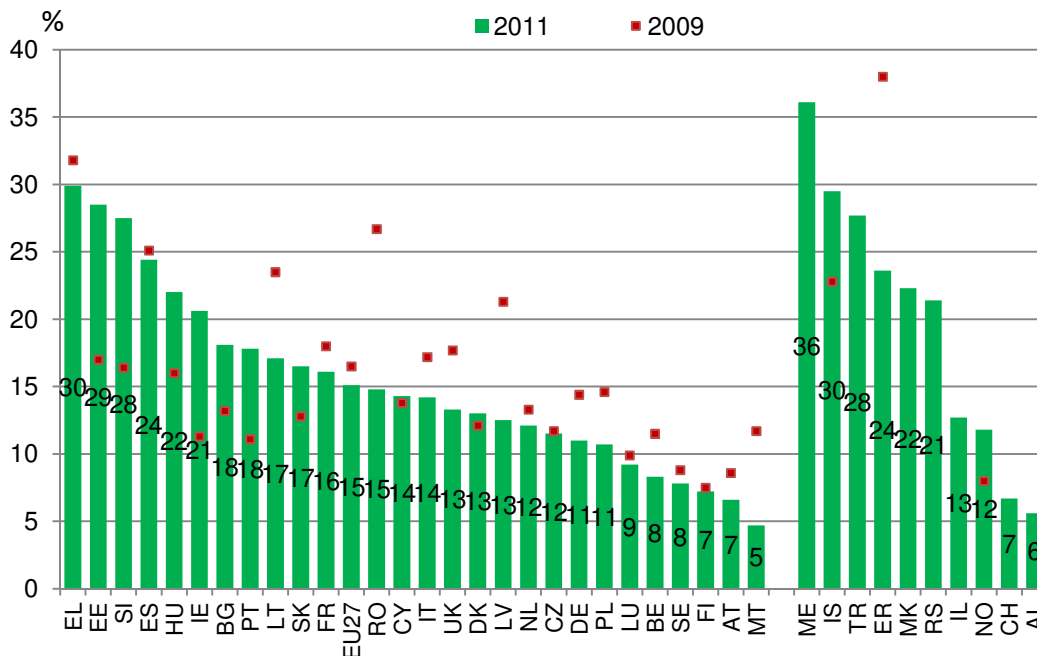
When asked what the most pressing problem currently facing their firm was, 15% of SMEs in the EU cited *access to finance*, which places it second alongside *competition* in the ranking of important issues, and just ahead of the *availability of experienced or skilled staff* (14%).

## Access to finance - country variations

In Greece, *access to finance* is the most pressing problem, cited by nearly a third of SMEs (30%).

It is the most pressing problem for SMEs in Estonia and Slovenia too, mentioned by over a quarter (29% and 28% respectively) from a pre-supplied list of issues, and is ranked as the second most important issue in Hungary, Romania, Spain, Portugal, Bulgaria, Lithuania and Ireland.

Companies' most pressing problem – Access to finance

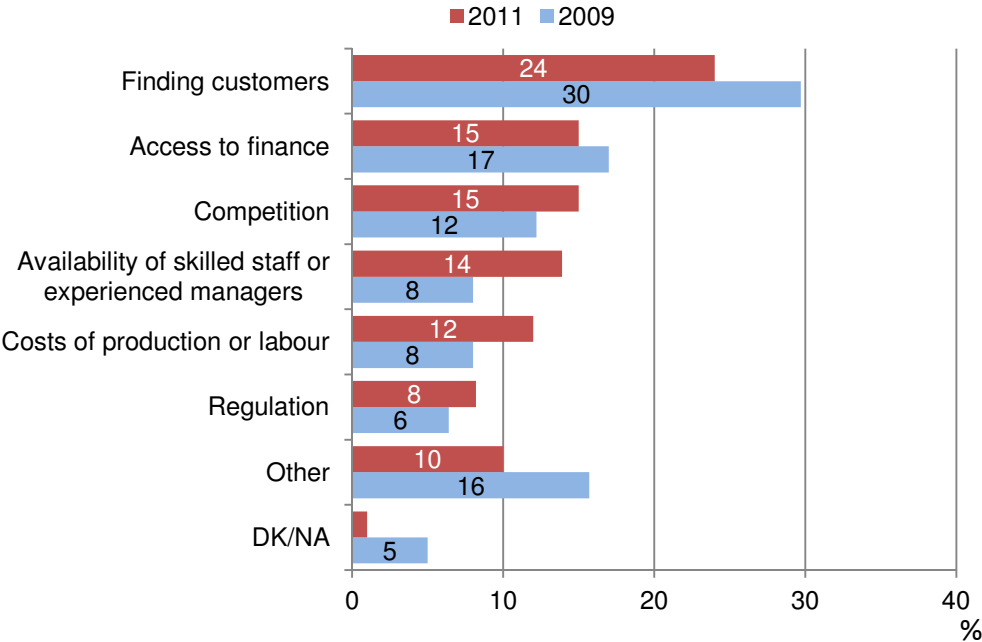


Q0. What is currently the most pressing problem your firm is facing?:  
All SMEs, % by country

## Access to finance – company characteristics

Feedback from managers of SMEs about how pressing *access to finance* is to their business is consistent across different types of SME, regardless of age, size, sector, ownership or level of innovation.

Despite a drop from 2009, the most frequently cited issue remains *finding customers* (24%).



Q0. What is currently the most pressing problem your firm is facing?:  
All SMEs, % EU-27

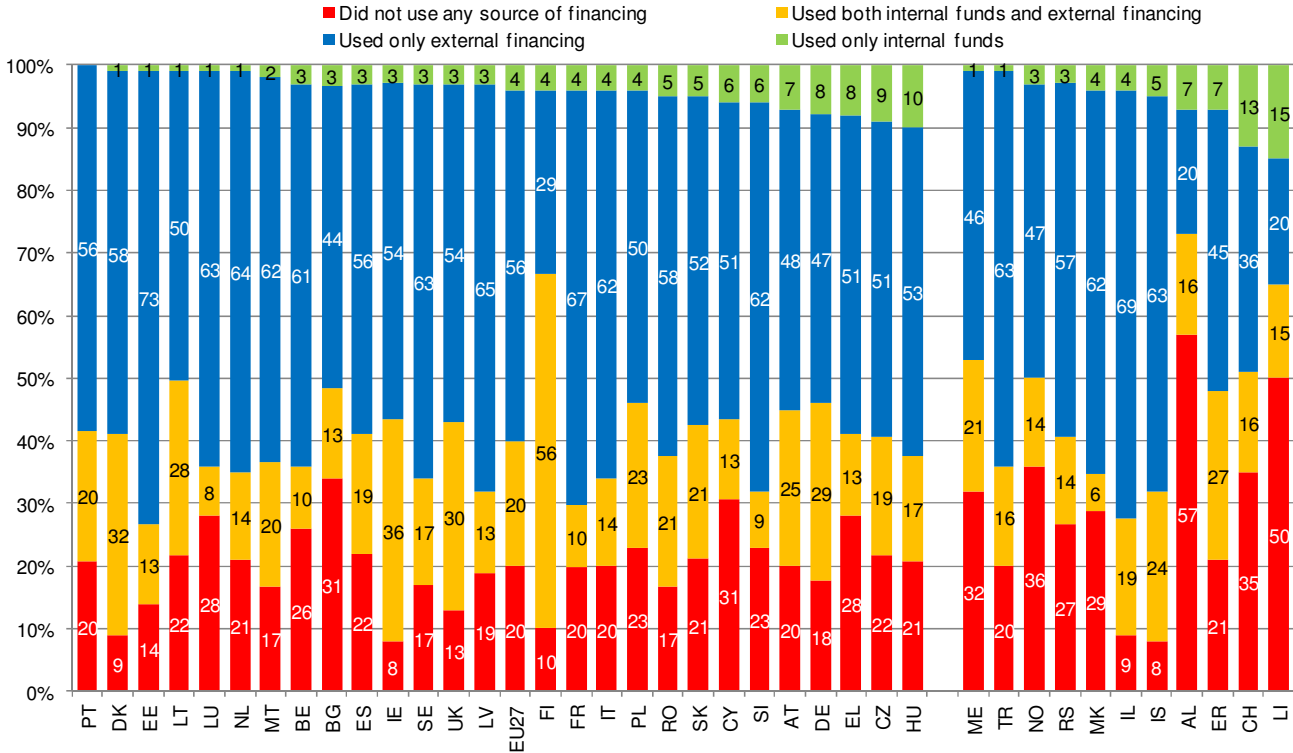
# 2. SMEs' use of external financing

This chapter looks at companies' use of various sources of financing – distinguishing between internal funds, debt financing and equity financing. The first section takes a look at the different types of external financing used by SMEs in the past six months, while the second section studies SMEs' experiences when applying for external financing. In the last section, a more detailed analysis is conducted of companies' provision and use of bank loans and other loans in the past two years.

## 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. A small majority (56%) looked for external financing only. A further 20% of companies used both internal<sup>8</sup> and external sources of funding, while relatively few, 4%, have used only internal funding sources. One in five (20%) had not used any source of financing<sup>9</sup> in the past six months.

**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

<sup>8</sup> 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 and debt securities.  
<sup>9</sup> Note this includes a small number of respondents who could not answer the question.

This represents a significant change from 2009, with use of external sources increasing and internal sources decreasing in 2011. In 2009 14% of EU SMEs used only internal funds, so the level has dropped by 10 percentage points in the past two years.

At the same time, the proportion using external financing only had doubled across the EU from 27% to 56%. There had also been a decrease in the proportion using both internal and external sources, from 35% to 20%, as well as in those using no funding source, from 25% to 20%.

The types of financing used in the past six months varied by country, as can be seen in the chart above. SMEs in Estonia (73%), France (67%) and Latvia (65%) had the highest proportions who had only used external financing. The proportion of companies having used internal financing only was reasonably consistent by country, though it was higher in Switzerland (13%) and Hungary (10%) and noticeably lower in Portugal (less than half a per cent), Denmark (1%) and the Netherlands (1%). SMEs in Finland (56%), Ireland (36%), and Denmark (32%) were the most likely to have used both internal and external financing sources. Denmark (9%) and Ireland (8%) had the lowest proportion who had used no funding sources in this time.

The overall shift towards external financing from 2009 were also reflected in significant changes in many individual EU countries, with particularly large shifts towards external financing in Ireland (22% to 54%) and Sweden (15% to 63%), and to a lesser extent in Portugal, Latvia and France.

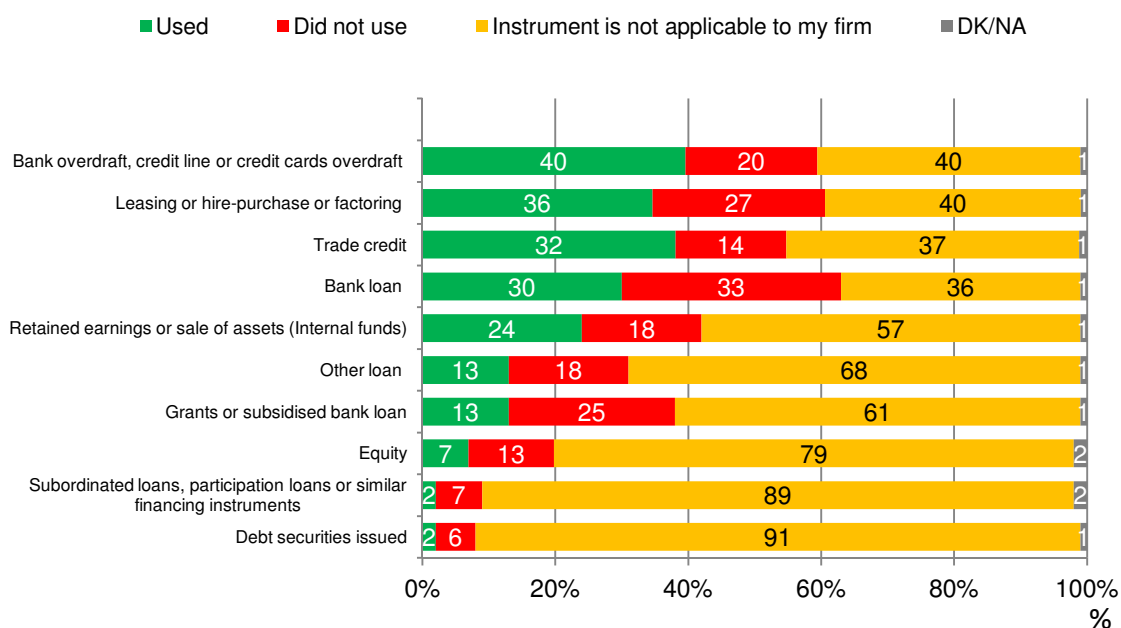
## Sources of financing

Internal funds were used as one of the sources of financing by 24% of EU SMEs in the previous six months. This represented a drop of 25 percentage points since 2009, when 49% of EU firms used internal finance, and this was the most widely used form of financing in 2009.

Many other sources of finance were used more widely in 2011, however. The most widely used were bank overdrafts (40%). This was closely followed by leasing/hire purchase/factoring (36%) and trade credit (32%), with bank loans used by 30%. All were used more commonly than internal sources. There had been a significant increase in the use of leasing/hire purchasing/factoring as well as in trade credit over the last two years. In 2009 these were used respectively by 28% and 17% of SMEs in the EU in the previous six months.

Around one in six companies used other loans<sup>10</sup> (13%), 13% had used grants or subsidised bank loans, 7% had used equity and a few used subordinated loans (2%) and debt securities issued (2%).

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



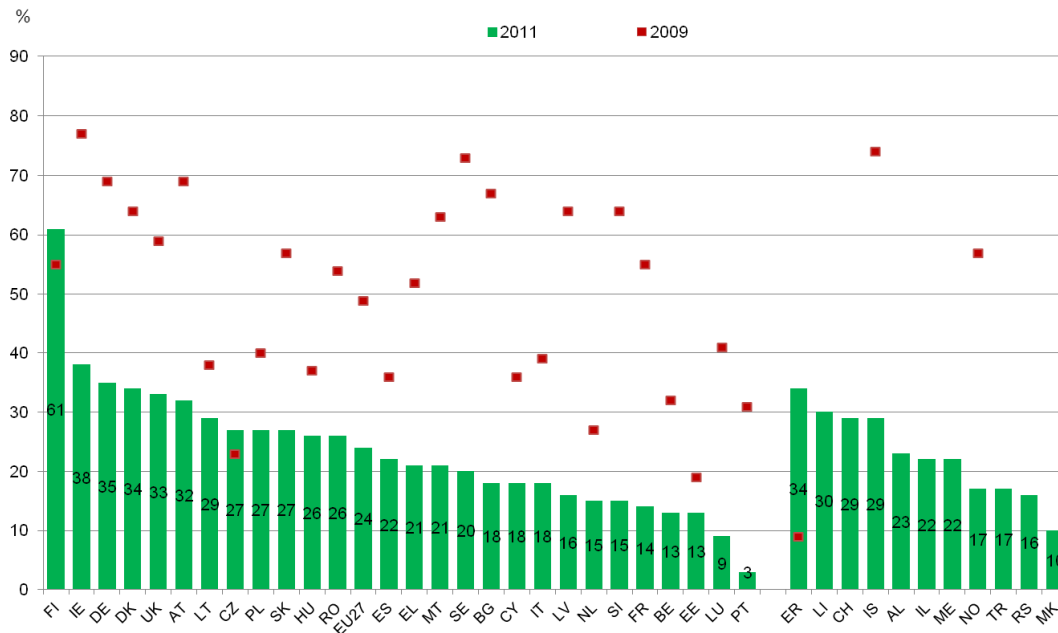
Q4. For each of the following sources of financing, could you please say whether you used them during the past 6 months, did not use them but have experience with them, or did not use them because this source of financing has never been relevant to your firm?

Base: All SMEs, % by country

<sup>10</sup> Including from a related company or shareholders (excluding trade credit) or from family and friends.

## 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

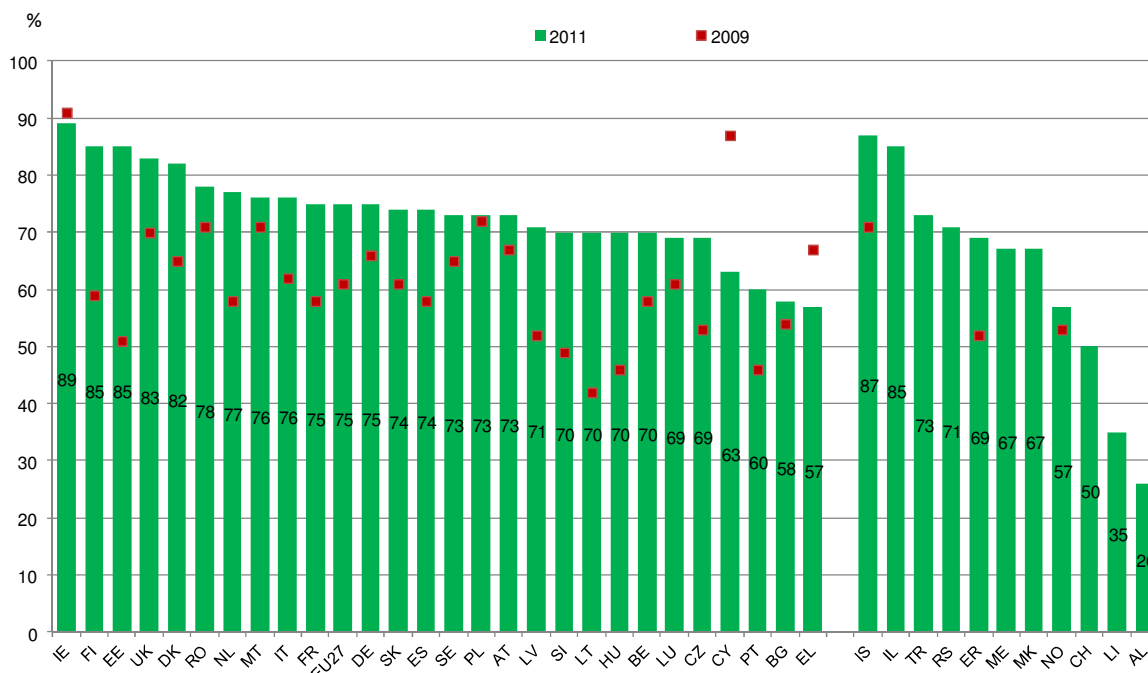
As can be seen in the chart above, SMEs in Finland were most likely to have used internal funds (61% have done so), followed by a second tier group (Denmark, Ireland, UK, Germany and Austria) where about a third (32% to 38%) had done so. SMEs in Portugal were least likely to have used internal funds (3%), followed by those in Luxembourg (9%).

Comparisons with the 2009 survey showed that there had been a drop in many countries of the proportion of SMEs using internal finance. There were especially pronounced falls in Greece, Ireland, and Sweden, where the reductions since 2009 were 31 percentage points, 39 percentage points, and 53 percentage points respectively.

## External sources (country variations)

In total, 75% of EU SMEs used at least one source of debt financing<sup>11</sup> in the past six months. This was an increase on the level in 2009, when 61% had used debt financing for the same period. There has been a significant increase in debt financing in many countries since 2009 – including in Germany, France, the UK and Italy.

### 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

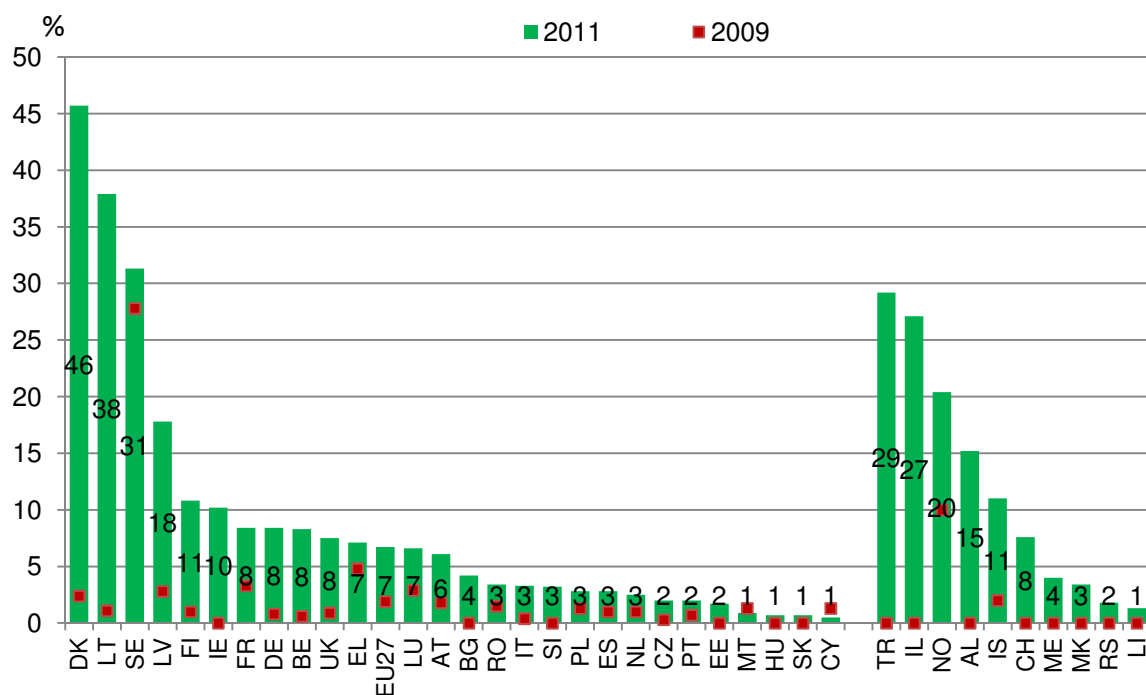
Of the EU countries, SMEs in Ireland were most likely (89%) to have used debt financing in the last six months. Debt financing was also relatively common in Finland (85%), the UK (83%) and Estonia (85%). The level of debt financing has increased significantly since 2009 in these last two countries. This form of financing was relatively less common in Greece (where 57% had used it), Bulgaria (58%) and Cyprus (63%). In Cyprus the percentage using debt financing fell by 24 percentage points since 2009, the only country where there was a major reduction.

The chart above excludes equity financing, another source of external financing. Less than one in ten SMEs (7%) used this in the last six months. Its use was more likely for larger businesses (11% of those with 250+ employees) and SMEs owned by venture firms (14%) and was less likely to have been used by firms with a single owner.

Equity financing was most common in Denmark (46%), Lithuania (38%), Sweden (31%) and Turkey (29%), and very little used in Cyprus, Croatia and Malta (all less than one per cent).

<sup>11</sup> Debt financing is defined the same way as external financing, but does not include debt securities or equity.

## Companies that had used equity 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

With 'mezzanine' financing (i.e. subordinated loans, participation loans or similar financing instruments), only 2% of EU SMEs had used this in the last six months. It was more commonly used in Serbia (23%) and the Netherlands (13%). SMEs owned by venture firms (9%) were also more likely to use mezzanine financing.

### Company characteristics

The 4% of SMEs who have *only* used internal financing was fairly evenly spread among types of company, though it was a slightly more common practice among micro SMEs (5% of those with 1-9 employees compared with 3% among those with 50-249 employees).

Of those 56% of businesses who *only* used external financing, this level was also reasonably consistent across different business type, though SMEs were likely to have done so than LSEs (56% vs. 50% respectively). SMEs owned by venture firms were more likely to have done so (61%), perhaps not surprisingly, than those with a single owner (52%). Larger SMEs and venture-owned firms were instead more likely to have used *both* internal and external funding sources. Almost a third of venture owned firms (31%) used both sources in the past six months, as did 29% of SMEs with 50-249 employees.

The decrease in using internal financing, both in isolation and in conjunction with external sources, and the increase in using external sources only, was true for all types of SME since 2009, including companies of different sizes, ages and ownership structures. The decrease in not using any sources was also true for nearly all types of SME.

Among those companies who did not use any source of financing in the last six months, those with smaller turnovers were disproportionately likely to be represented: 20% of SMEs

did not use any funding source compared to only 8% of LSEs. Also 27% of micro SMEs did not use any source of funding compared with 11% of the largest, with 50-249 employees.

With leasing, hire purchase or factoring the smallest businesses were again less likely to have used these. Of SMEs with 1-9 employees 24% had used this funding source, compared with 60% of LSEs with 250+ employees and 53% of businesses with 50-249 employees. There was also a difference by turnover. Only 27% of SMEs with a turnover of less than €2 million used this type of financing. SMEs in the industry sector were more likely than those in other sectors to have used this source – 44% had done so, while those in the trade sector were least likely (31%).

Use of a bank overdraft was more consistent among different types of SMEs, though again there was a difference by size, with LSEs more likely to have used this for funding (48%) compared with 35% of micro SMEs with 1-9 employees.

Generally, companies who have brought something new to the market in the last year such as a new/improved product, service or process are more likely to have used internal, external and equity financing in the last six months.

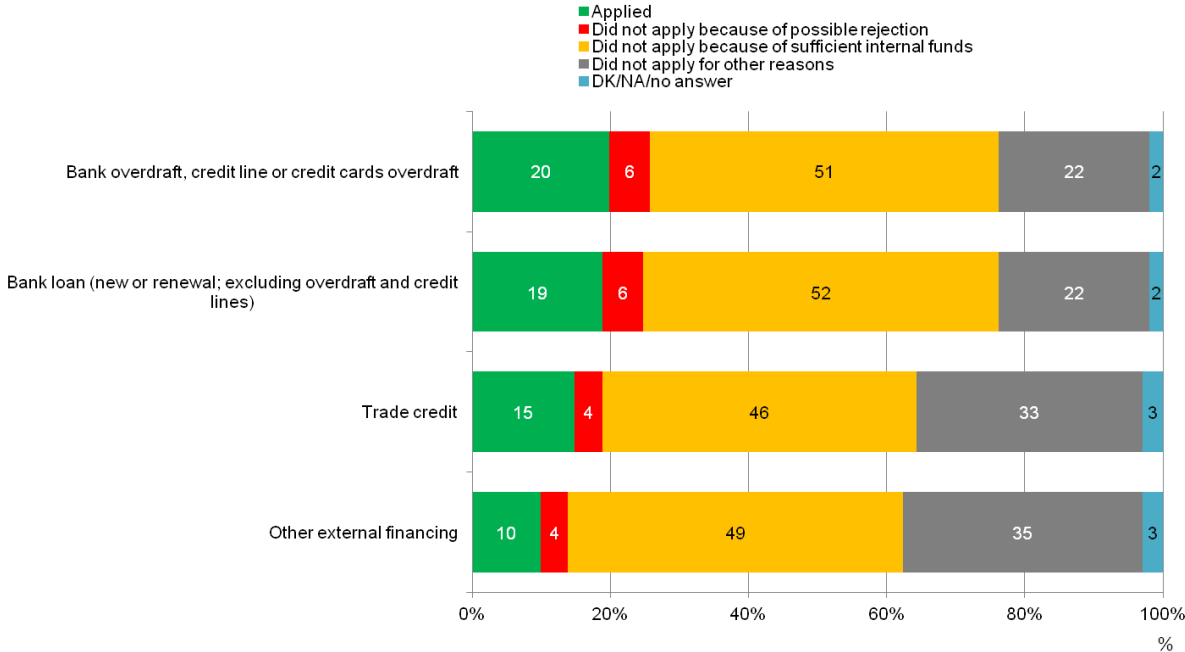
*Gazelles* were slightly more likely (12%) than SMEs overall (7%) to have used equity financing in the past 6 months, though a similar proportion of innovative companies (8%) used this external financing source to SMEs as a whole.

## 2.2 Experiences with applications for external financing

### 2.2.1 Applying for various types of external financing

Just under one in five SMEs in the EU (19%) applied for a bank loan in the past six months. Slightly more applied for a bank overdraft (20%). Slightly fewer (15%) applied for trade credit, and only 10% applied for other types of external financing.

#### Types of external financing applied for in the past six months

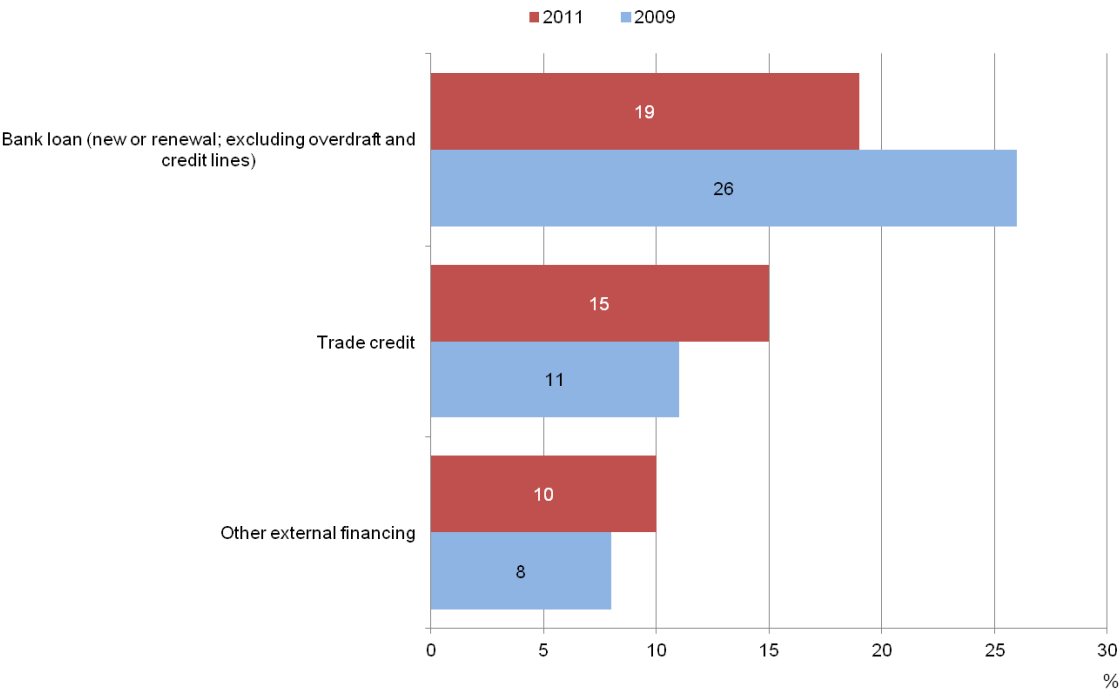


*Q7A. For each of the following ways of financing, could you please indicate whether you: applied for them over the past 6 months; did not apply because you thought you would be rejected; did not apply because you had sufficient internal funds; or did not apply for other reasons?*

*Base: All SMEs, % EU-27*

The proportion applying for a bank loan has fallen since 2009, when 26% of firms had applied for a bank loan in the past six months.

**Types of external financing applied for in the past six months (% applied - comparisons with 2009)**



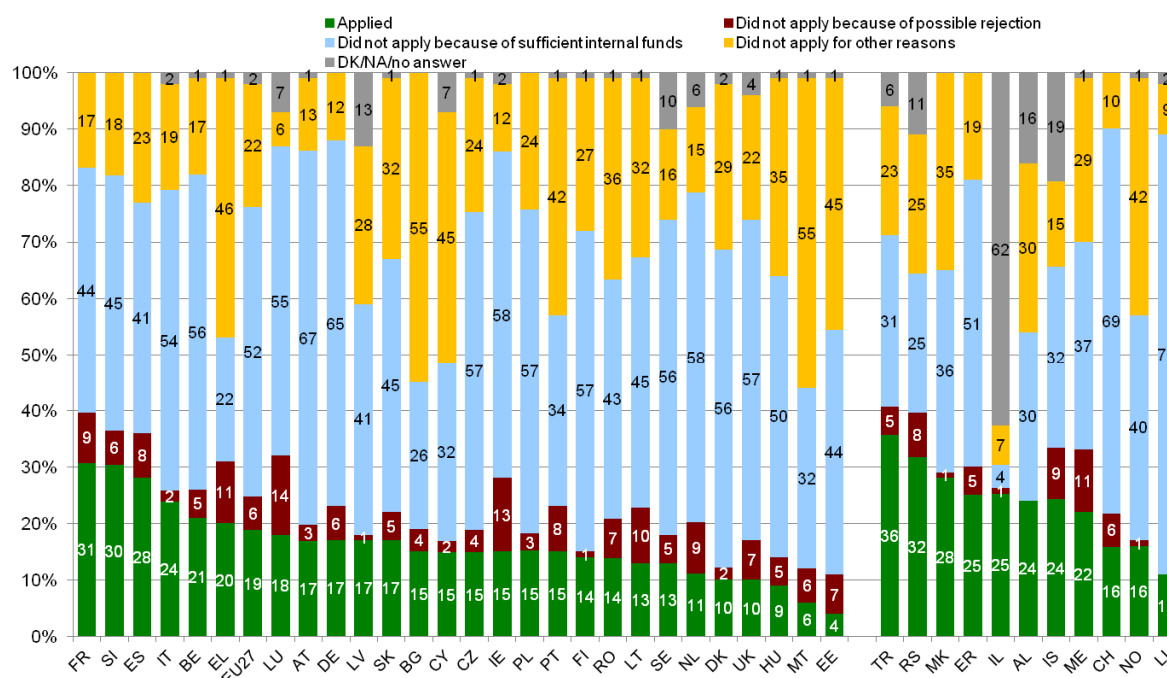
*Q7A. For each of the following ways of financing, could you please indicate whether you: applied for them over the past 6 months; did not apply because you thought you would be rejected; did not apply because you had sufficient internal funds; or did not apply for other reasons?*  
*Base: All SMEs, % EU-27*

Around half of SMEs did not apply for each of the various sources of finance because they had sufficient internal funds. Some 6% did not apply for a bank loan or overdraft because of possible rejection, and even fewer did not apply for trade credit (3%) or other sources (4%) for this reason. The numbers not applying because of sufficient internal funds generally increased in the past two years between surveys, from around two in five for each source in 2009 to about half in 2011, while the proportion not applying because of possible rejection has stayed roughly the same.

## 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*

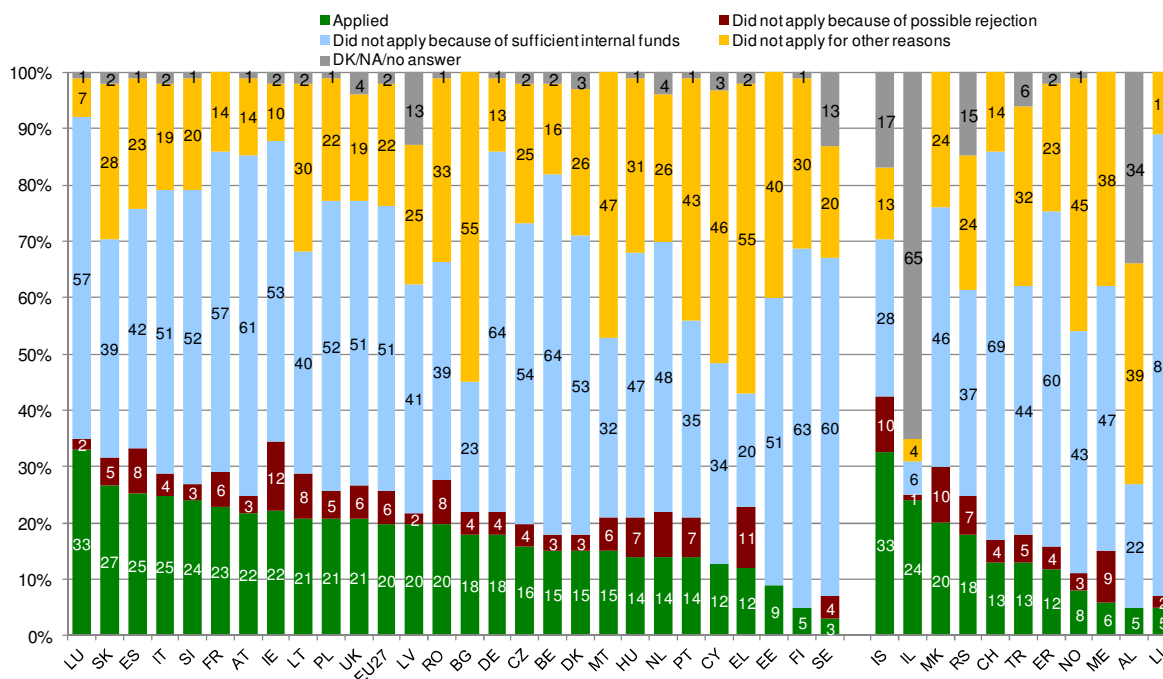
SMEs in France (31%), Slovenia (30%), Turkey (36%), and Serbia (32%) were most likely to have applied for a bank loan. Those in Estonia (4%), Malta (6%) and the Hungary (9%) were least likely. SMEs in Ireland were most likely to have not applied because of a possible rejection – this was the case for 13%. It was next most likely to be a concern in Montenegro (11%) and Greece (11%).

There have been significant reductions in the proportion of SMEs applying for a bank loan in individual countries since 2009. In Germany the proportion who applied fell from 24% to 17%, in Italy from 33% to 24% and in Poland from 24% to 15%. In France there was a significant increase in the proportion not applying for a bank loan because of possible rejection – from 3% saying this in 2009 to 9% in 2011. However, in Denmark, Italy, Latvia and Norway there was a significant drop in the levels not applying because of rejection compared with 2009.

There were increases in the proportion of SMEs not applying for a bank loan because of sufficient internal funds in many EU countries from the 2009 survey. These included Austria, Belgium, Czech Republic, Estonia, Germany, Hungary, Ireland, Italy, the Netherlands and Spain. In Ireland the proportion who cited this rose by 27 percentage points, and in Italy by 32 percentage points.

## 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?*

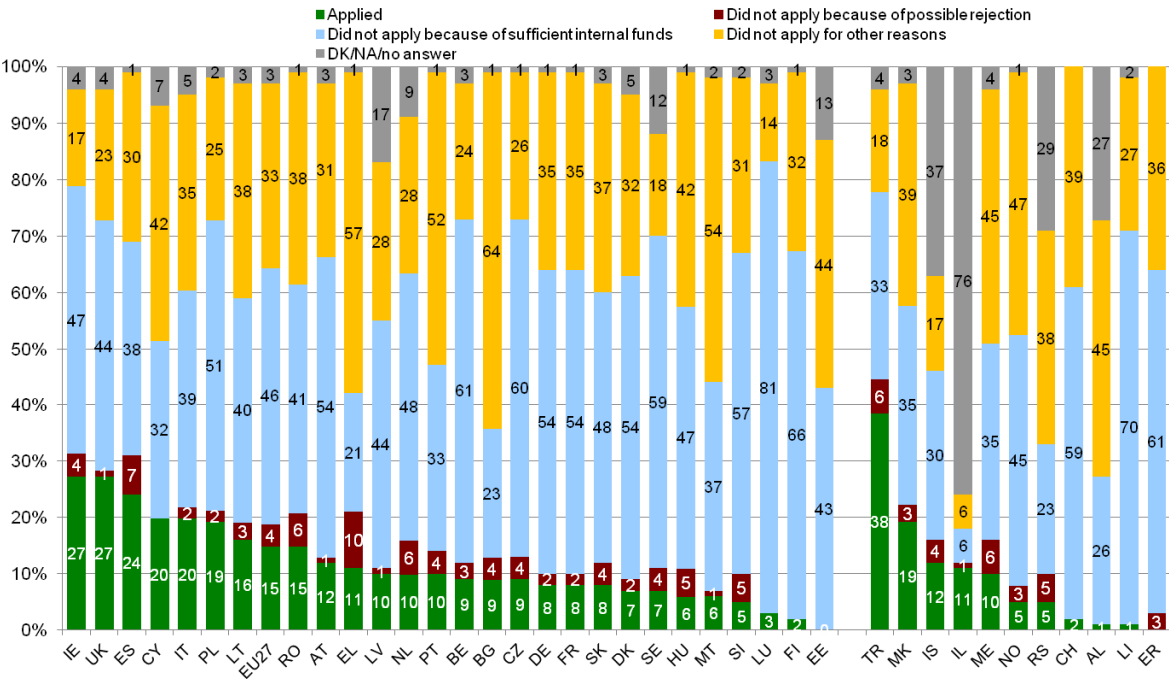
*Base: All SMEs, % by country*

EU SMEs in Luxembourg (33%) and Slovakia (27%) were the most likely to have applied for a bank overdraft in the past six months. Those in Sweden (3%) and Finland (5%) were clearly the least likely.

While having sufficient internal funds was overall the most common reason for not applying for an overdraft, SMEs in Ireland (12%), Greece (11%) and Iceland (10%) were the most likely to have not applied because of possible rejection. Ireland and Greece were also most likely to have the highest levels of SMEs not likely to apply for a bank loan because of concern about rejection, suggesting that bank finance is a particular concern in both countries.

# Trade credit

## Applying for trade credit



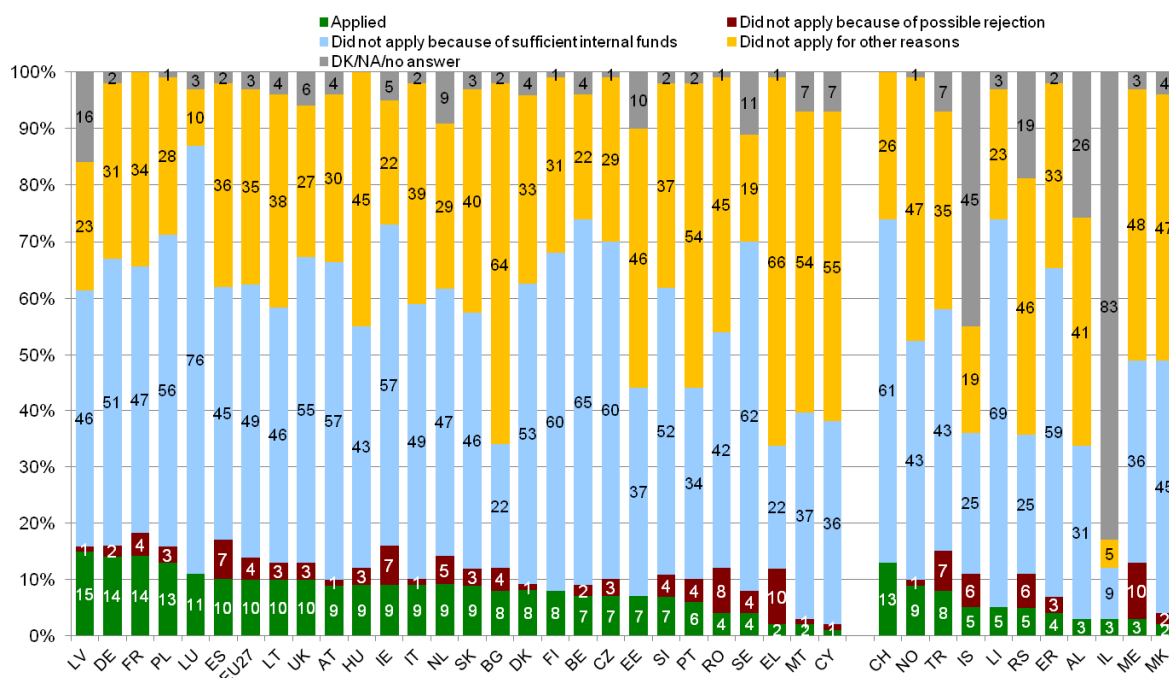
*Q7A. For each of the following ways of financing, could you please indicate whether you: applied for them over the past 6 months; did not apply because you thought you would be rejected; did not apply because you had sufficient internal funds; or did not apply for other reasons?  
Base: All SMEs, %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

There was little overlap between the countries that were more likely to apply for bank finance in the past six months, and those most likely to have applied for trade credit. SMEs in Turkey (38%), Spain (24%), Ireland (27%), and UK (27%) were most likely to have asked for trade credit.

The lowest levels applying were in Estonia and Croatia (less than 0.5%), Albania (1%), Switzerland (2%) and Finland (2%). Once again, firms in Greece were particularly likely (10%) to have not applied because of fear of rejection.

## 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

For other sources of external financing, SMEs in France, Germany and Latvia (14-15%) were particular likely to have applied for these. Greek firms were again the most likely to have not applied because of possible rejection (10%), as were firms in Ireland (7%) and Turkey (7%).

### Company characteristics

It is larger businesses and those that have existed for longer which were more likely to have applied for these forms of external finance in the past year. SMEs in the services sector were less likely to have done so. Firms owned by family or associates were more likely to have applied for a bank overdraft or loan, while it was venture capital-owned firms who were most likely have applied for other sources of external finance.

SMEs that are innovative (*innovators*), i.e. have introduced a new product/practice etc in the past 12 months, are more likely to have applied for external finance in the past six months, as are *gazelles* (firms that are less than five years old who have grown at more than 20% per annum).

It was smaller (in terms of staff and turnover), newer SMEs, as well as firms with one owner, who were more likely not to have applied for external finance because of possible rejection.

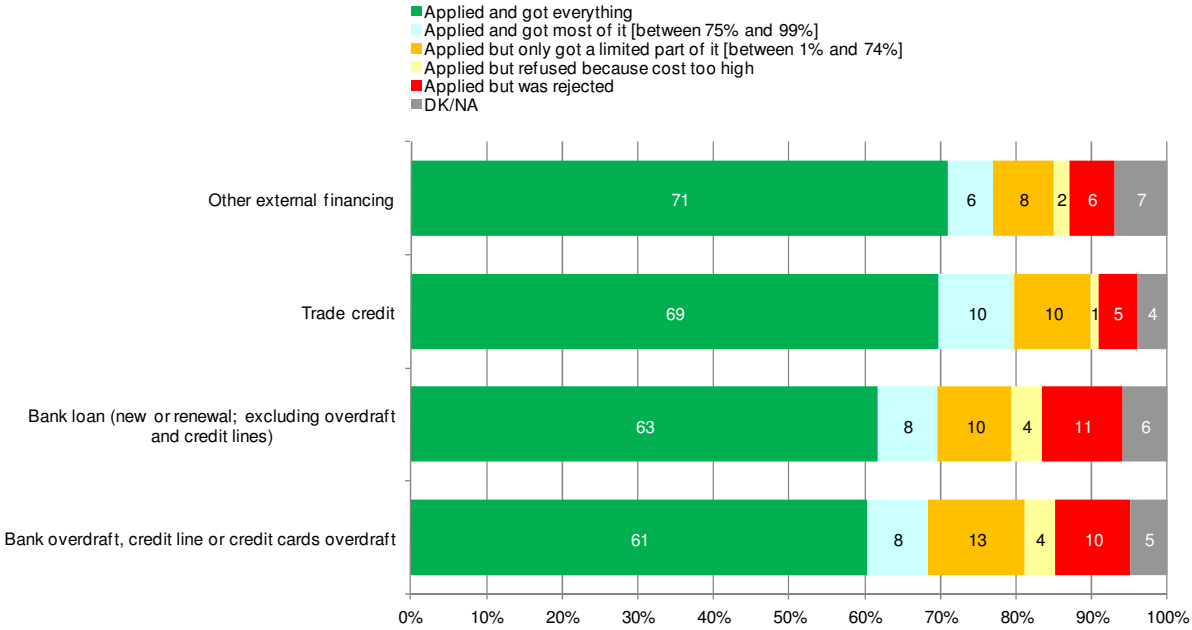
There was less variation between different types of firms regarding not applying for finance because of sufficient internal funds, though venture capital firms and firms owned by other firms or associates were more likely to have not applied for this reason. Firms with individual owners were more likely to cite 'other reasons' for not applying for finance.

**2.2.2 Outcome of applications for external financing**

About two-thirds of EU SMEs who applied for various types of external finance got everything they requested. The proportion varied from 71% getting everything they requested when applying for other sources while nearly as many got everything they requested from trade credit (69%). Bank overdraft requests were least likely to result in a SME getting everything asked for – only 61% did so.

Applying for bank loans was also the most likely route to external financing to result in outright rejection – this was the case for 11% of applicants, and a similar proportion (10%) of bank overdraft applicants were rejected. These figures are notably higher than the equivalent for other forms of external finance.

**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-27*

The proportion of EU SMEs who applied for external financing and got everything they requested has generally increased since 2009. The proportion getting everything they requested from a bank loan had increased from 59% to 63% in 2011, those getting

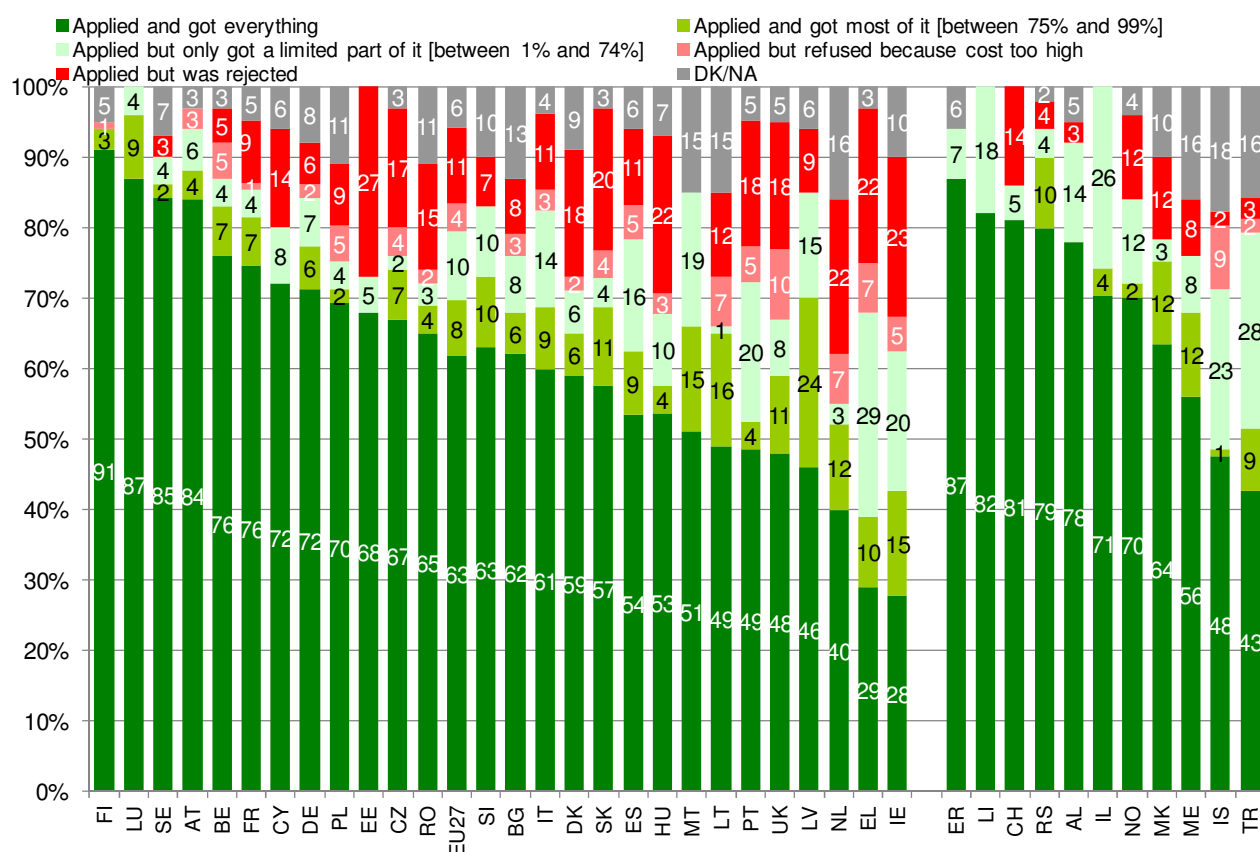
everything from a trade credit request rose from 55% to 69%, and with other types of external financing the increase was the strongest, from 53% in 2009 to 71%.<sup>12</sup>

## Country variations

### Bank loans

SMEs in Finland (91%), Sweden (85%), Luxembourg (87%), Austria (84%) and France (76%) were more likely than those in other countries to have got everything they requested when they applied for a bank loan. Countries where businesses were least likely to get everything they wanted included Ireland, where only 28% got everything and 23% were rejected outright and Greece, where only 29% got everything requested and 22% were rejected.

### Outcome of the application 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

<sup>12</sup> We should note however that the response categories at this question have changed slightly since 2009, with the inclusion of an 'Applied and got most of it [BETWEEN 75% AND 99%]' response option.

## **Bank overdrafts**

SMEs in Sweden and the Czech Republic were more likely than those in other countries to have got everything they requested when they applied for a bank overdraft (this was the case for 91% and 84% respectively). Countries where they were least likely to get everything they wanted again included Greece (only 7%) whilst 52% only got a limited part, and Ireland where around one in three (34%) got everything and 23% got a limited part of what they requested.

## **Trade credit**

Austrian and German SMEs were the most likely to have got everything they requested when applying for trade credit. Businesses in Italy (80%) and the UK (76%) were also particularly likely to get all of the trade credit they requested if they applied. Once again, business in Greece were especially unlikely to get all of the finance they requested, this was the case for only 36% for trade credit. Firms in Turkey were also less likely than the norm for the EU to get everything (this was so for 44% of applicants).

## **Other sources**

There was a similar pattern by country for other sources of external finance: those in Austria and Germany were especially likely to get everything they requested (86% and 92% respectively). Once again, firms in Greece, Iceland and Ireland were less likely to get everything: this was the case for 41%, 45% and 36% of applicants respectively in these countries, although this was based on a relatively small number of interviews.

## ***Company characteristics***

### **Bank loans**

Generally it was larger (both in terms of staff and turnover) and older businesses that were more likely to get all of the bank loan they requested. For example, 77% of LSEs who applied for a bank loan in the past six months got everything compared with 63% of SMEs.

Younger and smaller SMEs were both more likely to only get some of the loan they requested, and, especially, to be rejected outright. For example, 24% of SMEs active between 2 and 5 years were rejected, compared with only 9% of firms active for 10 years or more. SMEs in construction were clearly the least likely to get all of the loan (47%).

Fewer *gazelles* (43%) got all of the bank loan that they requested, though a significantly higher proportion of innovative companies (61%) secured all of the loan.

### **Bank overdrafts**

There was a similar pattern by company age, size and sector for likelihood of getting what was requested via a bank overdraft, with older, larger firms more likely to get everything as were firms in industry and trade, but not construction. It was also the case that firms that are part of an enterprise were more likely to get everything they requested than autonomous firms (69% and 60% respectively).

**Trade credit**

There was less of a difference between types of SME being successful in applying for trade credit. Against the trend of bank finance the length of time the company has been active was not a differentiator and autonomous enterprises were more likely to get everything than those part of an enterprise (70% vs. 67%).

**Other sources**

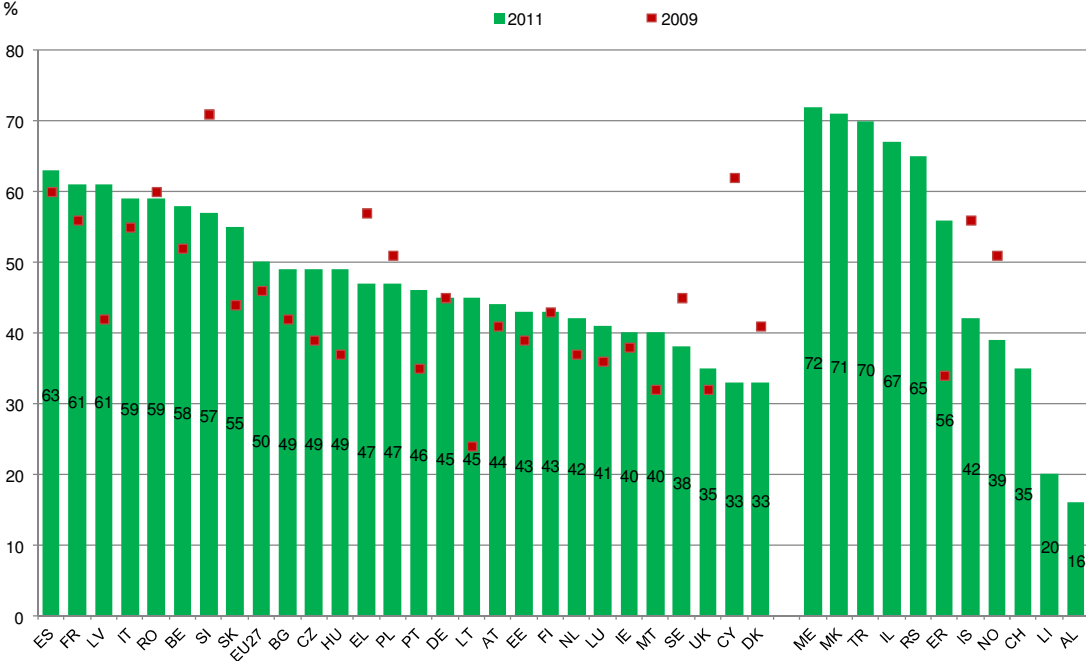
Once again, construction SMEs were least likely to get everything requested from other sources (only 62%). However, there were fewer clear differences by amount of revenue or type of ownership. The youngest SMEs (less than 2 years) were less likely though (62%) to get everything compared with 69%+ for companies at least 2 years old.

**2.3 Loans as external sources of financing**

**2.3.1 Use of loans**

Just half of SMEs in the EU have taken out a loan in the past two years (50% have done so). The proportion of companies obtaining a loan increased between 2009 and 2011 – in 2009 46% of EU firms had taken a loan out in the past two years.

**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 from the chart above, SMEs in Denmark, Cyprus and the UK were particularly unlikely to have taken a loan in the last two years (only one-third of these firms have taken out a loan). Countries whose firms were most likely to have taken out a loan included Turkey (where 70% of SMEs have), France (61%), Italy (59%) and Spain (63%).

### Company characteristics

Smaller SMEs were less likely to have taken out a bank loan in the past two years, and the loans they did take out were more likely to be smaller than on the last occasion. For example, 44% of firms with 1-9 employees took a loan out in this time, compared with 61% of LSEs (250+ employees), and only 1% of those with 1-9 employees took out a loan of over €1 million, compared with 69% of LSEs doing the same.

There was a similar pattern by sector: those in the industry sector were more likely to taken a loan out as well as more likely to have taken out a larger loan. By contrast, those in the trade and services sectors were less likely to have taken a loan out, and also tended to borrow less.

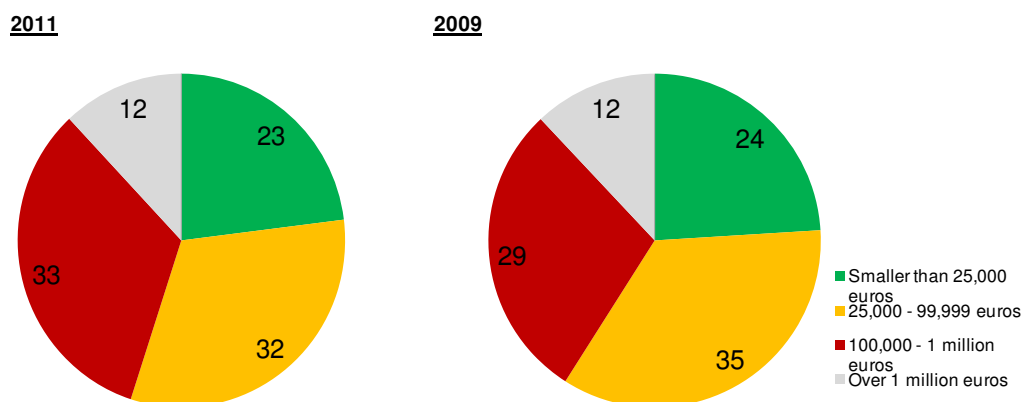
*Innovator* companies were also more likely to have taken out a loan, and to have taken out a larger loan. *Gazelles* by contrast are more likely to have taken out a smaller loan, and to have not applied because of possible rejection.

### 2.3.2 Size of companies' most recent loan

Among those SMEs to have taken a loan out, loans of over €100,000 to one million, were the most common (33%) with almost as many borrowing €25,000 to 100,000 (32%).

Larger loans were more common in 2011 than in 2009. In 2009 only 41% of the most recent loans to EU SMEs over the previous two years were of €100,000+ rising to 45% in 2011. However, the proportion of small loans under €25,000 has changed very little (24% in 2009 and 23% in 2011) and the same was observed for €1 million+ (unchanged at 12%).

#### 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-27

### ***Country variations***

SMEs in Austria (22%) and Netherlands (23%) who have obtained a loan were the most likely to have taken out a loan of over €1 million. At the other end of the spectrum, SMEs in Latvia, Estonia and Romania who took out a loan were more likely to have taken out a small loan (36%, 50% and 35% respectively of firms in each country who took a loan out obtained a micro loan, i.e. one worth less than €25,000).

Some major shifts were seen in levels of the biggest loans (€1m+) with levels doubling among SME borrowers from 2009 to 2011 in Finland (4% to 18%), France (4% to 10%), and Italy (3% to 9%), but there were also some major falls in Sweden (30% of loans to 16%) and Denmark (33% to 22%).

### ***Company characteristics***

Companies in the industry sector were the most likely of all sectors to take out large loans, of over €1 million. Loans of this size accounted for 18% of the SME loans obtained in the industry sector, compared with 11% in the construction sector. It was also the case that larger businesses were more likely to have obtained a larger loan, as were those owned by venture capital firms and by shareholders. Those firms part of a wider enterprise were also more likely to obtain a larger loan on the last occasion they borrowed (27%) than firms who are autonomous (10%). Only SMEs of 50+ employees were reasonably likely to have taken out a large loan, 30% borrowing over €1 million. Overall though, only 6% of all SMEs (borrowers and non-borrowers) borrowed this much (12% of all SME loans) compared with 42% of all LSEs (and 70% of all LSE loans).

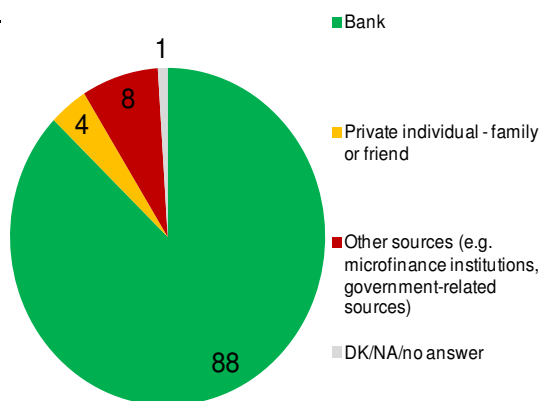
### **2.3.3 Most popular providers of loans**

Banks were by far the most common provider of loans in the EU. Of SMEs who obtained a loan in the last two years 87% obtained their loan from a bank. Only 4% obtained their loan from a private individual such as a family member or friend, while 9% obtained their loan from another source, such as microfinance institutions or government-related sources.

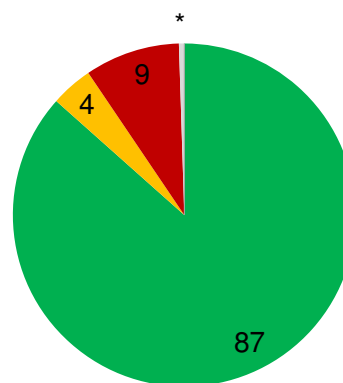
These were similar proportions to those reported in 2009 when 88% of loans in the previous two years came from banks, while 4% came from private individuals and 8% from other sources.

## Provider of the most recent loan

2009



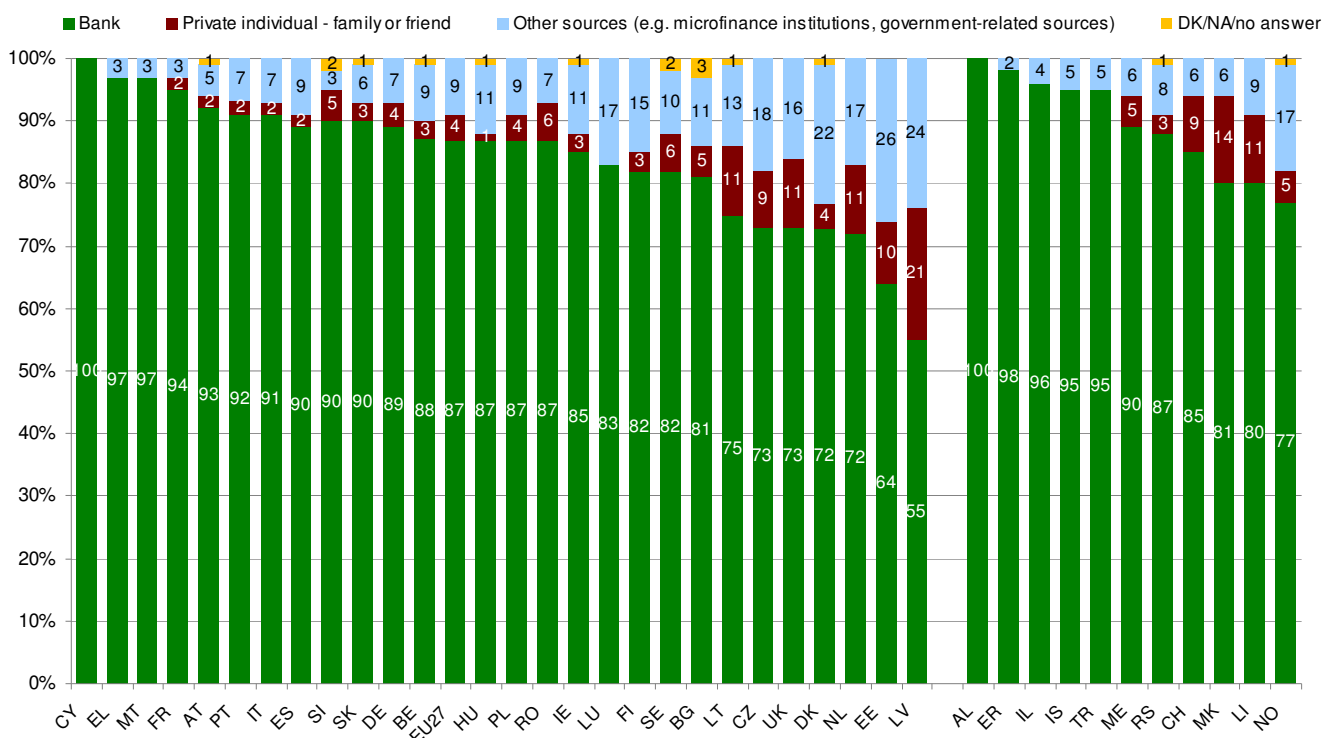
2011



Q13. Who provided you with this last loan?  
Base: All SMEs who obtained a loan in the last two years, % EU-27

## 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

SMEs in Greece were among the most likely to have got their last loan from a bank, 97% of those who obtained a loan got it from this source. SMEs in France (94%), Turkey (95%), Austria (93%) and Portugal (92%) were also especially likely to have secured their last loan from a bank. Businesses in Estonia and Latvia were among the least likely to have secured their last loan from a bank – only 64% and 55% respectively. Instead, loans from other sources were more common, particularly in Latvia (24%), Estonia (26%) and Denmark (22%).

Companies in Denmark (72%), Netherlands (72%) and the UK (73%) also did not have their borrowing almost wholly dominated by bank loans. Again, loans from other sources were more common relatively speaking in these countries. There were few significant differences between these proportions in 2011 compared with 2009 levels.

### ***Company characteristics***

SMEs that have been active for longer were more likely to have obtained their last loan from a bank – 88% of companies active for more than 10 years obtained their last loan from a bank, compared with 70% of younger firms who have been active for less than 2 years. These newer companies were instead more likely to have received their last loan from a private individual (16% did so) and a relatively large proportion received their last loan from another source (11%).

Businesses owned by family/entrepreneurs were very likely to have received their last loan from a bank (89% did so), while companies owned by other firms/associates and by venture capitalists were instead relatively more likely to have used a source such as microfinance institutions or government-related sources for their last loan (15% and 10% respectively did so).

Autonomous enterprises were also more likely to have used a bank for their last loan when compared with SMEs that are part of a wider enterprise (88% vs. 76%), while those part of a wider enterprise are instead more likely to use other sources (19%) compared with autonomous firms (8%).

## Providers of the loan and size of the loan

The table below shows that, relatively speaking, banks were more likely to have provided 'medium-sized' loans of €25,000 to €1 million, while generally private individual are more likely to provide smaller loans.

### Providers of loan vs. the size of the loan

		<b>Bank</b>	<b>Private individual – family or friend</b>	<b>Other sources</b>
<i>Base: companies that took a loan in the last two years</i>				
	(6,468)			
Smaller than €25,000	(1,236) %	82	7	11
€25,000-99,999	(1,884) %	87	5	8
€100,000-€1 million	(2,423) %	88	2	15
Over €1 million	(925) %	83	2	15

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?

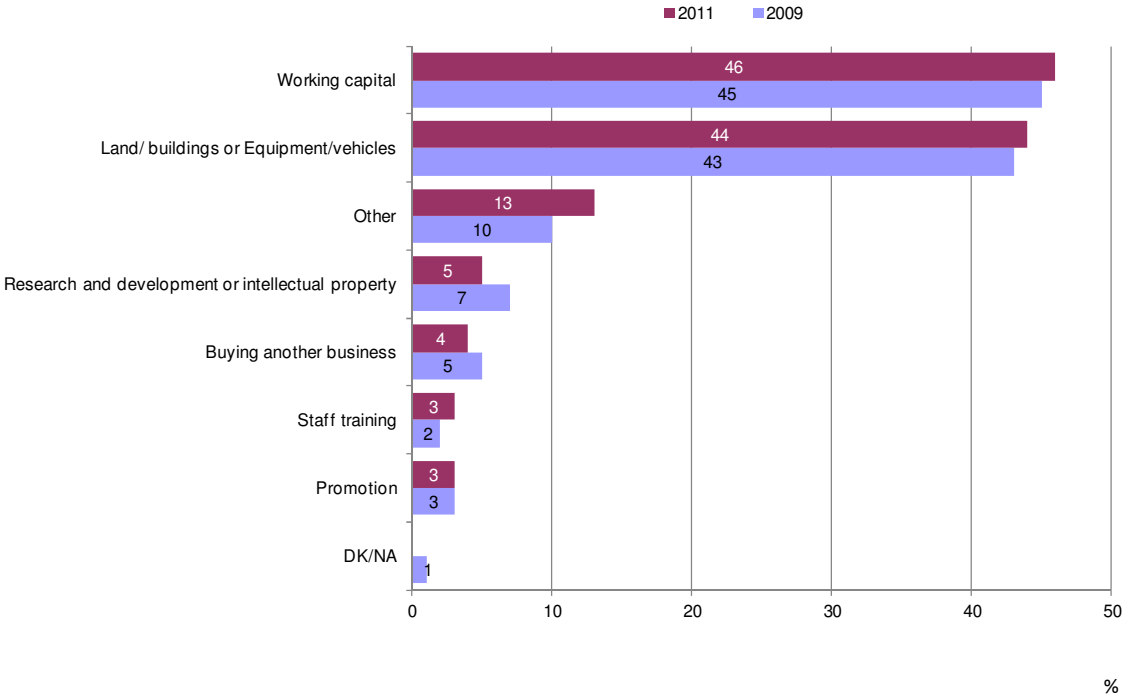
N.B. excludes DK/NA

## 2.3.4 Purpose of the most recent loan

Working capital and loans for land/buildings and equipment/vehicles were the two leading purposes for taking out a loan in the past two years. Working capital was the reason for 46% of the loans, while purchasing land, buildings, equipment or vehicles accounted for 44% of the loans.

Only a few SMEs (4%) obtained loans for the purpose of buying other businesses or for research and development/intellectual property (5%).

**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-27*

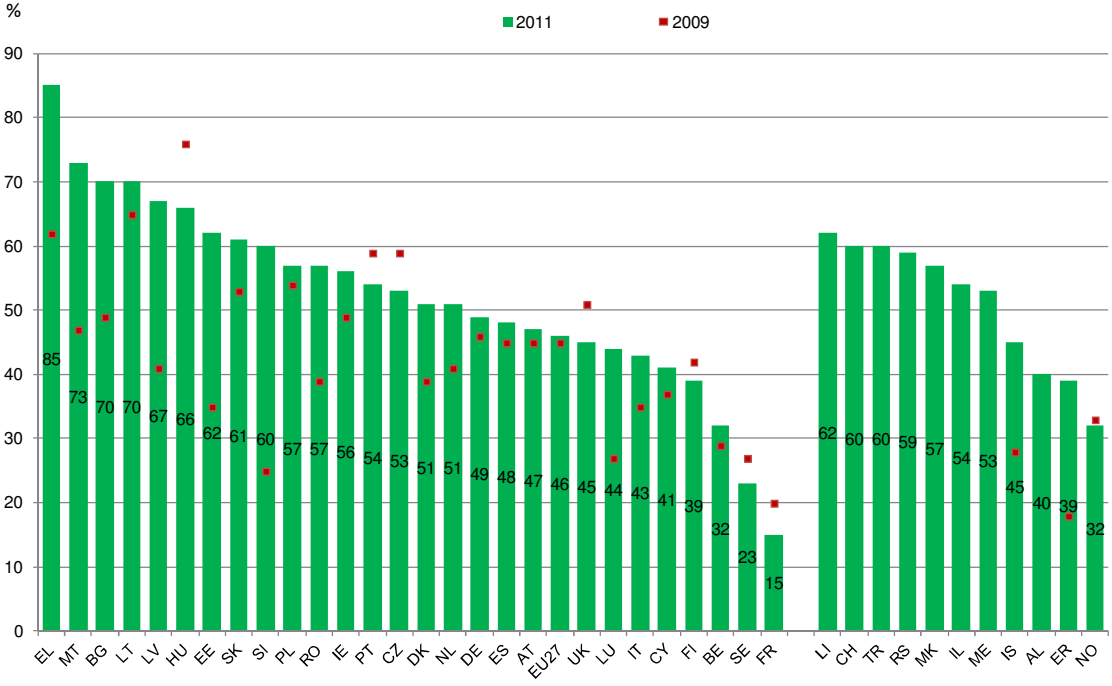
This was a similar picture to that seen in 2009, when working capital and purchase of land, building, equipment or vehicles were also the dominant reasons for obtaining a loan. In 2009 45% of loans were for working capital and 43% were for land, building, equipment or vehicles.

**Country variations**

Companies in Greece were most likely to have used their most recent loan for working capital. This was the case for 85% of these companies who had taken a loan out in the past two years. Companies based in Eastern Europe were also likely to have used their most recent loan for working capital.

For example, this is the case for 70% of SMEs in Lithuania and Bulgaria and 67% in Latvia. SMEs were least likely to use the loan for working capital in France (15%) and Sweden (23%).

### Last loan was used for working capital

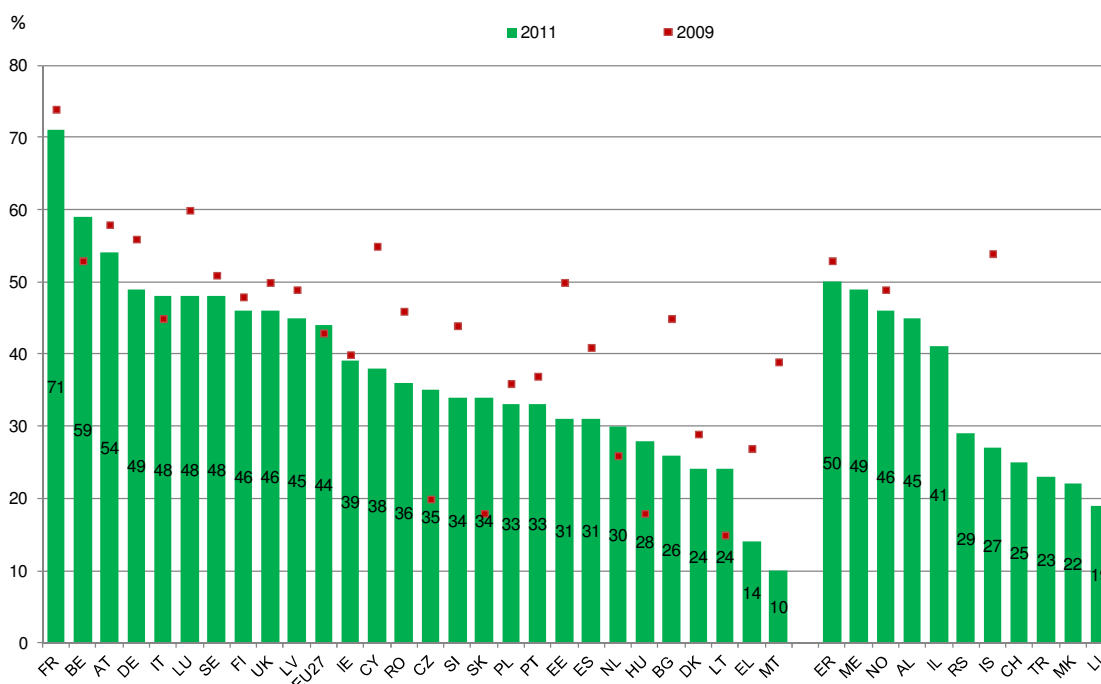


Q14. What did you use this last loan for?

Base: All SMEs who obtained a loan in the last two years,% by country

By contrast, companies in France were most likely (71%) to have used their loan to buy land, building, equipment or vehicles. SMEs in Germany (49%), Austria (54%) and the UK (46%) were also relatively likely to use their latest loan for this. Countries whose companies were less likely to use their loans for land, building, equipment or vehicles included Denmark (24% of whose SMEs used it for this), Lithuania (24%), and Greece (14%).

## 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

In Italy there has been a significant increase in the proportion of firms using their loan for working capital since 2009. This has increased from 35% to 43% in 2011. In Bulgaria there was an ever greater increase – from 49% to 70% using their loans for working capital - and there has been an almost parallel decrease in use of loans for land, building, equipment or vehicles, dropping from 45% to 26% over the same period.

### Company characteristics

There was little relationship between the size of the company and the likelihood of using the last loan for working capital. Only those SMEs in the services sector were less likely (40%) than those in other sectors (49%-53%) to do so. The newest (under 2 years) and older (10+ years) active companies were also less likely to use a loan for this (44%-45%), compared with SMEs which were 2-5 years old (52%) and 5-10 years old (53%).

Conversely, it was the newest and oldest firms that were most likely to spend their latest loan on land, building, equipment or vehicles – 45% of those active for 10 years or more and also 45% of those active for less than two years. Those in the services sector were also more likely to use their loan for this purpose (48%).

The table below shows that the balance between the purposes of working capital and land, buildings and equipment was fairly consistent regardless of the size of the loan.

**Purpose of loan vs. the size of the loan**

		<b>Working capital</b>	<b>Land/buildings or equipment/ vehicles</b>
<i>Base: companies that took a loan in the last two years</i>			
	(6,468)		
Smaller than €25,000	(1,236) %	45	42
€25,000-99,999	(1,884) %	46	45
€100,000-€1 million	(2,423) %	44	46
Over €1 million	(925) %	47	43

*Q12. What is the size of the last loan, of any kind, 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

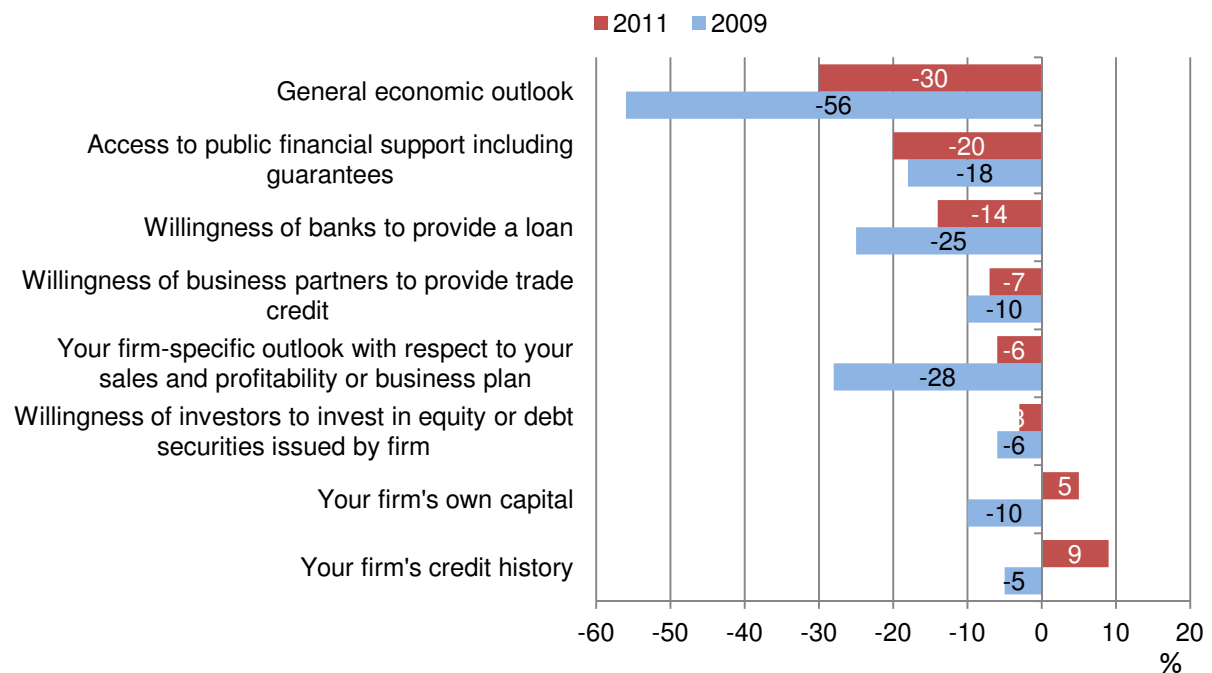
This chapter describes the perceptions of SMEs as to the current financial and economic environment, as well as their own financial situation (e.g. levels of capital and credit history). It then describes managers' opinions of changes in the availability of external financing. The second section describes perceived changes in SMEs' need for financing, the impact of their own financial situation on their level of 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

Slightly more EU managers of SMEs said that the **general economic outlook** had deteriorated in the past six months (43%) than felt that it remained unchanged (39%), whilst 12% said that there had been an improvement. The overall net balance of opinion (the % Improved less the % Deteriorated) was therefore -30%.

##### 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-27 SMEs

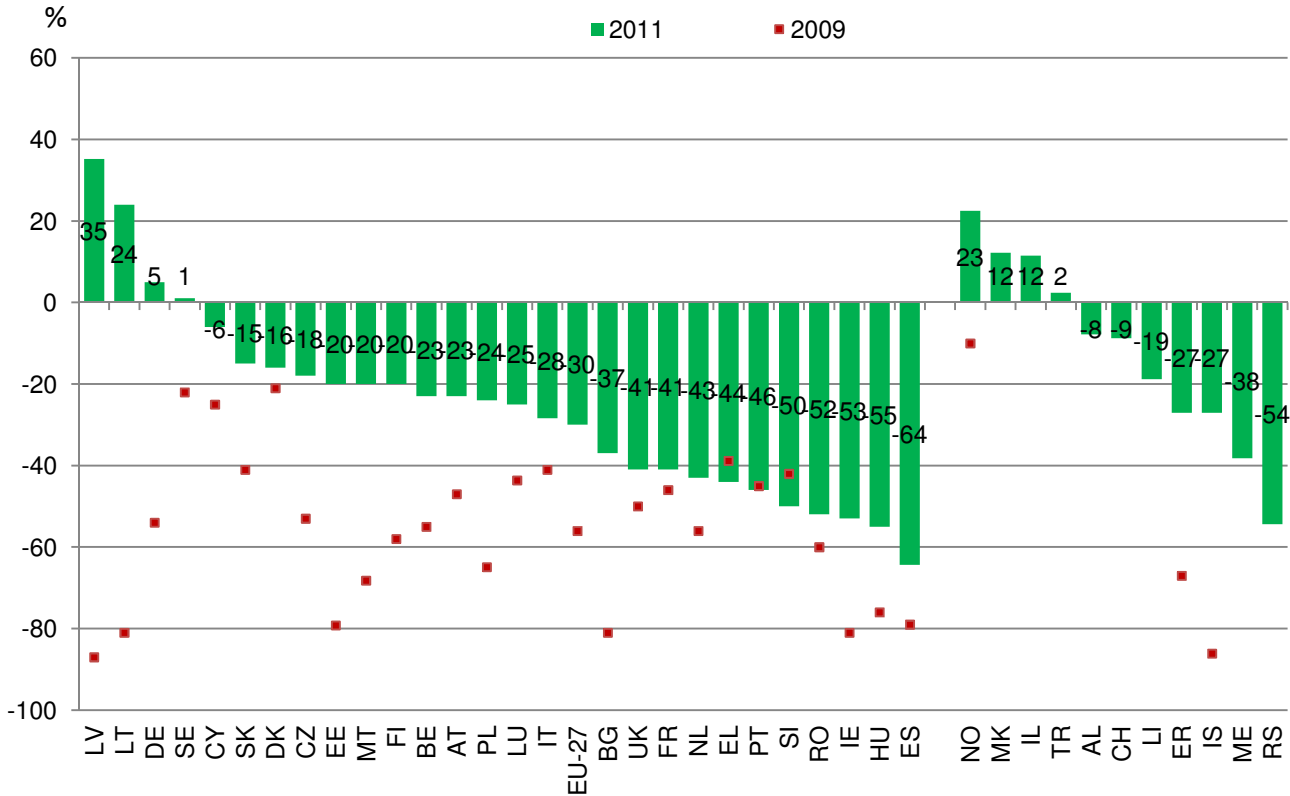
The most optimistic viewpoint was seen in Latvia (net level of +35%), Lithuania (+24%) and Norway (+23%). The balance of opinion was also slightly more positive than negative in Germany (+5%).

However, the strongest balance of opinion that the outlook had deteriorated was seen in Spain (-64%), Hungary (-55%), and Ireland (-53%) due to the very low levels of managers in those countries who felt there had been an improvement. So there was clearly a very wide spread in opinions across the EU as to the economic outlook.

Results have improved since the 2009 survey when 64% of SMEs judged that the outlook had deteriorated over the previous six months and only 25% felt it was unchanged and 8% improved. The overall net balance of opinion two years ago was -56%, almost twice as bad as in the 2011 survey.

Results improved in nearly all countries since 2009, except for Greece and Slovenia, where the balance of opinion was gloomier in 2011 (net decrease of -44% for Greece and -50% for Slovenia) as in 2009 (-39% and -42% respectively).

**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 pessimistic about their own **firm-specific outlook with respect to sales and profitability** over the last 6 months (26% of the total

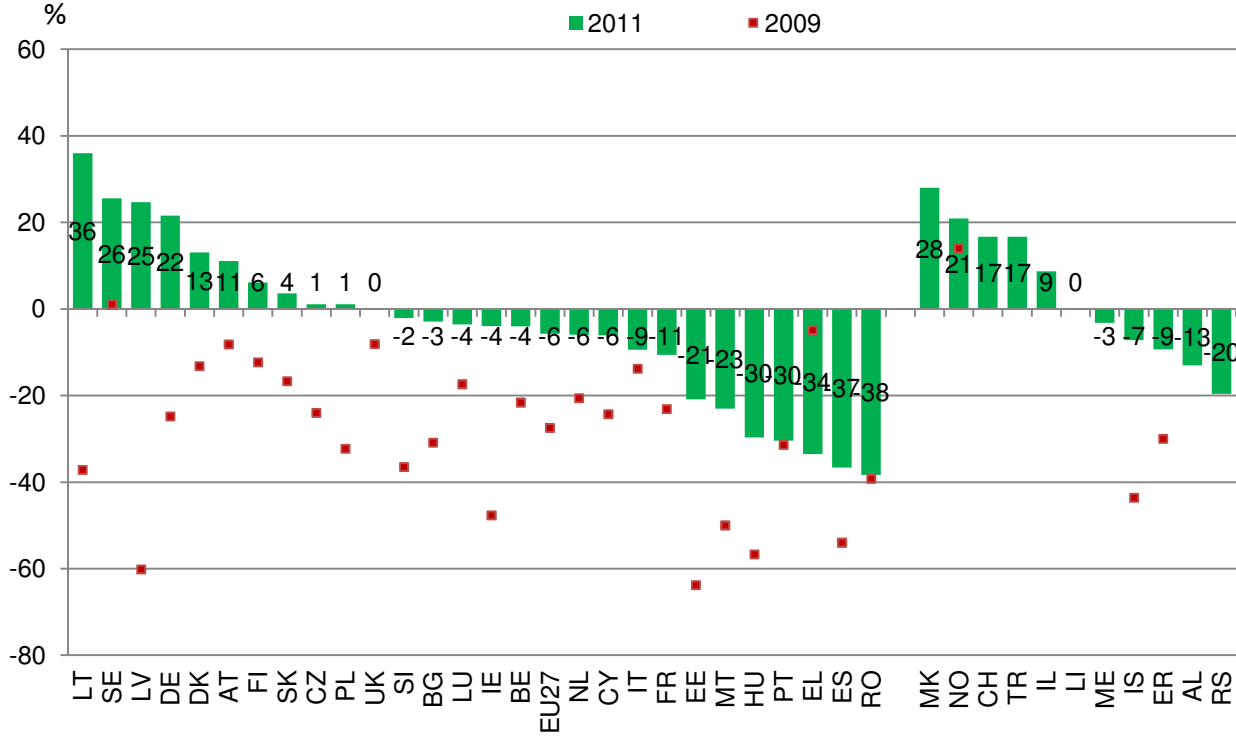
sample judged that it had deteriorated) than optimistic (21% improved). Nearly half (46%) felt the situation was unchanged. Thus opinions about their own firms' outlook tended to be more optimistic than for the general economy.

SMEs were most optimistic in Lithuania (44% felt it had improved), Sweden (38%) and Germany (35%). The least optimistic SMEs were Estonia (only 1% improved), Portugal (9%), and Greece (9%). Portugal (-30%), Greece (-34%), Spain (-37%) and Romania (38%) had the biggest negative net balance of opinion about their firms' outlook.

However, there was a noticeably more optimistic view (30% difference or greater) about the firm-specific outlook than the general economy in some countries, e.g. Austria had a net improved level of +11% for their firms, compared with -23% for the economy. The other more firm-optimistic countries included Ireland (net -4% vs. -53%), Bulgaria (net -3% vs. -37%), Netherlands (net -6% vs. -43%), UK (0% vs. -41%) and even Spain (-37% vs. -64%).

SMEs in the 2009 survey were considerably more pessimistic, 43% thinking that their firm's outlook had deteriorated over the previous 6 months and just 15% improved, a net level of -28% compared with -6% in 2011. Only SMEs in Portugal and Romania were almost as pessimistic in 2011 as in 2009, and in Greece they were even more pessimistic in 2011 (-34%) than 2009 (-5%). In most other countries results were considerably improved in 2011.

**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

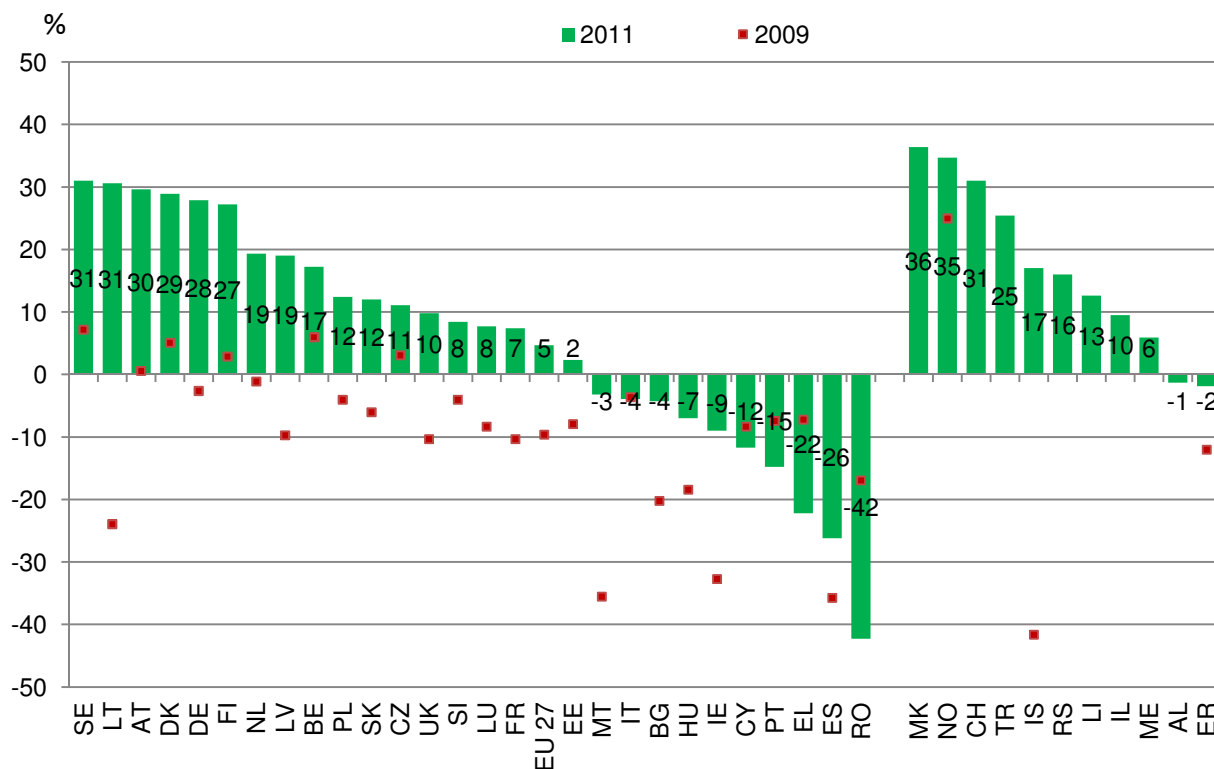
Overall EU SMEs were more likely to indicate that their **firm's own capital** had improved (25%) rather than deteriorated (21%) over the last 6 months. Improvements in firms' capital were most likely to have occurred in Denmark (42%) and Sweden (41%).

However, at the other end of the scale less than 10% of SMEs reported an improvement in Cyprus, Greece, Portugal, Malta and Spain. The greatest net deterioration occurred in Greece (-22%) and Romania (-42%). Romania also reported by far the lowest level of stability. Only 11% saw their firm's own capital remain steady.

SMEs in 2009 were more concerned about their firm's own capital, when only 15% thought it had improved over the previous six months, 10 percentage points below the level seen in 2011 (25% seeing an improvement). However, the level of managers reporting deterioration was only a little worse in 2009 (24%) than in 2011 (21%).

Deterioration of firm capital was generally more likely to have been reported in 2009 than in 2011 in most EU countries. But this was not the case in Greece, Portugal, Romania and Slovakia where managers have remained concerned to a similar or greater extent. The net deterioration level in Greece has even worsened, from -7% in 2009 to -22% in 2011. This has also occurred in Romania, down from -17% net deterioration in 2009 to -42% in 2011.

### 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**

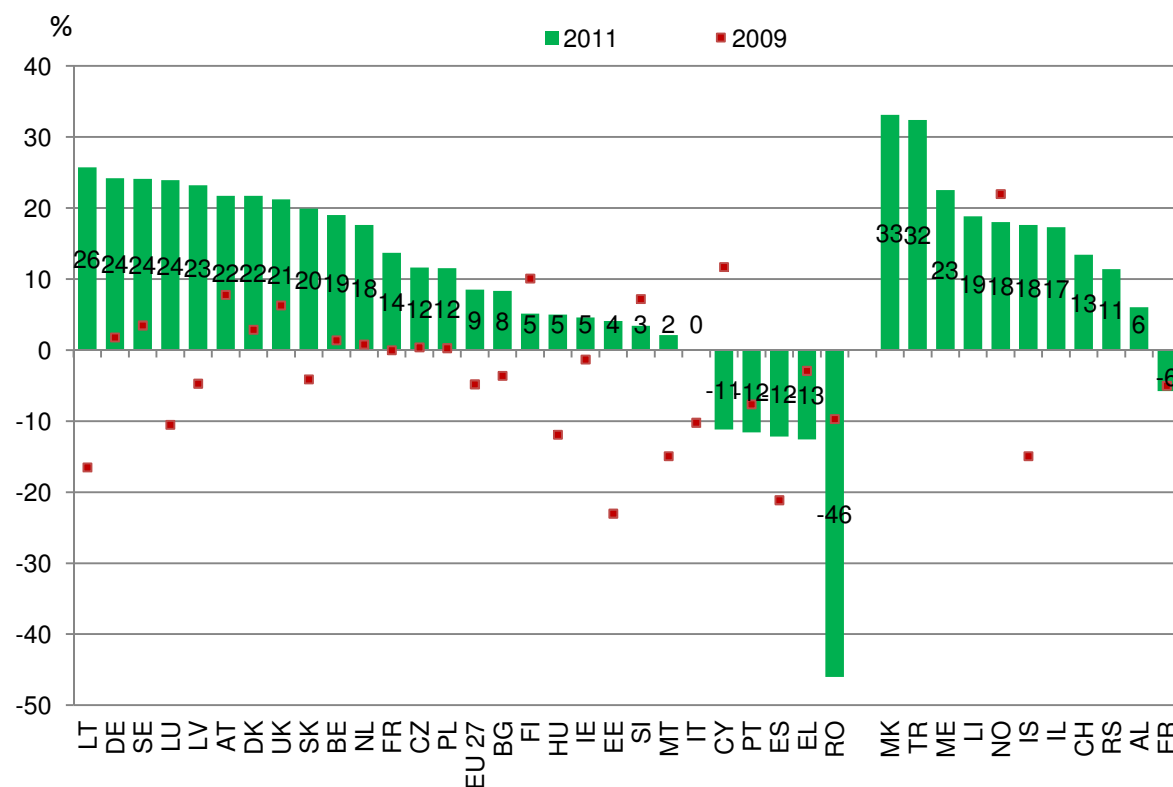
Base: All SMEs, % by country

The overall balance of opinion among SMEs was that their firm's **credit history** was nearly twice as likely to have improved over the past 6 months (22%) than deteriorated (13%), with 59% unchanged. However, there was considerable variation between countries. The highest levels of improvement in credit history were seen in the Netherlands (32%) and Belgium

(30%) but levels were much lower in Greece (6%) and Portugal (8%). The balance of improvement and deterioration (lowest net improvement scores) were thus lowest in Greece (-13%), Portugal (-12%), and especially in Romania (-46%).

SMEs in 2011 were twice as likely to have reported improvements in credit history (22%) than in the 2009 survey (only 10%). In 2009 they were more likely to have seen deterioration (15%) than improvement (10%) but by 2011 the net balance of opinion had shifted to a greater likelihood of improvement (22% versus 13%). This strengthening in levels of improved credit history from the 2009 to 2011 surveys was seen in 21 EU countries (in the major economies including Italy and Spain) but not in Greece, Ireland, Netherlands, and Portugal of the medium size economies.

### 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

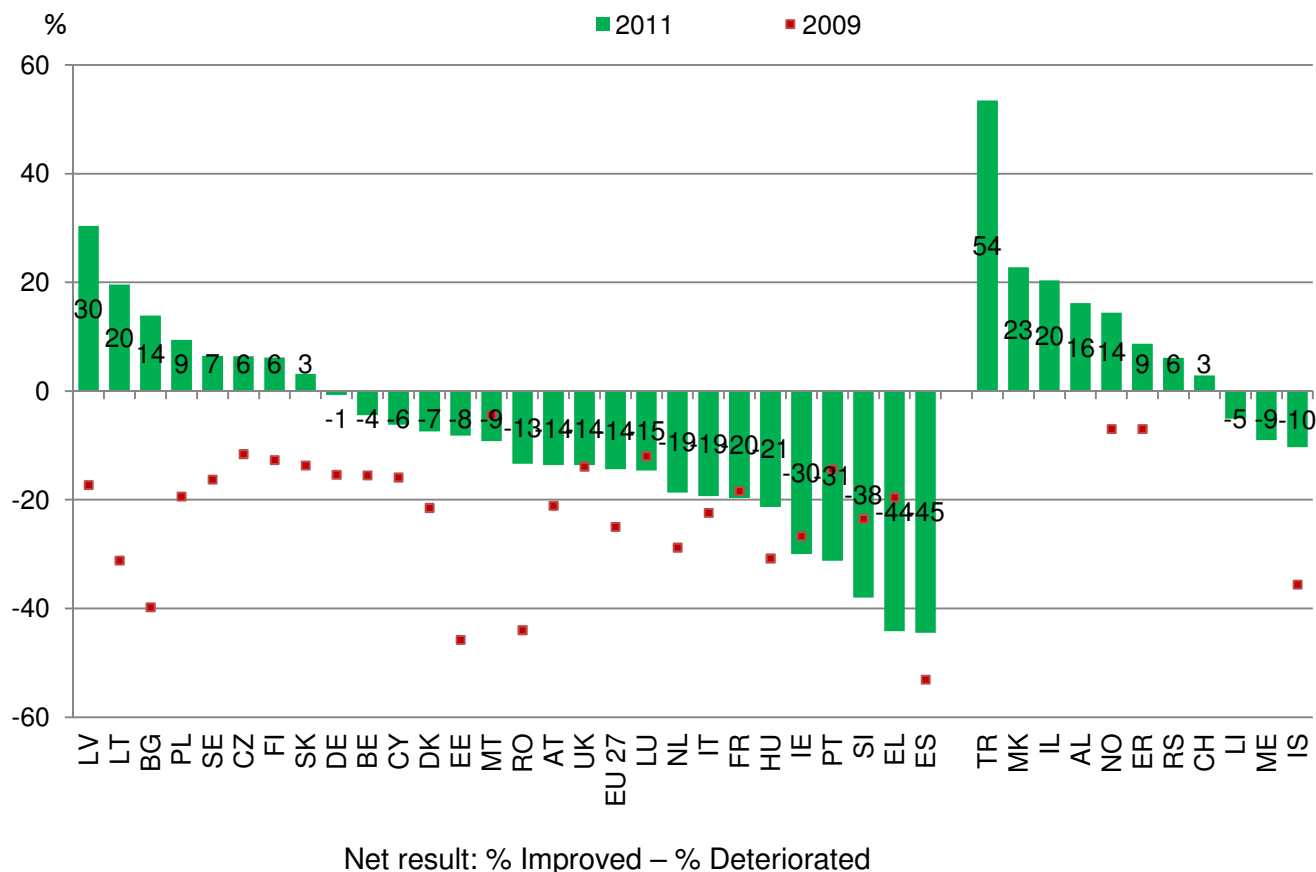
Across all the SMEs surveyed, they were more likely to report that banks had become less **willing to provide a loan** over the last 6 months (27%) rather than more willing (13%), with 33% unchanged. The majority of SMEs (73%) were able to give an opinion on this, although fewer could do so in Sweden (61%) and the UK (58%).

The highest levels of improved willingness of their banks to lend were seen in Latvia (35%) and Lithuania (28%). However, in some countries banks' willingness was clearly more likely to have worsened rather than remained steady (or even improved) and the highest levels of

deterioration were reported in Spain (50%), Greece (46%), Romania (41%) and Ireland (38%).

In 2009 EU SMEs were over four times as likely to report that banks willingness to loan had worsened (32%) rather than improved (7%). This was much worse than the (though still negative) balance seen in 2011 (27% deteriorated/ 13% improved). Levels of improved willingness were significantly higher in 2011 in 13 of the 27 EU countries, including Germany, Austria, Belgium, Netherlands, Poland, Romania, and Hungary, but not in Spain, Sweden, UK, France, Greece and Italy.

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



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 (43%) could not give an opinion as to whether **access to public financial support** had changed in the past six months since this was not applicable to their firm.

Among those who could make a judgement they were seven times more likely to judge that it had deteriorated (22%) rather than improved (3%), whilst 27% assessed it as unchanged. The overall net balance of opinion (improved less deteriorated) was that the situation has deteriorated (-20%).

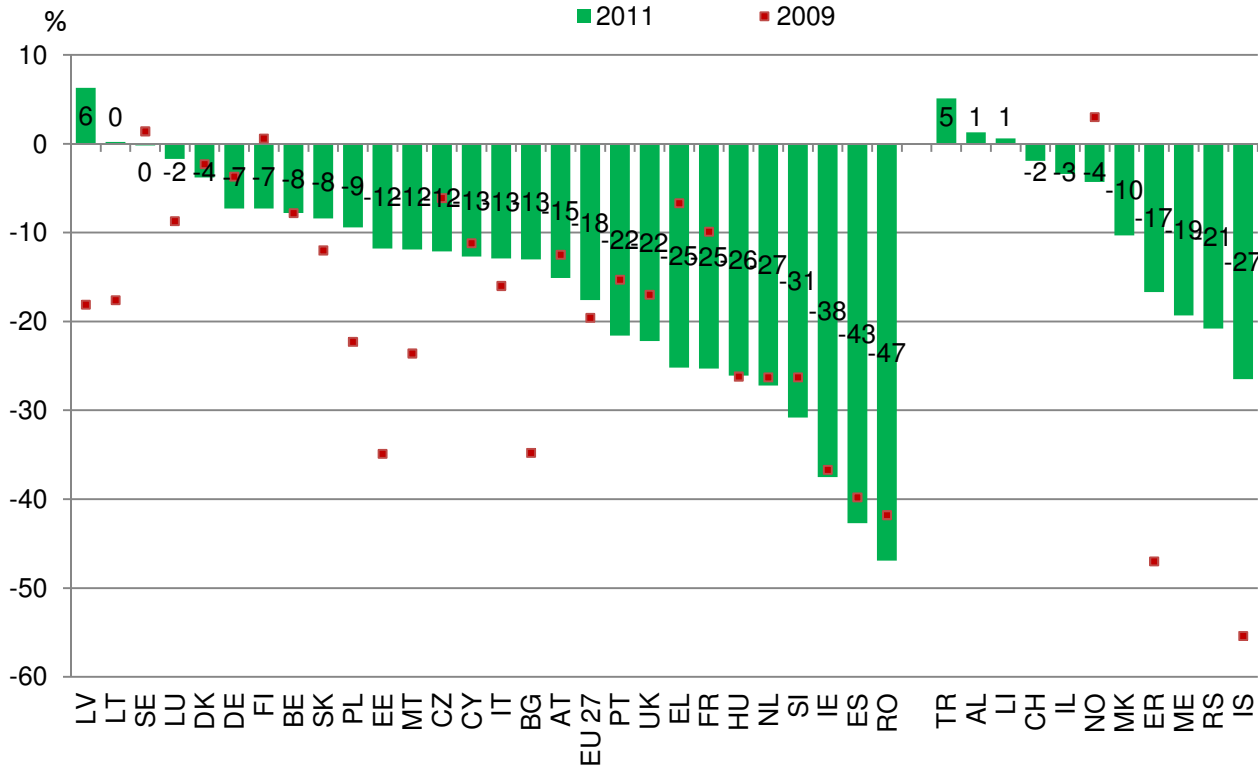
SMEs in Romania (75%) and France (72%) were the most able to express a view on this, whilst those in Italy (37%) were least likely to be working in firms who were accessing **public financial support**.

SMEs in Romania (52%), Spain (44%) and Ireland (43%) were the most likely to think that access to public financial support had deteriorated over the past 6 months.

At the other end of the scale the lowest levels of reported deterioration (in countries where over half have access) were seen in the Nordic countries – Sweden (3%), Norway (7%), Finland (10%) and Denmark (8%). The Net balance of opinion was most positive about access in Latvia (+6%), Sweden (0%) and Lithuania (also 0%).

The balance of opinion, when it could be given, about access in 2011 has slightly worsened since the 2009 survey (4% improved versus 22% deteriorated – a net balance of -18% compared with -20% in 2011).

**Net change in access to public 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

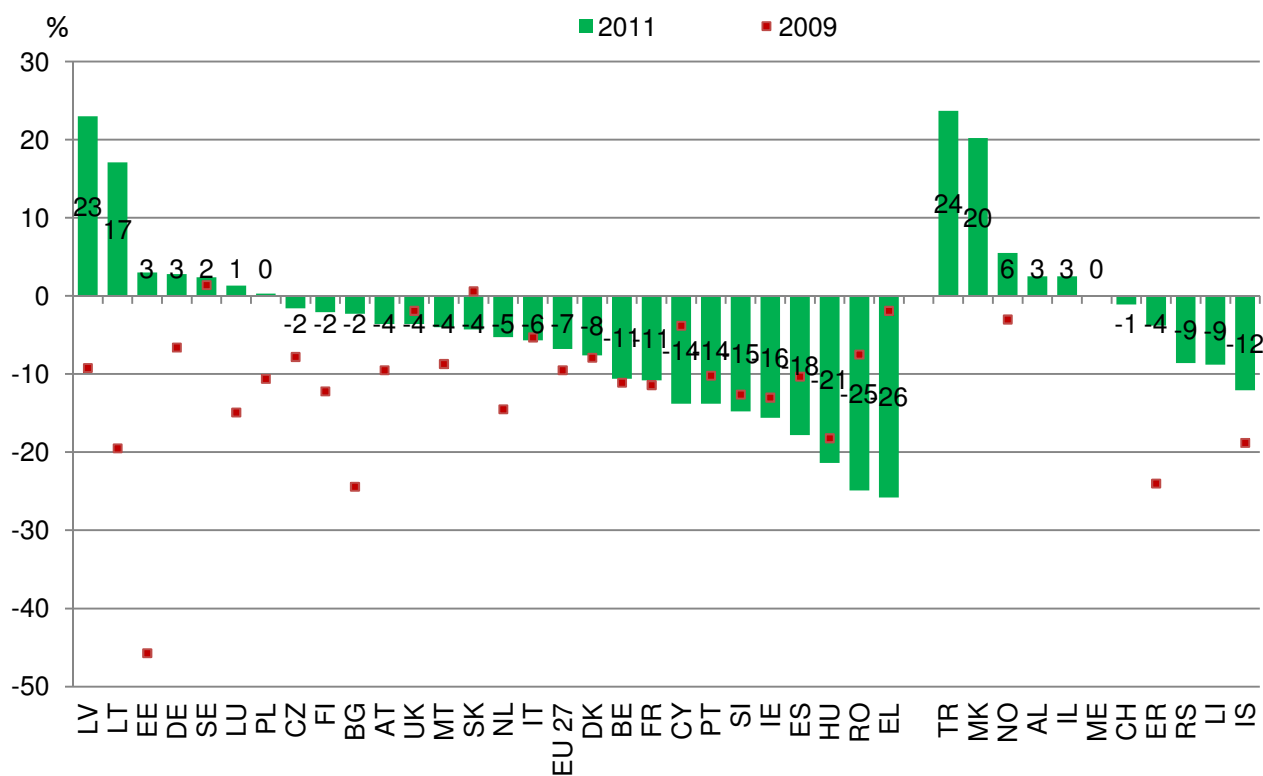
Overall SMEs in the EU were nearly twice as likely to have seen the **willingness of business partners to provide credit** to have deteriorated over the last 6 months (14%)

rather than improve (7%). However, two out of five SMEs (41%) were unable to give an opinion, as the situation did not apply to their firm.

The biggest levels of improvement (and usually net improvements) were seen in Latvia (24%), Lithuania (21%), Romania (18%) and Bulgaria (13%). However, the reported trade credit situation has especially worsened in Ireland (25% deteriorated), Greece (29%), Hungary (26%), and Romania (43%).

Results in 2009 were slightly more negative with only 4% reporting an improvement (half the 2011 level) and 14% a deterioration. Eleven EU countries have seen a significant rise in levels of improved willingness of business partners to provide credit from 2009 to 2011 (including Austria, Poland, and Sweden of the bigger economies). Results have significantly worsened since 2009 in a few countries. In Greece in 2011 29% of SMEs reported that willingness had deteriorated compared with 9% in the 2009 survey. In Spain 22% reported deterioration in 2011 compared with 15% in 2009, and in Romania levels have more than doubled (from 18% deteriorated to 43% 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**

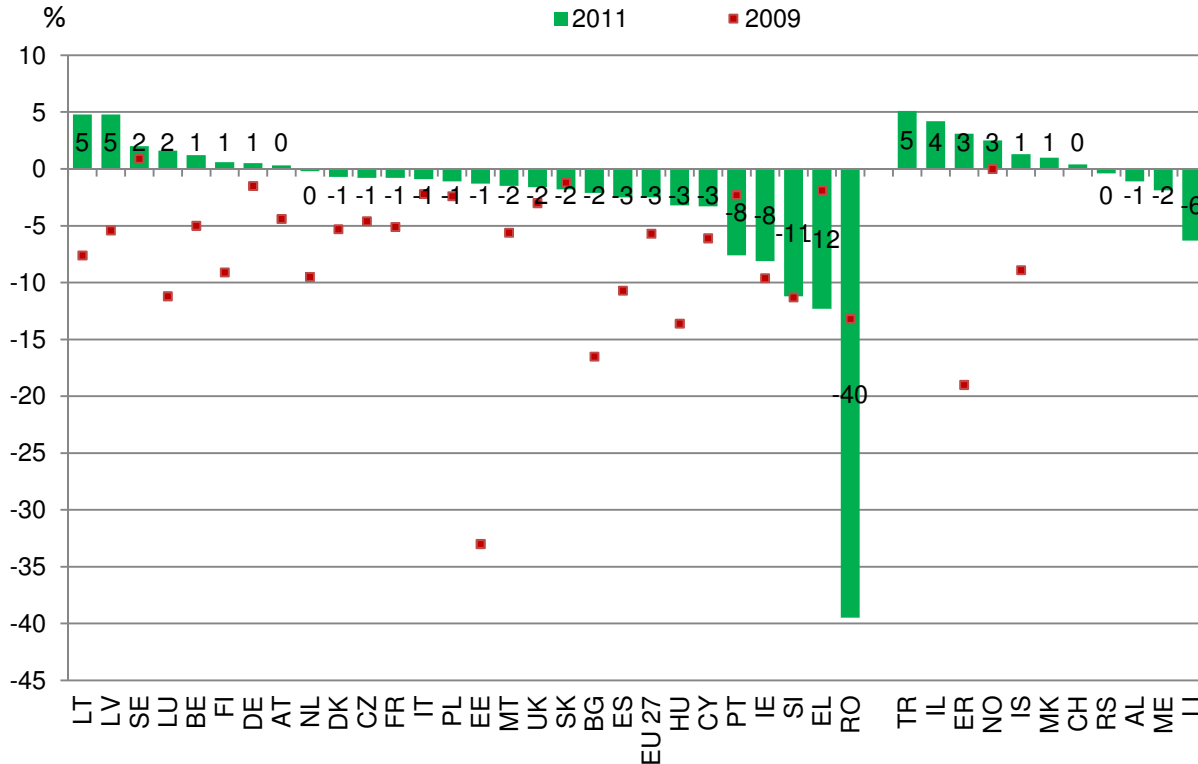
Base: All SMEs, % by country

Only 1 in 5 SMEs in this survey were able to give an opinion on **willingness of investors to invest in equity** over the last 6 months. The results for the balance of opinion within each country should therefore be treated with care. When they could express a view, overall the majority felt the situation was unchanged (12%) though twice as many judging it to have deteriorated (4%) rather than improved (2%).

Sweden (5%), Denmark (5%), Lithuania (5%), and Latvia (6%) showed the highest proportions reporting an improvement among SMEs. Deterioration in willingness to invest was most likely in Romania (42%) and to a lesser extent Slovenia (11%), and Greece (14%).

There has been very little change in the balance of opinion, where an opinion could be given, about this factor between the 2009 and 2011 surveys. In 2009 7% of SMEs considered that investor willingness had deteriorated (3 percentage points worse than in 2011) and 1% improved (2% in 2011).

**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

SMEs in the construction sector were the most likely to answer that the general economic outlook had deteriorated over the last 6 months (49%) and those in the industry sector (39%) the least likely.

There was also a higher level reporting deterioration among SMEs owned by a single woman (46%) compared with single male owners (40%).

Otherwise the balance of opinion on the economy was broadly similar between small and large companies (in terms of employee size and turnover) and specifically comparing SMEs (12% improved versus 43% deteriorated) and LSEs (13% improved/ 42% deteriorated).

### Companies' financial outlook

Opinions as to SMEs' own financial outlook were significantly more favourable among companies with at least 10 employees. In the smallest companies (under 10 employees) the balance of opinion was clearly that the outlook had deteriorated (29%) rather than improved (16%) over the last 6 months. Medium sized SMEs (10-49 employees) had a more balanced though still slightly negative opinion overall (25% deteriorated vs. 22% improved), whilst the largest SMEs with 50-249 employees had a slightly positive opinion overall (23% deteriorated but 27% improved). The larger SME results were very similar to those from LSEs (24% deteriorated/ 26% improved).

The extent of positive outlook was also seen to increase with size as measured by revenue – 50+ million euro companies were clearly the most positive (25% improved/ 24% deteriorated) compared with the smallest turnover group (18% improved and 28% deteriorated for SMEs with up to 2 million euro revenue). Reflecting their greater size, listed SMEs with shareholders had a positive outlook overall (29% improved / 20% deteriorated) whilst the usually smaller family owned firms tended to be negative overall (18% improved but 27% deteriorated).

Comparisons by type showed that SMEs in the construction sector were clearly more negative (34% deteriorated) than in other sectors. SMEs in the industry sector were the most positive, it being the only sector to be more likely to think that their company's outlook had improved (26%) rather than deteriorated (23%).

### Access to certain sorts of external financing

The balance of opinions as to changes in **access to public financial support**, where SMEs could express an opinion, did not vary greatly by number of employees or sector.

Medium to large SMEs (10+ employees) were more positive though that their **firm's own capital** had improved in the last 6 months. Those with 50-249 employees were the most positive (33% improved) and the micro SMEs (1-9 employees) were the least (only 19% improved). SMEs in the industry sector were also more likely to be positive (29% improved) and construction the least (only 17% improved).

Similar more positive views among larger SMEs and those in industry were seen regarding **your firm's own credit history** (18% improving for micros versus 26% for 50-249

employees) and the **willingness of banks to provide a loan** (10% improving for micros but 17% for 50-249 employees).

### ***Gazelles and Innovators***

Looking specifically at results from *Gazelles* (high growth companies, SMEs & LSEs, over 20% per year, up to 5 years old) they were significantly more likely than other companies to report that their **firm's own capital** had improved in the last 6 months (47% versus 29% from non-gazelles). Similarly they were also more likely to report that their **credit history** had improved (43%) compared with other companies (22%).

Gazelles were also more likely to report that **banks willingness to lend** had improved (24% compared with 14% for non-gazelles) and **business partners willingness to provide trade credit** (17% for gazelles, 7% for other firms). Not surprisingly they were also twice as likely to report that their **firm-specific outlook** had improved (44%) than other companies (22%).

Looking at Innovators (SMEs which have introduced innovation in at least one area, such as products, services, marketing, etc) they were more optimistic about their firm-specific outlook (25% reporting it had improved) than non-Innovators (15%).

They also reported higher levels of improvement for their credit history than non-innovators (25% and 17% respectively) and were a little more likely to report an increase in willingness of banks to lend to them (15% versus 10%) or business partners to provide trade credit (9% versus 5%).

### **3.1.2 Changes in availability of external financing**

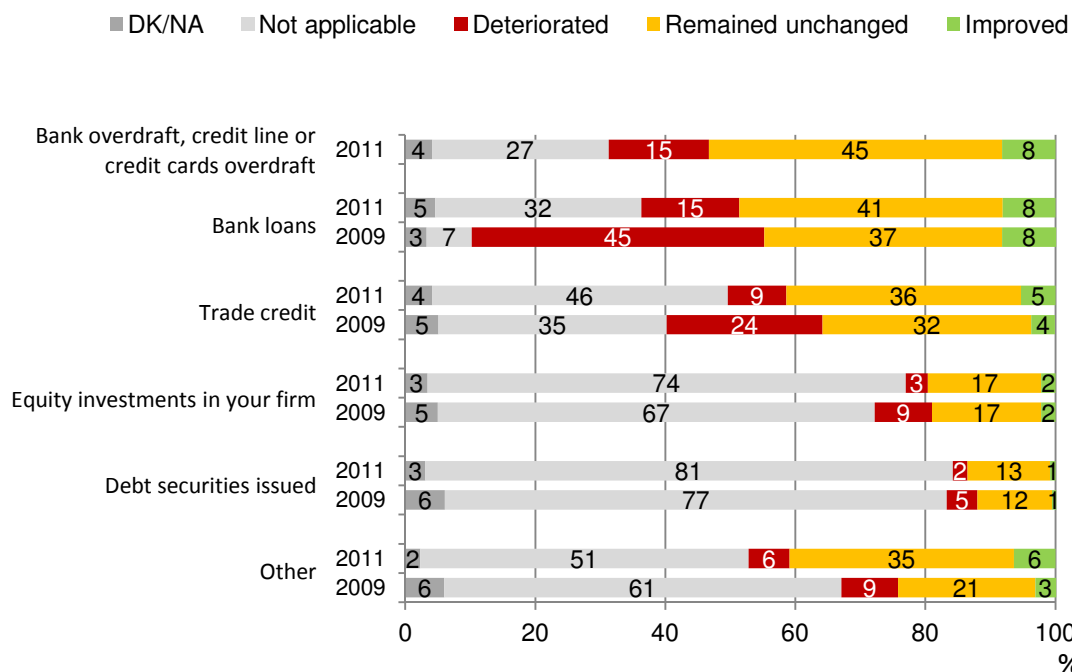
This section describes how SMEs regarded recent changes in the availability of certain sources of external financing, and results are based on the responses of all SMEs, including those who did not have experience of applying for that source of finance.

The majority opinion (45%) was that the availability of **bank loans** had not changed but they were more likely to have seen availability deteriorate (15%) rather than improve (only 8%). There was a similar balance of opinion for overdrafts, i.e. 15% saw deterioration in loan availability compared with only 8% that saw an improvement.

The majority viewpoint (36%) for **trade credit** was that availability was unchanged, with deterioration (9%) in availability more likely than improvement (5%). For both **equity investment** and **debt securities**, most applicants saw availability levels unchanged and where it had altered it was more likely to have worsened.

Just under half of SMEs (49%) were able to give an opinion on the availability of **other sources** of finance and opinions were evenly divided as to whether their availability had deteriorated (6%) or improved (also 6%) over the past 6 months.

## 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-27 SMEs

Comparisons with results from the 2009 survey showed that then more SMEs replied that a **bank loan** is applicable for them (only 7% saying this was not applicable to their firm) than in 2011 (32% not applicable) and availability in 2009 was much more likely to be reported as having worsened over the previous six months (45%) than by 2011 (15%). The difference may have been due in part to far more companies not having applied for such a loan in 2011, rather than applying and finding lowered availability.

The number of interviews per country answering this question in 2009 was for the most part too small to make comparisons with 2011 results statistically reliable with reasonable confidence limits. However, in Germany, where the sample size was statistically robust a much higher level of SMEs reported that bank loan availability had worsened in 2009 (37%) than in 2011 (12%). The same situation was seen in the UK (43% worsened over previous six months in 2009 down to 16% in 2011).

The availability of **trade credit** seemed to have stabilised in 2011 (5% improved/ 9% deteriorated) compared to the 2009 survey (4% improved but 24% deteriorated). More SMEs were able to answer the question as applicable to them in 2009 (35% not applicable) than in 2011 (46% not applicable), again suggesting as for bank loans that more companies had sought this type of financing in 2009 but found it more difficult to obtain than previously.

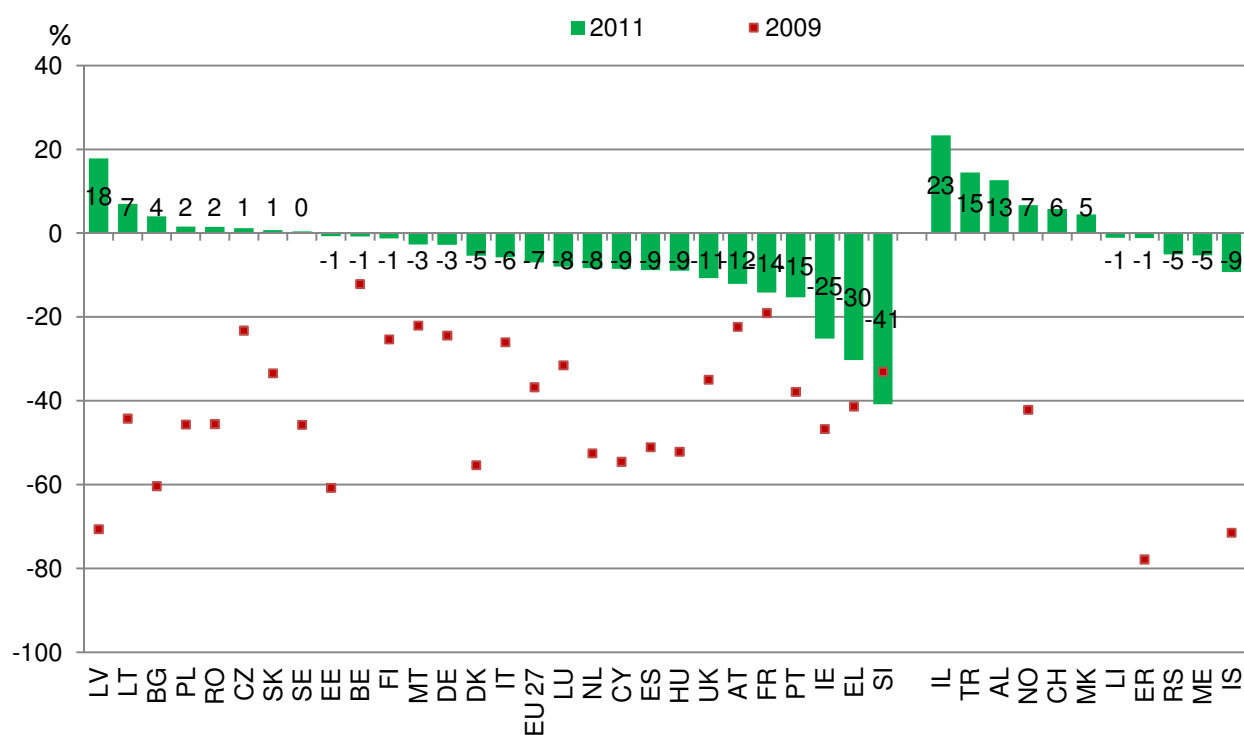
The availability of **equity investments**, where applicable, was also a little more likely to have worsened in the 2009 survey (9%) than in 2011 (3%) and for **debt securities** (5% deteriorated in 2009, 2% in 2011).

## Country variations

As noted above, SMEs which had applied for each type of financing in the past 6 months were asked to evaluate change in the availability, if any, of the various sources of external financing experienced by their company. Sample sizes of some countries were relatively small and so results in these cases should be treated with caution (see technical appendix regarding country base sizes).

The following chart shows perceived changes in the availability of **bank loans** in the past 6 months by country. Across all countries only 8% of SMEs reported that it was easier to obtain a bank loan than it was six months earlier. Some 13 countries (8 EU and 5 non-EU) saw a net improvement in availability (i.e. greater level of improvement than deterioration) with clearly the biggest improvements seen in Latvia, Lithuania, Estonia and Turkey. At the other end of the scale the most likely countries to have seen a deterioration were Slovenia (42%), Greece (34%), Ireland (31%) and France (23%).

### 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

Looking at results by country for other forms of external financing (**bank overdrafts** and **trade credit**) a similar picture could be seen. Greece, Ireland and Slovenia were the most likely countries to report a deterioration in availability whereas Turkey and Latvia were the least likely, and actually saw a net improvement in availability.

### ***Company characteristics***

#### **Bank loans and trade credit**

The overall level of 1 in 7 (15%) SMEs who answered that it had become more difficult to get a **bank loan** in the past 6 months varied little between both the smallest and largest of SMEs. However, the net likelihood of improved availability was slightly stronger among the largest SMEs (-4% for 50-249 employees) and LSEs with 250+ employees (-3%) than seen in micro SMEs (-9% for the 1-9 employee band).

Deterioration was more likely to be reported by the construction sector SMEs (18%) than other company types (e.g. 14% for the industry sector).

This was also seen for the availability of **trade credit**, construction SMEs being most likely to report that this had worsened (12%), compared with 10% or less among all other sectors and all sizes of business. On balance (% improvement less % deterioration) the net availability of trade credit only markedly improved in Latvia (net improvement of + 13%) and Lithuania (+9%).

#### **Equity investments, debit securities, bank overdrafts and other sources**

The majority of SMEs had seen **bank overdrafts as applicable for them**. The largest companies (250+ employees and SMEs with 50+ employees) were least likely to have seen overdraft availability worsen (12% and 13% respectively, compared with 17% of micro SMEs). SMEs in the industry sector were the least likely to have seen their availability deteriorate (14%) and were almost as likely to report that their availability had improved (10%). All other sectors reported stronger net deterioration. The most likely countries to report deterioration were Slovenia (24%), Ireland (32%) and Portugal (23%).

Only 1 in 4 SMEs were able to give a judgement about availability of **equity investments** over the past 6 months and no clear differences between different types or sizes of SME were observed, the level of deterioration (3%) being broadly similar across all groups. However, the reported level of deterioration was significantly higher in Greece (14%), Ireland (11%), Portugal (8%), and Slovenia (18%).

Only 1 in 6 (19%) could give an opinion on **debt securities** as applicable to their firm, the most likely differences again being by country rather than company type or size. However, over half of Greek companies had applied for this type of financing though they also had the highest proportion of SMEs reporting that it had deteriorated (21%).

Overall 49% of SMEs reported **other sources** of finance as applicable for them in the previous 6 months. Availability was most likely to have worsened among the construction sector SMEs (8%) and least likely for industry (5%). Availability in countries where at least 50 SMEs were able to give an opinion was most likely to have worsened in France (11%) and Greece (13%).

### 3.2 Changes in the need for external financing

#### 3.2.1 Changes in companies' need for external financing

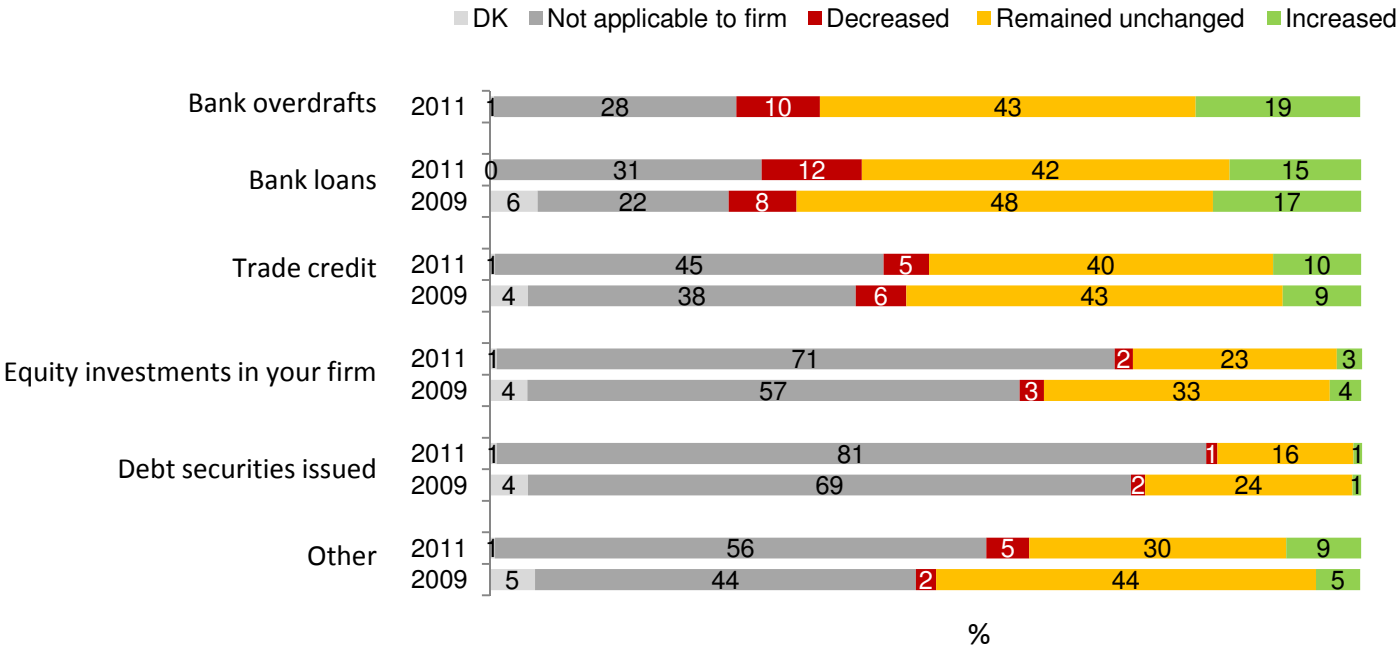
This section describes opinions of EU SME managers on any change in their companies' need for various sources of external financing. Only SMEs who had applied for that type of external finance were asked to evaluate any change in its availability as experienced by their company.

SMEs were most likely to have applied for **bank overdrafts** and/or **bank loans** – only 28% and 31% respectively considered the question to be not applicable to their company's situation – and over half had applied for **trade credit** (45% not applicable). **Equity investments** and **debt securities** were the least sought forms of finance by SMEs and most likely not to apply to the companies (71% and 81% respectively). Nearly half (56% not applicable) had also investigated **other forms of external finance** (such as loans from a related company, shareholders, family, friends, factoring or leasing).

Looking at the overall results across the EU, the balance of opinion was that the SMEs' need for a **bank loan** was slightly more likely to have increased over the previous 6 months (15%) rather than decreased (12%), but the majority viewpoint was that their situation was unchanged (42%).

There was a similar situation regarding SMEs need for bank overdrafts, trade credit and other forms of external finance, with the majority of respondents who expressed an opinion being more likely to say that their level of need for these sources was unchanged. However, among those where it had changed, it was more likely to have increased than decreased (19% and 10% respectively for bank overdrafts).

#### 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-27 SMEs

Compared with 2009 the balance of opinion as to SMEs' needs for **bank loans** was very similar to 2011. In 2009 17% reported that their needs had increased and 8% decreased. By 2011 opinions were a bit more balanced with 15% of SMEs reporting an increased need and 12% a decrease.

There was a similar level of increased need for **trade credit** in 2011 (10%, compared with 9% in 2009). However, fewer SMEs were able to report on their company's need for trade credit in 2011 (45% not applicable, up from 38% in the 2009 survey).

The same was true for **equity investments**. This was not relevant to 57% in 2009, but this had risen to 71% by 2011. Similarly, fewer were able to comment on **other** forms of investment by the 2011 survey, but the level of increased need had risen, up from 5% in 2009 to 9% by 2011. This suggests that by 2011 a small minority of companies had sought other forms of external investment as an alternative to the usual sources, and having done so their need had increased.

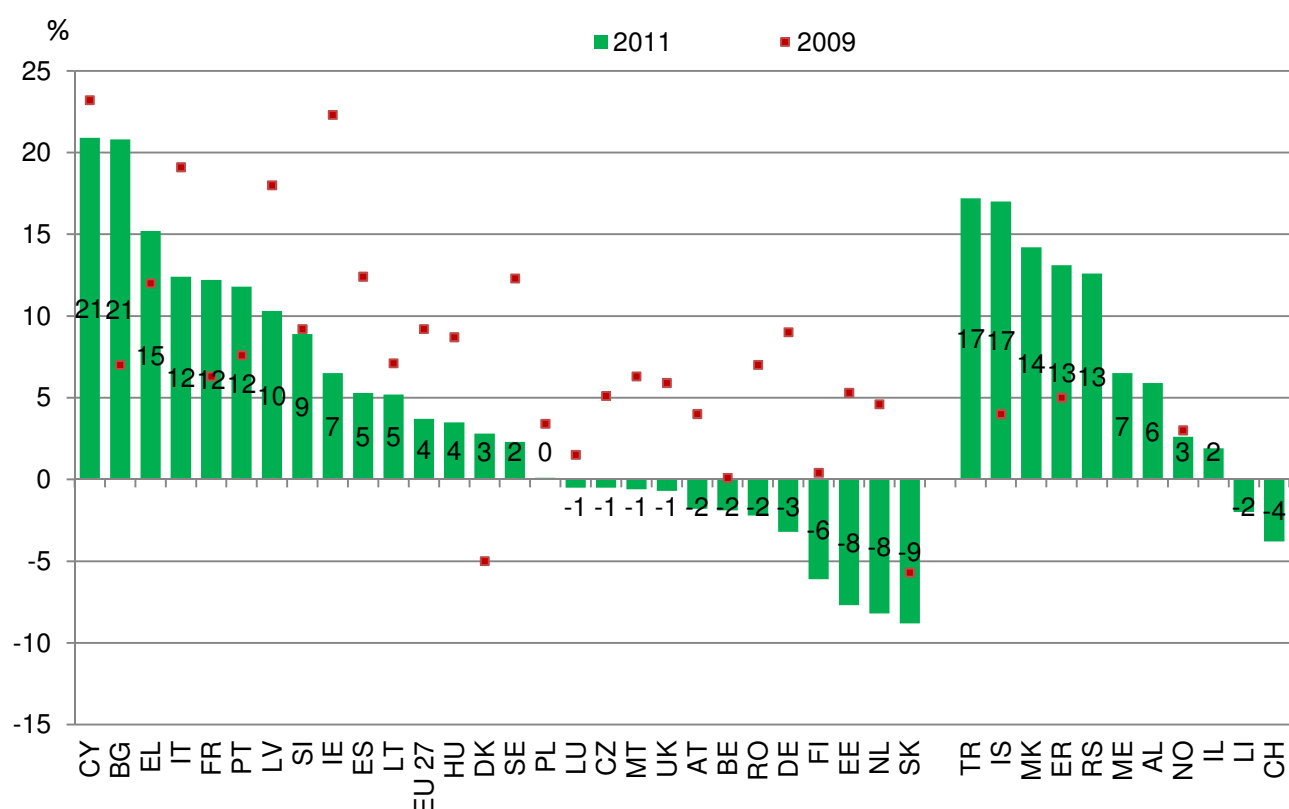
## Country variations

The majority of SMEs in nearly all countries considered the question of **bank loans** as relevant to their company's situation. Only in Estonia could less than half give an opinion (84% saying it was not relevant). The highest levels of increased need were seen in Greece (24%), Cyprus (23%) and France (24%). SMEs in the majority of countries were more likely to have assessed their company's level of need as unchanged rather than up or down.

Only in a few countries did the level of need for bank loans decrease more than it rose. The biggest falls were seen in the Netherlands (21% decreased need), Slovakia (19%), Belgium (16%) and Germany (15%).

The biggest rise in the level of increased need for bank loans since the 2009 survey were seen in Greece (18% in 2009 to 24% in 2011), France (15% to 24%) and Belgium (6% to 14%).

## 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**

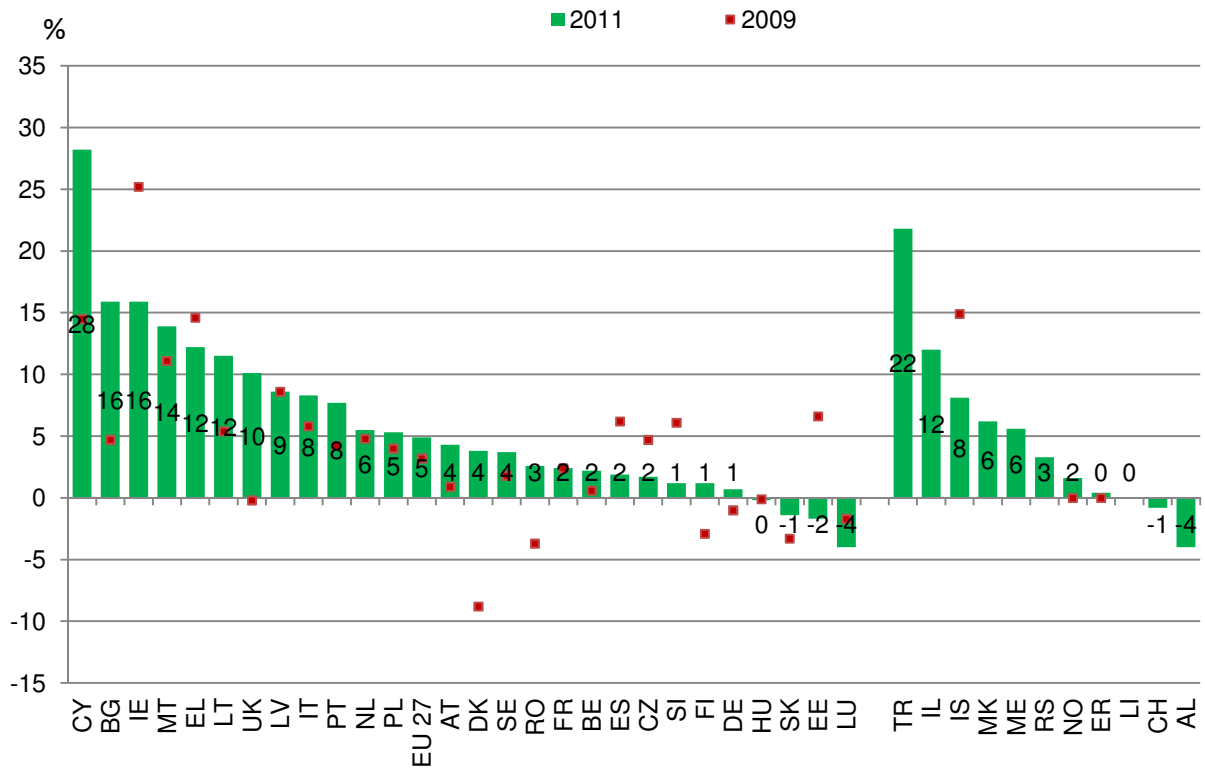
Base: All SMEs, % by country

The greatest levels of increased need for **bank overdrafts** over the past six months were reported from managers in Cyprus (35%), Italy (26%), France (24%) and Ireland (27%). Most of the countries surveyed were also more likely to have seen their need increase rather than decrease. Only a few countries reported that their companies need had decreased more than it had increased. SMEs in Germany most frequently reported a decrease (13%) and among the EU only in Germany and Estonia did SMEs report a net decrease in their needs for bank overdrafts.

In all countries in this study the majority of SMEs who considered the situation relevant to them had seen no change in their company's need for **trade credit from business partners** in the past six months. SMEs in Cyprus were the most likely to report that their company's need for trade credit had increased in the past six months (30%) with Ireland (25%) and Greece (21%) close behind. Very few countries reported their net need for trade credit as having fallen rather than increased, with SMEs in Slovakia (6%) and Romania (10%) being the most likely to report a fall in need for this type of external financing.

Levels of increased need for trade credit rose most between the 2009 and 2011 surveys in Cyprus (21% to 30%), and there were also major increases in the UK (8% to 16%) and Belgium (4% to 10%) from low levels in 2009.

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



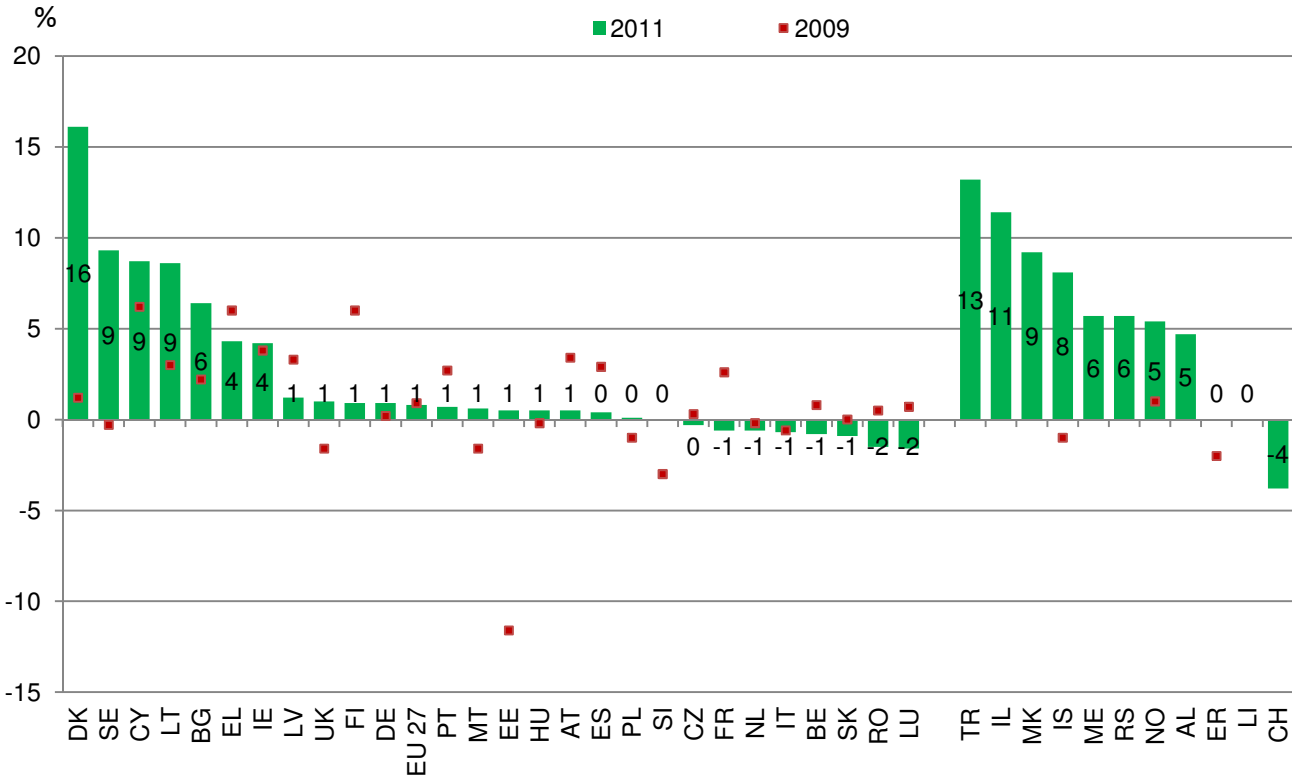
Q5 For each of the following types of external financing, please tell me if your needs increased, remained unchanged or decreased over the past 6 months? – **Trade credit**

Base: All SMEs, % by country

In half the countries surveyed the proportion of SMEs answering the questions about **equity investments** was lower than 29%. The majority of SMEs who gave an opinion reported that the level of need for this type of external financing had not changed over the past six months. The biggest levels of increased need were seen in Sweden (16% reporting an increase) and Denmark (23%) – all countries where the level of SMEs able to give an assessment for this type of finance were unusually high compared to the rest of the countries in the survey.

Since 2009 there was a particularly big increase in levels of increased need in Denmark (from 5% to 23%), Sweden (1% to 16%) and Lithuania (5% to 13%).

**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***

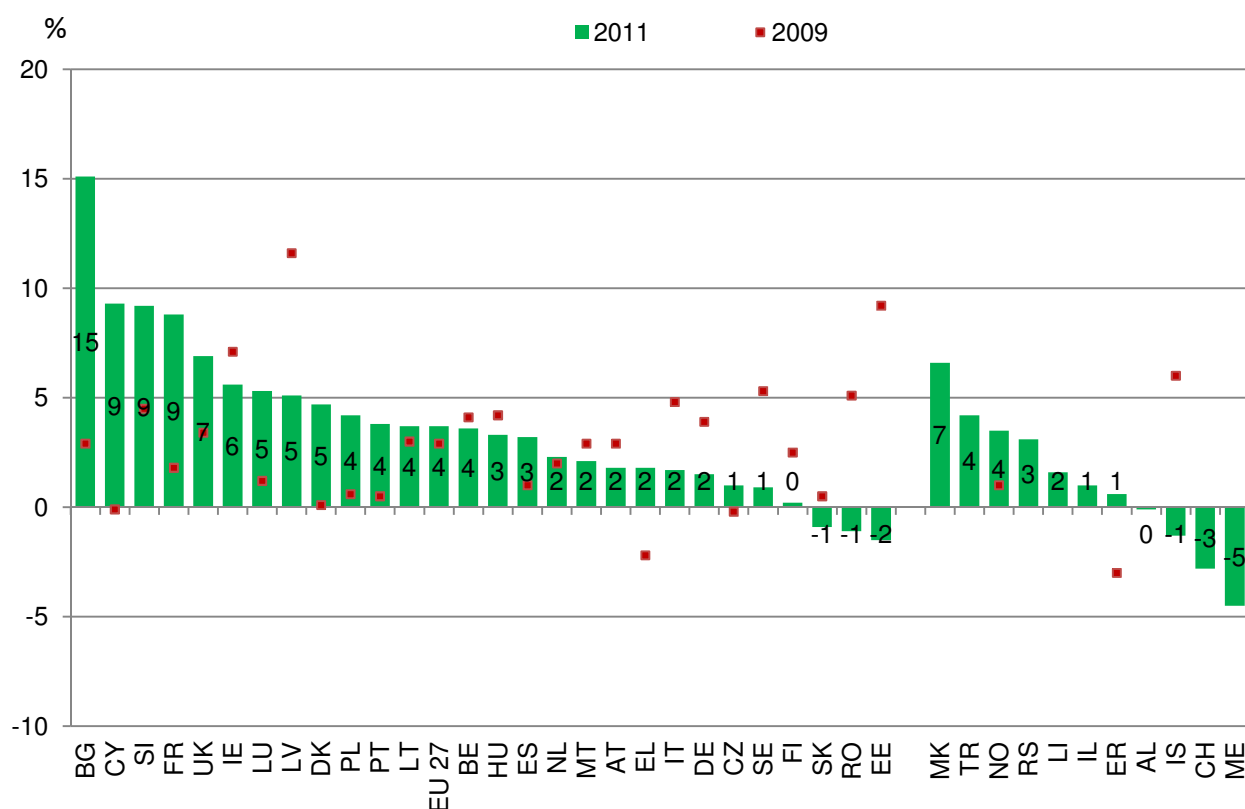
*Base: All SMEs, % by country*

Even fewer SMEs in most countries were able to answer questions about any change in need for **debt securities** and so the results are not shown.

When asked about their company’s need for **other sources of finance** the highest level of managers able to give an opinion on this form of finance were in Bulgaria, Romania and Sweden where fewer than 40% of managers said that this did not apply to their companies. The highest levels of SMEs reporting that their need for other finance had increased were clearly in France (13% increased) and Bulgaria (17%). Among the larger non-EU economies only SMEs in Switzerland were more likely to have reported a fall rather than a rise in their level of need, with 8% saying that their need had decreased.

French SMEs reported low levels of increased need in 2009 (4%) but this had tripled by 2011 (13%). Big rises were also seen for Bulgaria (6% to 17%) and Poland (2% to 9%) from 2009 and levels had about doubled in Spain (5% to 9%) and more than doubled in Portugal (3% to 8%).

## 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

For the most part the need for different types of external financing was also more likely to be described as stable rather than having increased or decreased between different types of SME (e.g. by size, sector, ownership). However, there were a few differences in the extent of changed need between company types.

For example, managers of autonomous SMEs were more likely to have reported their need for **bank overdrafts** to have increased (20%) than for companies which were subsidiaries or parts of enterprises (14%). SMEs owned by venture capital firms were the most likely to have an increased need (25%) compared with 16% of listed SMEs or those owned by other firms (16%).

The need for **bank loans** was slightly more likely to have been not applicable among the largest companies, only 26% of managers of LSEs with 250+ employees compared with 31% among SMEs surveyed. The needs of larger companies were less likely than SMEs to have remained unchanged over the past six months (37% compared with 42% respectively), showing higher levels both for increased and decreased need.

With respect to the need for **trade credit**, larger companies (LSEs with 250+ employees) were more likely to have had a need and the difference was mainly due to a greater level of

increased need (16%) than seen for SMEs (only 10% of whose managers reported an increase).

Service company SMEs were significantly more likely than any other sectors to not answer about trade credit (50% versus 37%-41% for other sectors).

### ***Gazelles & Innovators***

*Gazelles* were more likely to report that their need for a bank overdraft/credit line had increased over the past 6 months than non-gazelles (25% and 19% respectively) but were no more likely to report an increased need for bank loans than non-gazelles (17% increased needs for both types of company).

*Innovator SMEs* were generally more likely than non-innovators to report increased needs for external financing than non-innovators including for bank overdrafts (21% and 16% respectively), bank loans (18% compared with 11%) and trade credit (13% and 7%).

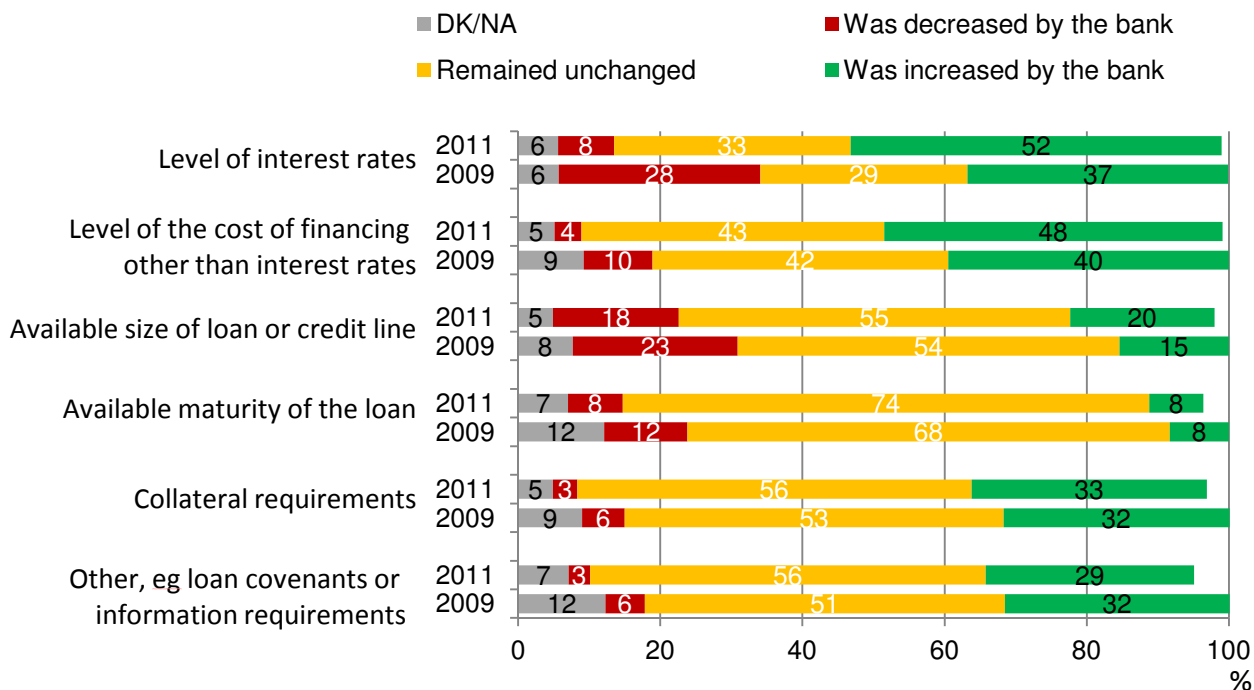
## **3.3 Terms and conditions of bank financing**

Managers of EU SMEs that had applied for a bank loan in the past six months were asked to evaluate how the terms and conditions of that financing might have changed, if at all, over that period.

Just over half (52%) of all SMEs which had applied for a bank loan reported that **interest rates** had been increased by the bank over the last six months. Only 8% reported a reduction in rates, and 33% that there had been no change. Results have changed considerably since 2009. Only 37% of SMEs reported increased rates (over the previous 6 months) in the 2009 survey, 28% reported a reduction, with 29% unchanged.

The **non-interest related costs** (charges, fees, commissions) of financing were also reported to have risen by a substantial minority (48%) with slightly fewer (43%) reporting no change. Only 4% said that these costs had decreased. Results in the 2009 survey were broadly similar (40% increase, 42% no change and 10% decreased).

## Changes in bank financing terms and conditions in past 6 months



Q10 For each of the following items, could you please indicate whether they increased, remained unchanged or were decreased over the past 6 months?

Base: EU-27 SMEs who applied for bank financing

When asked about various **non-price terms and conditions**, the majority of SMEs reported that they had remained unchanged over the past six months, but the proportions did vary by type: 74% for the maturity of the loan, 56% for the collateral requirements, 55% for the available size of loan and 56% for other non-price terms (e.g. loan covenants, required guarantees, information requirements, procedures, time required for loan approval).

Looking at the relative balance between conditions being increased or reduced, in most cases they were more likely to have been increased, For example 33% of SMEs reported that the **collateral requirements** had been increased by their bank compared with only 3% seeing a decrease. These relative levels were very similar in the 2009 survey (32% increased and 6% decreased) indicating no great change over the past two years.

More positively for SMEs, the available **size of loan** was a little more likely to have increased (19%) than been decreased (17%). However, the other conditions attached were also more likely to have grown (29%) than been reduced (3%). Comparisons with the 2009 survey showed that the size of loan was more likely to have decreased over the previous 6 months (23%) than increased (15%) in 2009 whilst the reverse was true in 2011.

Only in the case of the available **maturity of the loan** was the balance of change fairly even, 8% reporting an increase and 8% also reporting a decrease (74% unchanged). There was a small improvement in the available maturity of the loan reported between the 2009 and 2011 surveys. In 2009 12% of managers reported that this had been decreased compared with 8% increased.

## ***Country variations***

Since questions about any recent changes in the terms of various sources of financing were only asked of respondents whose companies had applied for bank loans in the last six months, the sample size per country was relatively small. Results should therefore be treated with caution and regarded as indicative when making country comparisons. The following comments are based on those countries with a sample size of at least 50.

There was considerable variation as regards changes in **interest rates**. The majority of SMEs in Spain (81%), Greece (67%), Ireland (72%) and Italy (75%) reported that rates had increased. The least likely managers to have reported increased rates came from SMEs in Bulgaria (19%), Lithuania (19%) and Romania (13%). Romania was the only EU country whose managers were more likely to report that rates had decreased (30%) rather than risen.

There were particularly large increases in levels reporting increased rates between the 2009 and 2011 surveys in Portugal (43% to 70%), Spain (56% to 81%), Austria (14% to 52%), Italy (28% to 75%), and France (26% to 52%).

Most of the same countries with the highest levels of managers reporting that rates had increased, also had high levels reporting that **other financing costs** (fees, commission, etc) had risen over the previous 6 months – Spain (73%), Portugal (71%) and Italy (63%). Similarly Romania (20%) and Lithuania (14%) were least likely to report increased costs, as they were for interest rates.

Other financing costs have particularly risen from 2009 survey levels in France (from 36% to 51% reporting increases in 2011), Italy (44% to 63%), and Spain (59% to 73%).

**Collateral requirements** were also more likely to have risen in certain countries over the last six months, in particular as reported by SMEs in Ireland (49%) and Greece (50%) compared to the EU average of 33%.

However, the biggest shift from the 2009 survey was seen in Poland, where only 1% reported a recent increase in requirements in 2009 but 26% in 2011.

## ***Company characteristics***

LSEs with at least 250 employees that had applied for a bank loan in the past six months were the most likely to have seen their bank **decrease** the level of interest rates (14%, compared with 8% among SMEs with under 250 employees) and this was also seen for other charges (9% of LSEs reported that these decreased compared with 4% for SMEs). The likelihood of rates decreasing was also greater among bigger SMEs (11% for those with 50+ employees compared with 6% for micros).

The available size of the loan or credit line was also more likely to have been increased among these larger companies (27% of 250+ employees companies compared with 20% reported by managers of SMEs). Larger loans were more likely among larger SMEs and for industrial firms (25% had seen available size increased recently), but least likely for construction firms (16%).

There was little difference relating to employee size on the extent to which collateral requirements had changed. However, SMEs in the construction sector were the most likely to have observed increased collateral requirements from the banks (41%) compared with 29% in the industry sector. The construction sector were also the most likely (37%) to have seen

an increase in other loan requirements (e.g. covenants, required guarantees, information requirements, etc) and industry/trade SMEs the least likely (27%).

The greatly increased likelihood of recently increased interest rates between the 2009 and 2011 surveys was seen in all sizes and sectors of companies.

Other external financing costs had markedly increased among SMEs rather than LSEs from the 2009 to 2011 surveys. In 2009 40% of SME managers reported that these had increased. By 2011 this was 48% for SMEs, whereas for LSEs it has fallen (47% increased in 2009 down to 39% in 2011).

### ***Gazelles & Innovators***

*Gazelles* across the EU were less likely to report that interest rates on bank loans they had applied for had increased in the last 6 months (34%) than non-gazelles (55%). However, no such difference was seen comparing *innovator* SMEs and non-innovators – 52% of both groups saw increased rates when they had applied.

# 4. Outlook for the future

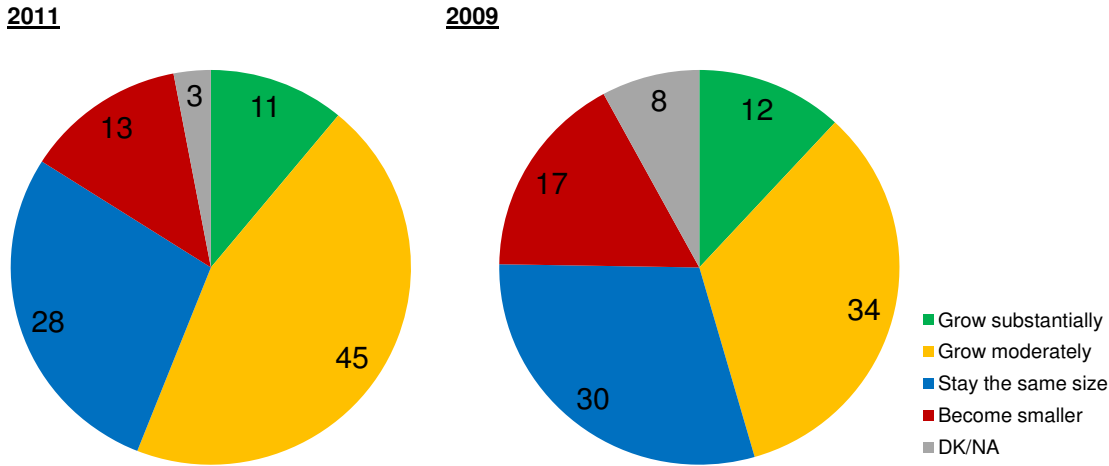
This chapter explores SMEs' expectations for the future. First, the chapter focuses on SMEs' projections for their annual turnover in the next few years. Second, the chapter examines how confident SMEs are in being able to acquire future financing from banks and equity investors. The third and fourth 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

Across SMEs in the EU more than half expected their company's turnover to grow over the next two to three years (56%). Around one in nine expected an annual growth rate of over 20% (11%) while 45% expected moderate growth of up to 20% per year. Around three in ten thought that their company will remain the same size (28%) and 13% expected their company to shrink.

SMEs were generally more positive in 2011 than they were in 2009. The proportion who expected their company to grow over the next two to three years rose from 46% to 56%, although this was mainly driven by those expecting moderate growth (those saying they expected their turnover to rise by up to 20% per year rose from 34% to 45%). The proportion saying that they expected growth of over 20% remained stable, falling one percentage point from 12% to 11% (although this is not statistically significant).

### 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, % EU27

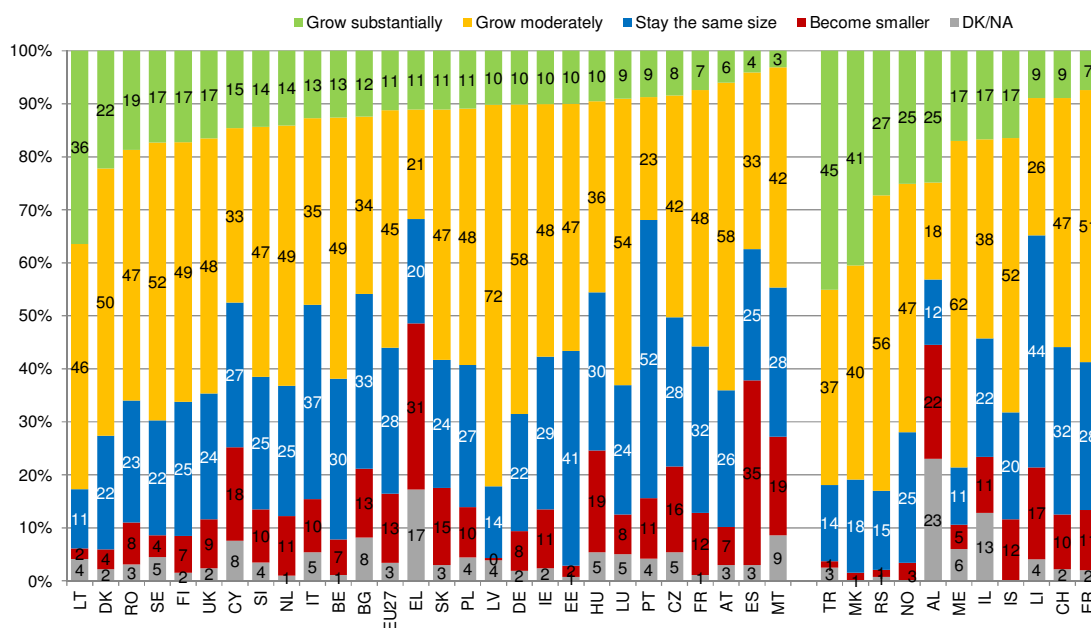
## Country variations

The proportion of SMEs who expected their turnover to increase in the next two to three years ranged from 32% in both Portugal and Greece to 82% in both Latvia and Lithuania. Managers in Lithuania were by a distance the most positive about their prospects with 36% saying they expected substantial growth (over 20% per year). Outside the EU, SMEs in Turkey were the most positive with 45% expecting substantial growth. This represented a change from 2009 when managers in Latvia were the most pessimistic about their turnover.

There has been a dramatic fall in confidence in Greece. In 2009 Greek SMEs were the most positive about the potential for substantial growth, but this proportion has fallen from 29% to 11%. There have been significant increases in the proportion who expect growth in Germany, Denmark and the Czech Republic.

Indeed, managers in Greece and Spain were the most pessimistic about potential growth. Thirty-one per cent of managers in Greece and 35% in Spain expected their company to become smaller over the next two to three years.

## Expected growth in turnover over the next 2-3 years

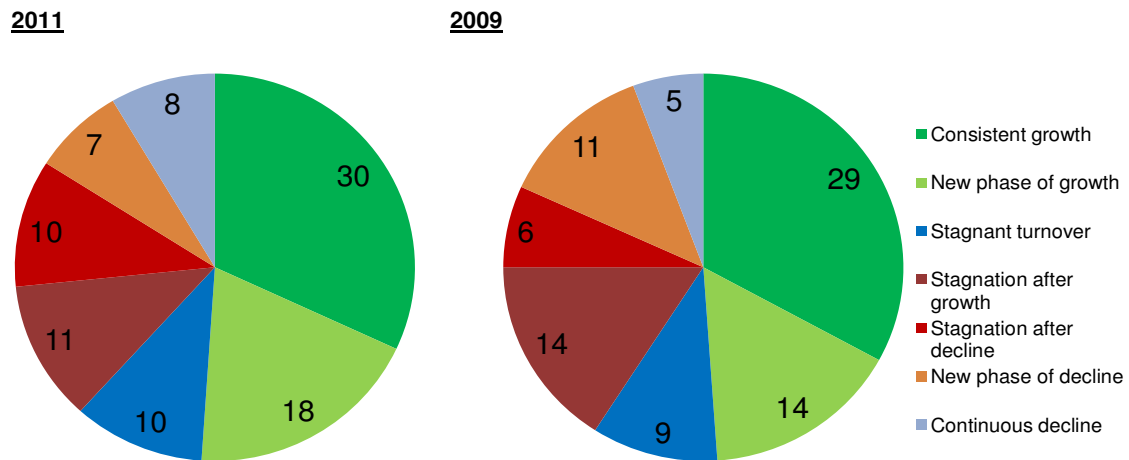


Q17. Considering the turnover of the next two to three years, how much does your company expect to grow?  
Base: All SMEs, % by country

## Past and expected growth

If we combine the answers to the question about the recent trend and the one about projections for the coming years, we find that three in ten SMEs reported a consistent growth (30%). In addition, 18% 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, %EU27

Seven per cent anticipated that their company will experience a decline over the next few years, despite growing in the previous three years and a further 8% expected the decline of the previous period to continue in the future.

One in ten felt that having been in decline their turnover will stabilise, if not grow over the next few years (10%) and one in nine said that they expect the company to remain the same size despite recent growth (11%).

Overall, this represents a slight improvement on the first wave of this study when 43% reported that they expected growth compared to 48% in 2011.

### Company characteristics

Managers of LSEs were significantly more likely to say that they expected their firm to grow over the next three years than managers of SMEs (74% compared to 56%). Further, within SMEs, it was the larger firms that were more likely to say that they expect to grow. For instance, 67% of managers from companies with 50-249 employees said that they expected their company to grow compared to 48% of those from micro companies (those with fewer than 10 employees).

However, the proportion of managers projecting substantial growth (that is, more than 20% per annum over the next three years) does not appear to be influenced by the size of the company, remaining between 11% and 13% for all company sizes.

Managers from SMEs were more likely than their counterparts in LSEs to say that they expected no growth over the next few years (28% compared to 18%) and it is the smallest

firms (those with fewer than 10 employees) that were the most likely to predict stagnant growth (31%). Similarly, those from SMEs were more likely than those from LSEs to say that they expected their company to decrease in size over the next three years (13% compared to 6%).

There was some variation in growth projections depending on the sector in which the SME operates. For instance, 63% of managers from industry expected growth compared to 45% of managers from construction. One in five of those from the construction industry expected their company to decrease in size over the next few years (21%).

Younger SMEs were more optimistic than those which are more established. Seven in ten managers from companies that have been active for less than two years expected growth (71%) compared to 54% of those active for more than 10 years. This difference is even more pronounced when considering substantial growth. A quarter of those from firms active less than two years said that they anticipate growth of more than 20% a year over the next few years (24%) compared to one in eleven managers in firms that have been in business for more than a decade (9%).

SMEs owned by venture capitalists and those listed on the stock exchange were the most positive about their future growth prospects (73% and 65% respectively expect growth) and those owned by families/entrepreneurs or individual females the least (54% and 55% respectively). Similarly, SMEs that are owned by enterprises were more likely to say that they expected to grow over the next few years than those under autonomous ownership (63% compared to 55%).

### ***Gazelles and Innovators***

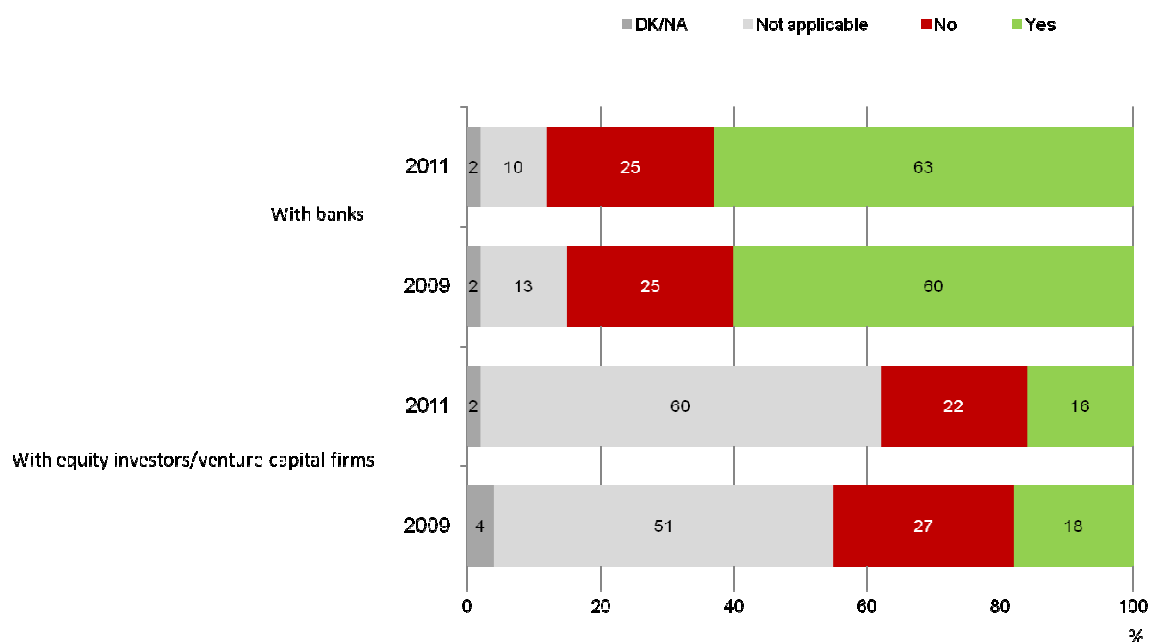
*Gazelles* were clearly more likely than other businesses to predict increased turnover (81% compared with 55%) and substantial growth too (50% compared with 10% from non-gazelles). Innovator SMEs were also generally more positive though not to such a great degree (63% expecting to grow rather than 47% of non-innovators).

## **4.2 Confidence in being able to get future financing**

Nearly two-thirds of SMEs in the EU said that they felt confident that they would be able to obtain the desired result after talking to banks about financing (63%) compared to a quarter who said they would not feel confident (25%). These findings are similar to 2009 when 60% said they were confident and 25% said they were not confident. Around one in ten managers said that this was not relevant to their firm, the same as in 2009 (10% and 13% respectively).

Fewer than half of SME managers felt they could answer about their confidence in talking about finance with equity investors and venture capital firms, with 60% saying it was not relevant to their situation and a further two per cent saying they did not know – an increase on 2009 when 51% said it was not relevant to them. Among those who did answer, opinion was split. In total, 16% said they were confident that should they talk about financing with equity investors or venture capitalists they would obtain the desired result compared to 22% who were not confident. This is similar to 2009 when 18% felt confident and 27% did not.

## 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, %EU27*

### Country variations

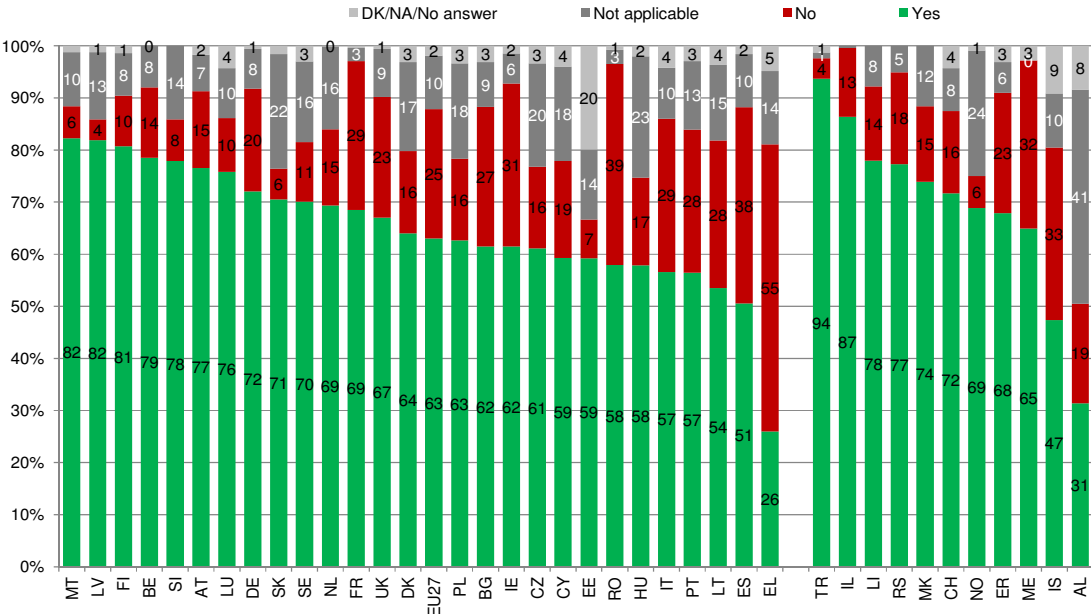
#### Confidence in talking about financing with banks

More than four in five SMEs in Malta (82%), Latvia (82%) and Finland (81%) said that they have confidence when talking about financing with banks, making them the most positive. SMEs in Greece were the least confident, with more than half saying that they were not confident about obtaining the desired result when they talk to banks about financing (55%). Two in five SMEs in Romania (39%) and Spain (38%) also said they were not confident.

Indeed, confidence in Greece has fallen from 66% in 2009 to 26% in 2011. Among countries not in the EU, confidence was highest in Turkey (94%).

However, a large number of managers in some countries felt they were unable to answer this question. Managers in Estonia (34%), Cyprus (24%), Hungary (23%) and the Czech Republic (23%) most frequently said that the question about confidence to talk about financing with banks was not relevant to their company's situation or that they did not know..

**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**

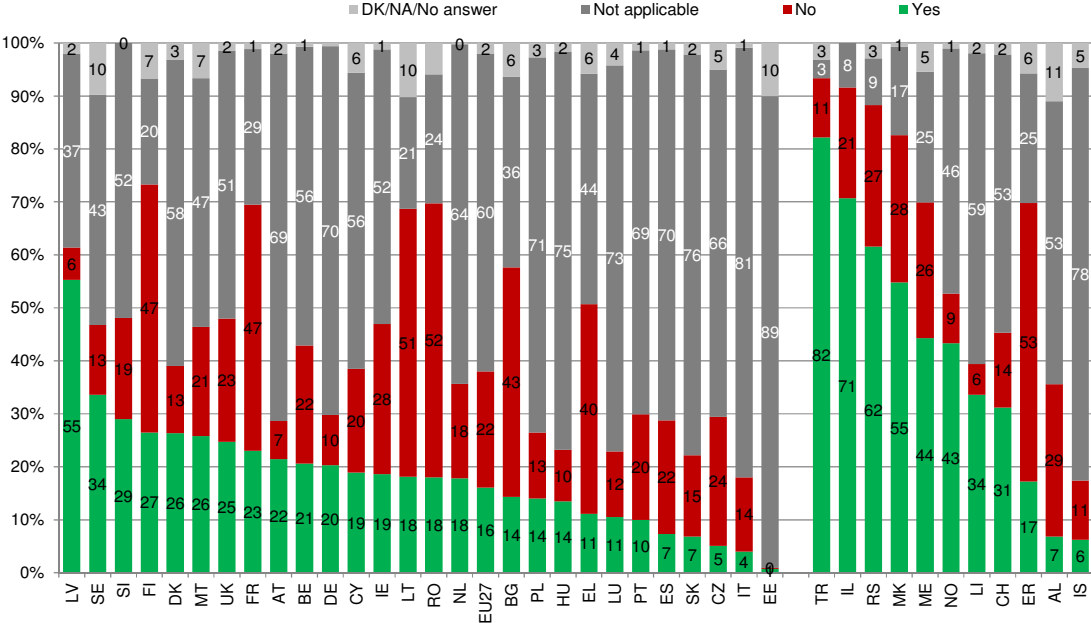
Within the EU, SMEs in Latvia were by some distance the most likely to say that they were confident to talk about financing with equity investors or venture capital firms (55%), although outside of the EU confidence was higher in SMEs in Turkey (82%). A third of SMEs from Sweden (34%) also expressed confidence in talking to equity investors or venture capital firms.

Managers from Romania (52%), Lithuania (51%), France and Finland (both 47%) were the most likely to say that they were not confident in being able to obtain the desired result from discussions with equity investors or venture capital firms.

Between 2009 and 2011, there has been a significant rise in the proportion of managers who are confident to talk about financing with equity investors and venture capital firms in France (17% to 23%), Germany (11% to 20%) and Latvia (11% to 55%). In Greece, the proportion that said they are not confident doubled from 20% to 40%.

A large proportion of managers were unable to express an opinion on their confidence to talk to equity investors or venture capital firms, although there was some variation. The proportion of managers saying that the question did not apply to them ranged from 20% in Finland and 21% in Lithuania to 81% in Italy and 89% in Estonia.

# 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

Across all types of companies, confidence in being able to obtain the desired result after talking to **banks** about financing ranged roughly from half to three quarters.

Confidence to talk about future financing with banks was highest among managers of companies:

- With 250 employees or more (76% were confident, compared to 63% among SMEs)
- Among SMEs in the industry sector (68% were confident, compared to 59% in the construction sector)
- SMEs with a turnover of between €10 million and €50 million (76%, compared to 58% of those with a turnover of below €2 million)
- SMEs owned by venture capital firms or businesses (72%).

Compared with the results from 2009 there has been a rise in confidence among SMEs in the services sector from 59% to 62%. There also appears to have been a rise in confidence among older SMEs.

Confidence to talk to **equity investors or venture capital firms** about future developments was also highest among managers of companies with at least 250 employees (27%). As

would be expected, managers of SMEs owned by venture capital firms or business were the most positive (42%).

This reflects the same pattern shown in 2009, but overall there has been a fall in confidence in both LSEs (from 34% to 27%) and SMEs (from 18% to 16%).

**Gazelles and Innovators**

Gazelles and innovator SMEs were only slightly more confident about talking to banks despite their greater confidence that their revenue will grow (65% of gazelles were confident compared to 63% of non-gazelles, and 64% of innovators compared with 61% of non-innovators).

Gazelles were a little more likely to be confident to talk to equity investors (24%) than other firms (16%).

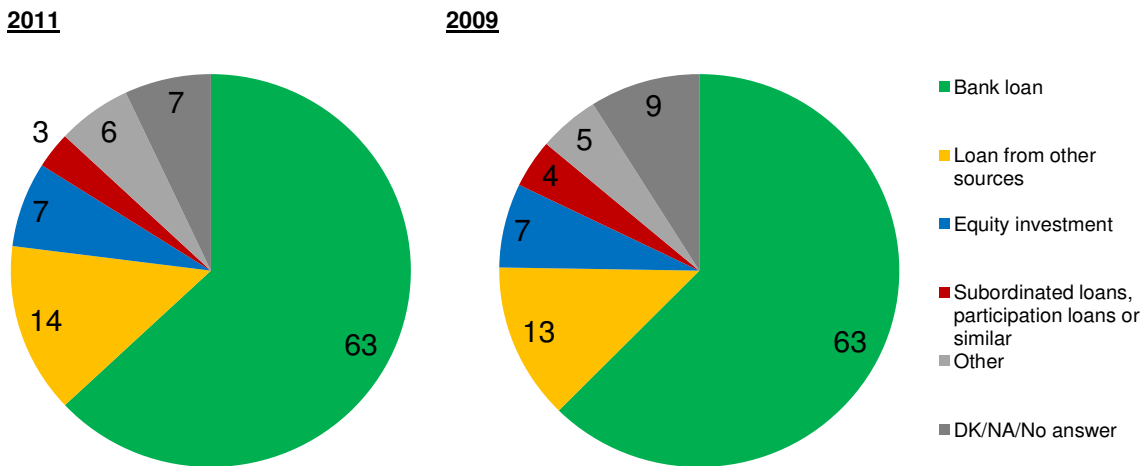
**4.3 External financing in the future**

**4.3.1 Preferred type of financing for future development**

Among SMEs who expected their company to grow in the coming years, 63% said that bank loans were their preferred type of external financing, making it by some distance the most favoured form of financing. Other types of loans, such as trade credit or a loan from a related company, shareholders or public sources, were favoured by 14% of managers. Just 7% said they favoured equity investment.

This reflects the pattern seen in 2009 and there have been few changes in the proportions.

**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-27

## Country variations

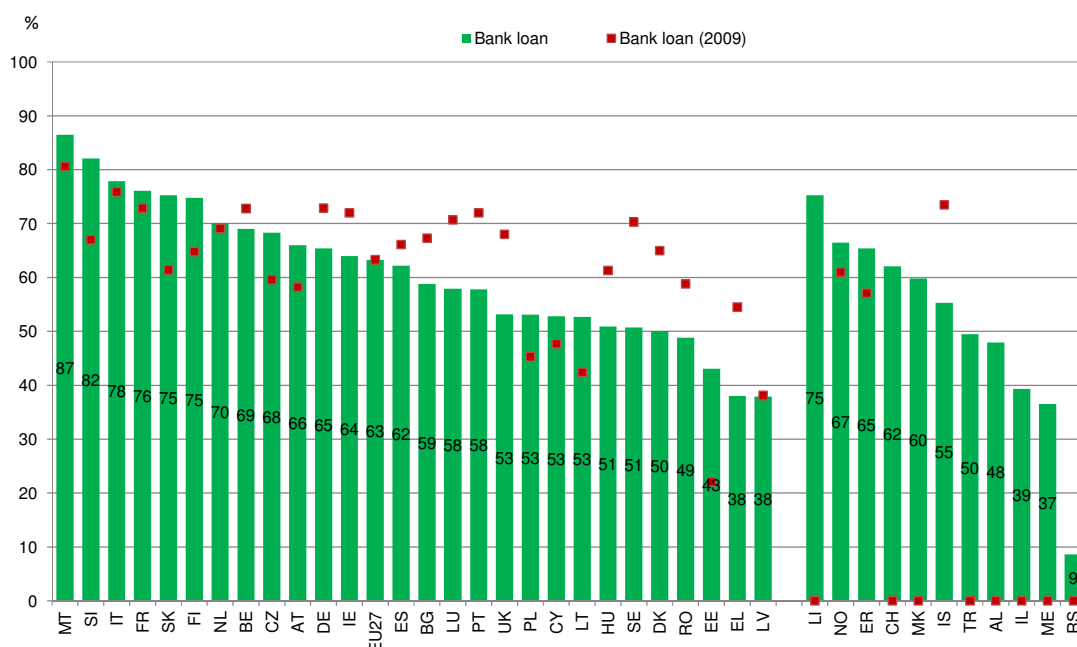
Bank loans were the preferred form of financing growth ambitions in all countries surveyed. The preference for bank loans was highest in Malta (87%) and Slovenia (82%) and lowest in Greece and Latvia (both 38%), although some caution needs to be taken when interpreting these results given the relatively low number of SMEs answering the question in these countries.

Preference for loans from other sources was highest in the Czech Republic and Hungary where around two in five SMEs said that was their favoured funding mechanism.

The proportion of SMEs favouring equity investment was generally low among all countries, but was notably higher in Sweden (31%) and Latvia (28%).

Given the relatively small base sizes, none of the changes between 2009 and 2011 can be considered statistically significant, other than in Sweden and the UK where there has been a significant fall in the proportion of SMEs who prefer bank loans.

## 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 all types of SME, bank loans were the preferred type of external financing to fund growth ambitions, with typically between six and seven out of ten managers nominating it as their favoured route.

However, there is some variation by company type. Managers of SMEs were more likely to say that bank loans were their favoured form of funding than managers from LSEs (63%)

compared to 57%). SMEs owned by venture capital firms were the most likely to say that they prefer equity investment (20%).

**Gazelles and Innovators**

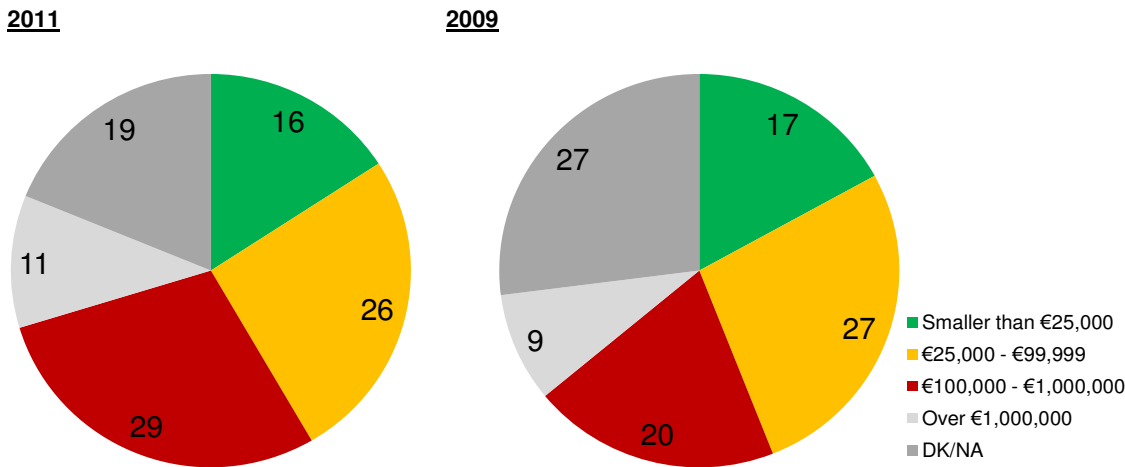
Although bank loans were still clearly the preferred route, *gazelles* and *innovator SMEs* were a little more likely than other companies to prefer equity investment and other sources, e.g. 19% of gazelles preferred other sources compared with 14% among non-gazelles.

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

There is significant variation in the amount of financing that SMEs would aim to obtain to realise their growth ambitions. A relative majority – three in ten – said that they would aim for financing of between €100,000 and €1 million (29%). A quarter (26%) said they would like between €25,000 and €99,999 and 16% would aim for below €25,000. One in nine (11%) SMEs would aim for financing of over €1 million.

The amount of funding that SMEs are seeking to achieve has not changed much since 2009.

**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-27

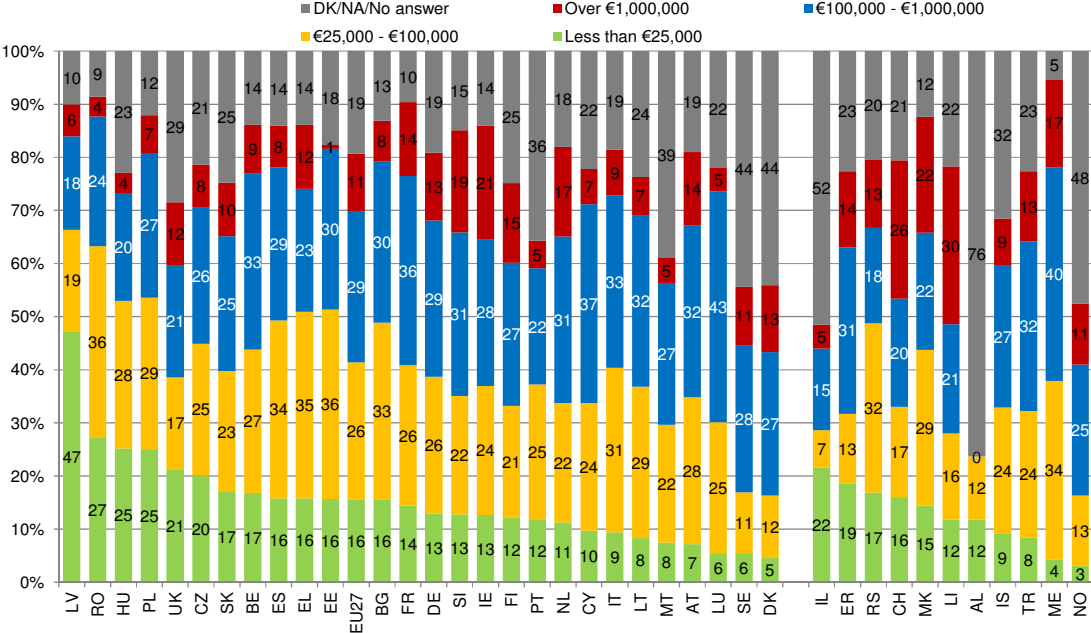
**Country variations**

In some countries a relatively large proportion of managers could not – or would not – say what amount of financing they would aim to obtain in order to realise their growth ambitions. In particular, respondents in Denmark and Sweden were the most likely to give a ‘don’t know’ or ‘no’ answer response (both 44%).

Among those who were willing and able to give a response, the amount of financing that managers were aiming to obtain varied quite dramatically by country. One in five SMEs in Ireland and Slovenia said they would aim to obtain more than €1 million (21% and 19% respectively). SMEs in Latvia (66%) and Romania (63%) were the most likely to say that they would look to obtain up to €100,000.

The proportion of managers seeking more than €1 million has risen significantly in France (5% to 14%) and Italy (1% to 9%).

**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 that SMEs wish to obtain does not vary greatly depending on their preferred type of financing. However, those who prefer equity investment tend to be more likely to be aiming for a larger figure (52% would aim to achieve over €100,000, compared to 41% of those who prefer a bank loan and 39% of those who prefer another type of loan.

There has been little change in the amount and preferred type of financing SMEs are hoping to achieve between 2009 and 2011.

<b>Amount of financing aiming to obtain</b>					
	<b>Less than €25,000</b>	<b>€25,000 - €100,000</b>	<b>€100,000 - €1,000,000</b>	<b>Over €1,000,000</b>	<b>DK/NA</b>
<b>EU</b>	16%	26%	29%	11%	19%
<b>PREFERRED TYPE OF FINANCING%</b>					
<b>Bank loan</b>	15%	28%	30%	11%	16%
<b>Loan from other sources</b>	20%	29%	29%	10%	13%
<b>Equity investment</b>	13%	18%	32%	20%	16%
<b>Subordinated loans etc.</b>	17%	25%	32%	18%	8%
<b>Other</b>	20%	22%	26%	8%	23%

*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 % EU27*

### **Company characteristics**

The amount of financing that managers hope to secure is closely related to the size of the company. Managers of LSEs were significantly more likely than managers of SMEs to say that they are hoping for more than €1,000,000 (59% compared to 11%).

Long-standing companies also tended to be looking for a larger loan. Thirteen per cent of SMEs that have been active for more than a decade would aim to achieve financing of over €1,000,000 compared to 4% of SMEs active for less than two years.

### **4.3.3 Obstacles to getting external financing**

SME managers who would prefer a loan from a bank or another source to realise their growth ambitions were asked if there would be any limiting factors that might stop them receiving such financing. Of these SMEs, a third said that there would be no obstacles (35%).

One in five SMEs said that insufficient collateral (or guarantee) would be the main limiting factor stopping them receiving financing (22%) and a similar proportion said that interest rates and a price that could be seen as being too high would limit their ability to attract financing (20%). The proportion citing interest rates as an obstacle has fallen slightly from 24% in 2009 to 20% in 2011.

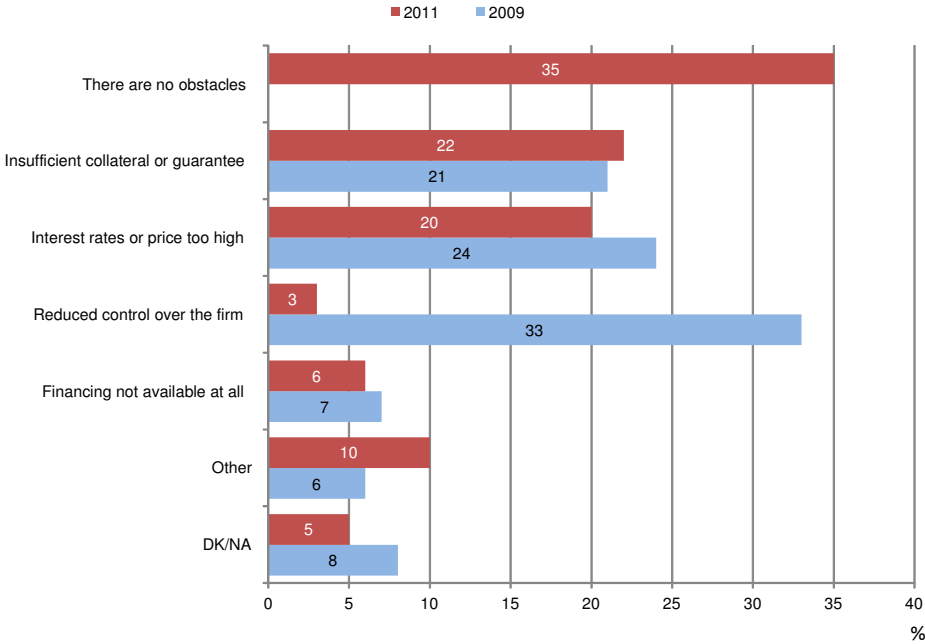
A small proportion of managers with ambitions for growth saw reduced control over their firm as the main obstacle in obtaining the required funding (3%) which is a dramatic fall from 2009 (33%). Around one in twenty said that funding was simply not available (6%). One in ten mentioned other obstacles (10%).

SME managers who would prefer equity investment or ‘mezzanine’ financing to achieve their anticipated growth highlighted interest rates or the price being too high as the main limiting factor in getting such finance (27%). This was also the most commonly cited obstacle in 2009, but the proportion saying it is an issue has fallen from 34% to 27%.

One in five said that they feared they would have reduced control of their firm (19%) and a similar proportion (6%) said that finance was not available (21%), which is significantly higher than the corresponding proportion of those preferring loans (6%).

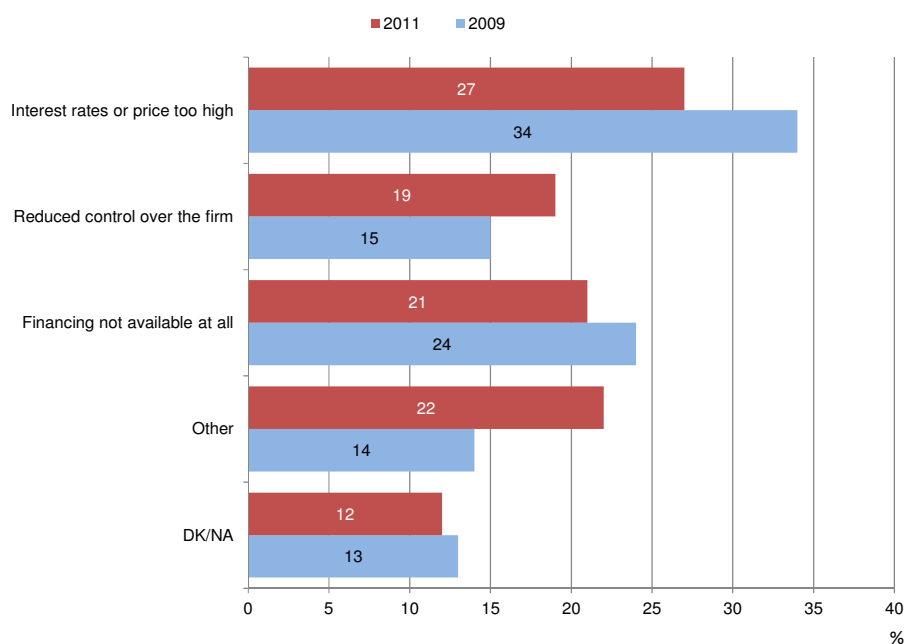
**Most important limiting factor to get external financing to realise growth ambitions**

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-27

## 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-27*

### 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.

The following chart shows the limiting factors for those who would prefer to realise their growth ambitions by securing financing from a loan, for those countries with a sample size of larger than 50.

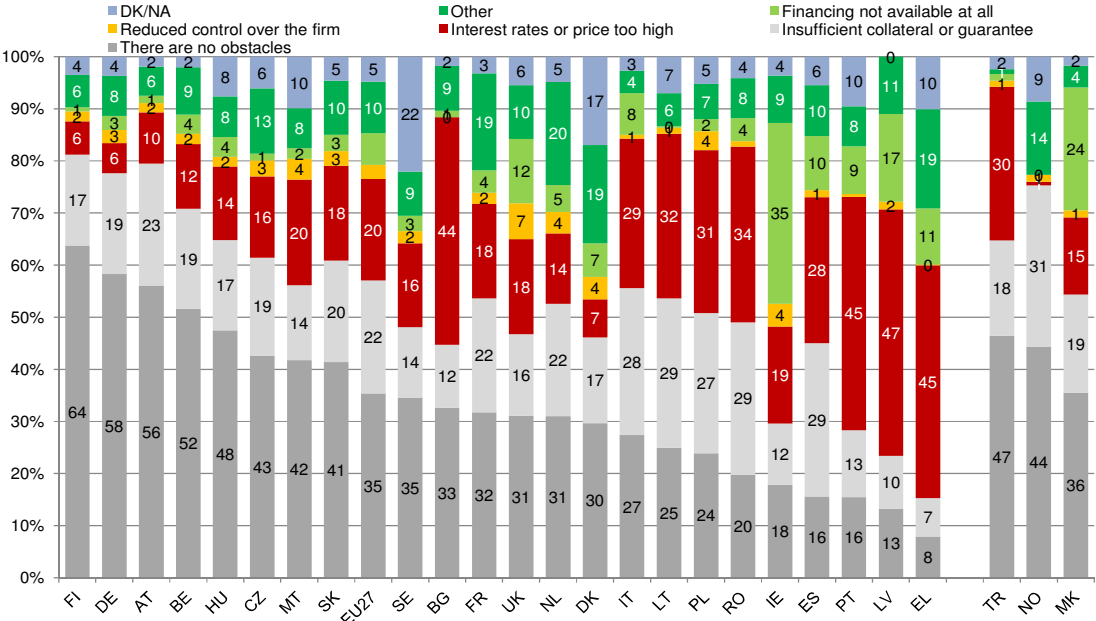
SMEs in Finland, Germany and Austria were the most likely to say that there were no obstacles to getting a bank loan or loan from other sources (56%-64%).

Around three in ten SMEs in Italy, Lithuania, Poland, Romania, and Spain said insufficient collateral (or guarantee) was the most important factor limiting their ability to get a bank or other type of loan.

Interest rates or too high a price was a particular issue for managers in Greece (45% said this was the main factor limiting their ability to get a bank loan or other type of loan), Latvia (47%), Portugal (45%) and Bulgaria (44%).

Managers in Ireland were by a large distance the most likely to say that funding of this type was simply not available (35% compared to 6% overall).

### 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, % EU27  
 Only countries with n>50 are shown

Among those who would prefer to realise their growth ambitions by securing equity investments or ‘mezzanine’ financing, managers in France were the most concerned about reduced control over the firm (28% compared to 19% overall).

Given the small base sizes, changes between 2009 and 2011 cannot be claimed to be statistically significant.

#### Company characteristics

Managers in larger firms were more likely to say that there were no obstacles to getting the loan they need to realise their growth ambitions. For example, 45% of managers from companies with more than 250 employees said there were no obstacles compared to 35% of managers from SMEs.

Managers from more established SMEs were also more confident that there would be no obstacles to their getting a bank or other type of loan. Two in five managers from SMEs that have been active for 10 years or more said there would be no obstacles (38%) compared to a quarter of those from SMEs that have been active for less than two years (26%). Indeed, managers from younger and smaller companies tended to be more likely to say that there is insufficient collateral or guarantee.

## ***Gazelles and Innovators***

*Gazelles* were more likely than other companies to be concerned that insufficient collateral could be an obstacle (30% saw it as a limiting factor compared to 21% of non-gazelles) but slightly less worried about interest rates. They were less likely to think that there would be no obstacle (29% compared with 36%). *Innovators* though had a similar balance of opinions to non-innovators about potential obstacles.

However, among managers who hope to finance growth through equity investments or 'mezzanine' financing those from larger firms are more likely to say that interest rates are a limiting factor in their getting such finance. For instance, 33% of managers from companies with more than 250 employees said that interest rates limit the funding they can receive compared to 27% of those from SMEs.

## **4.4 Expected availability of internal funds and external financing**

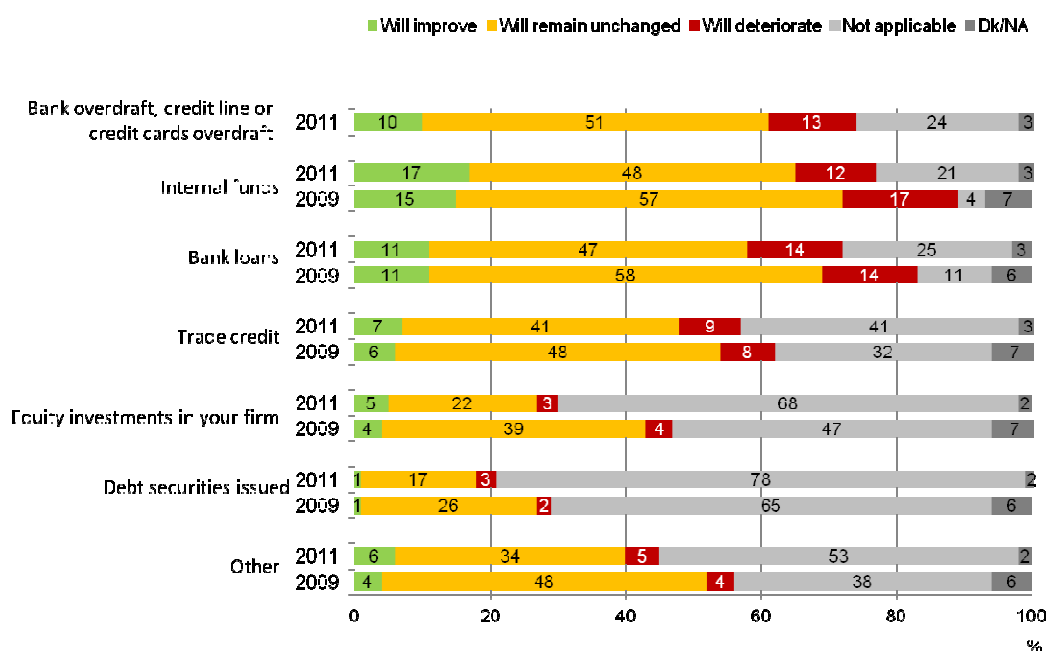
When asked about their company's prospects for acquisition of internal funds, half of SMEs said that they expect its availability will remain unchanged in the next six months (48%). Nearly one in five said that they expected their company's prospects for internal funds to improve in the next six months (17%) and 12% thought it will deteriorate. On balance, therefore, the net improved score (those who think it will improve minus those who think it will deteriorate) was +5%, which represents an improvement on 2009 (when it was -2%).

SMEs were slightly more pessimistic about the availability of bank overdraft, credit line or credit cards overdraft in the next six months. While most thought it would not change (51%), slightly more thought it would deteriorate (13%) than thought it would improve (10%).

Similarly, around half thought that there would be no change in the availability of bank loans in the next six months (47%), but 14% thought their availability would deteriorate compared to 11% who thought it would improve. There has been little change in the views of the availability of bank loans since 2009.

A large proportion of SMEs across the EU said that the question about equity investments, debt securities and other sources of financing were not relevant to their company's situation. Among those who did answer, most tended to say that their availability will not change and the proportion who think it will deteriorate or increase was generally fairly even.

## 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-27

### Country variations

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

#### Expected availability of internal funds

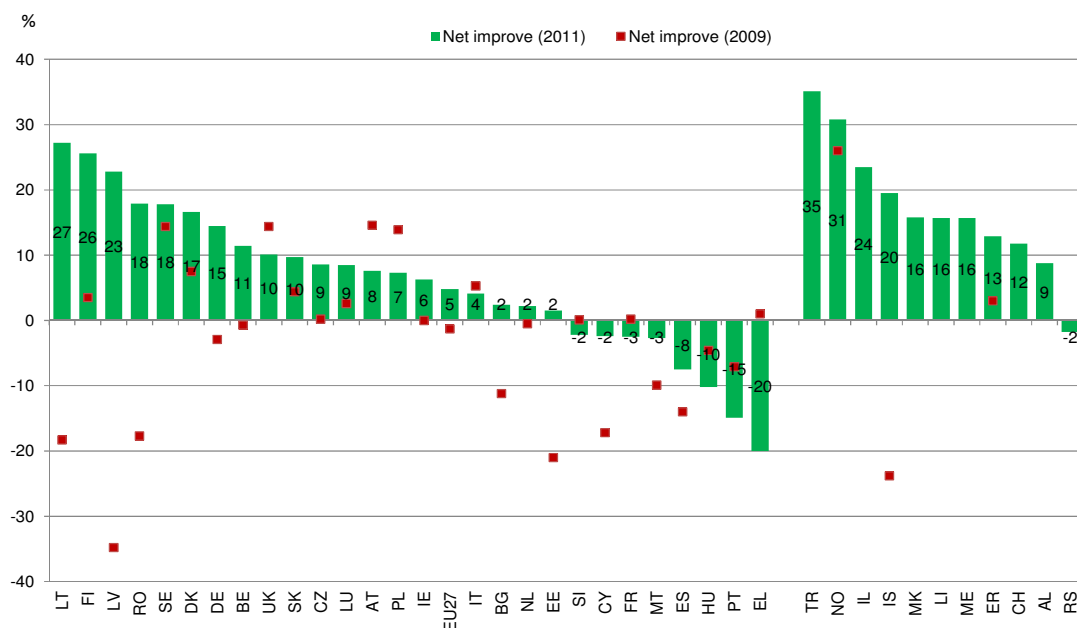
SMEs in Greece were the most negative about the future availability of internal funds over the next six months. On balance, Greece had a net improve score of -20% compared to an average across the EU of +5%.

Managers in Latvia and Finland were the most likely to say that it would become easier for their company to acquire internal funds in the next six months with a net improve score of over +25%.

In most countries around half of managers expect no change in the availability of internal funds over the next six months, with managers in France the most likely to anticipate no change (59%).

Optimism has risen dramatically in Lithuania (the net improvement score has gone from -18% to +27%), Latvia (-35% to +23%) and Romania (-18% to +18%). Optimism has also risen significantly in Belgium (-1% to +11%), the Czech Republic (0% to +9%), Denmark (+8% to +17%), Germany (-3% to +15%) and Ireland (0% to +6%).

## 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

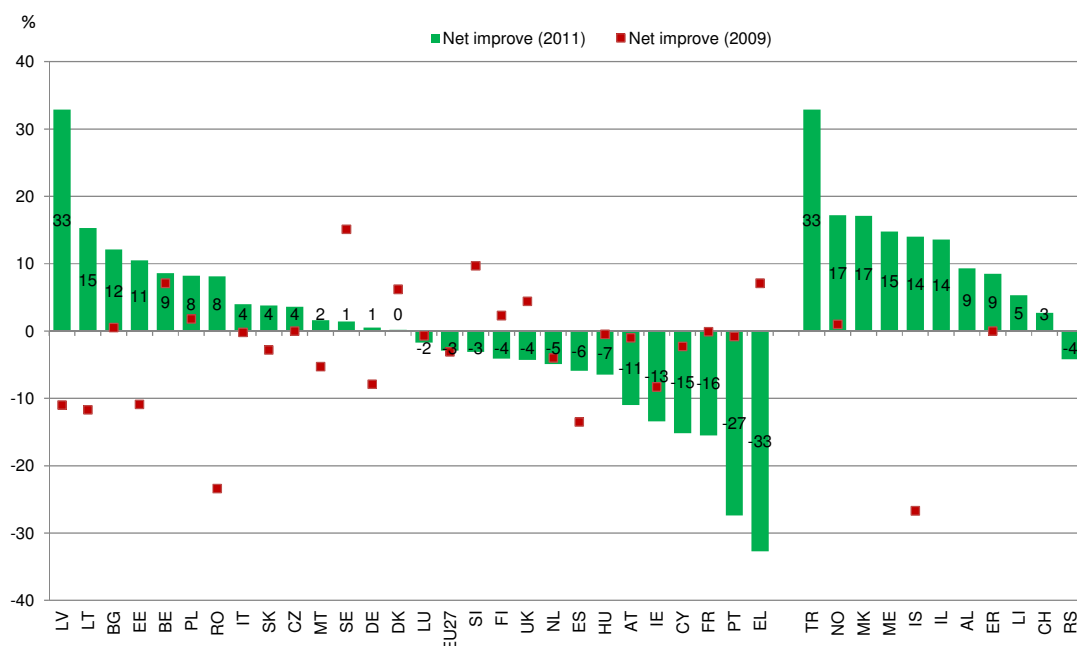
Managers in Greece and Portugal were the most pessimistic about the availability of bank loans in the next six months (with net improve scores of -33% and -27% respectively). Pessimism is also high in France (-16%).

Managers in Latvia were the most positive with a third saying that they expected the availability of bank loans to improve in the next six months (33%), compared to an EU average of 11%, and none saying they expect the availability of loans to deteriorate, giving it a net score of +33%.

There has been a significant fall in positive sentiment about the availability of bank loans in Denmark, Slovenia and Sweden and a significant rise in positive opinions in Bulgaria, Czech Republic, Italy, Latvia, Lithuania, Slovakia and Poland.

However, as in 2009 the dominant view within each country was that the willingness of banks to provide financing would remain the same in the next six months.

## 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

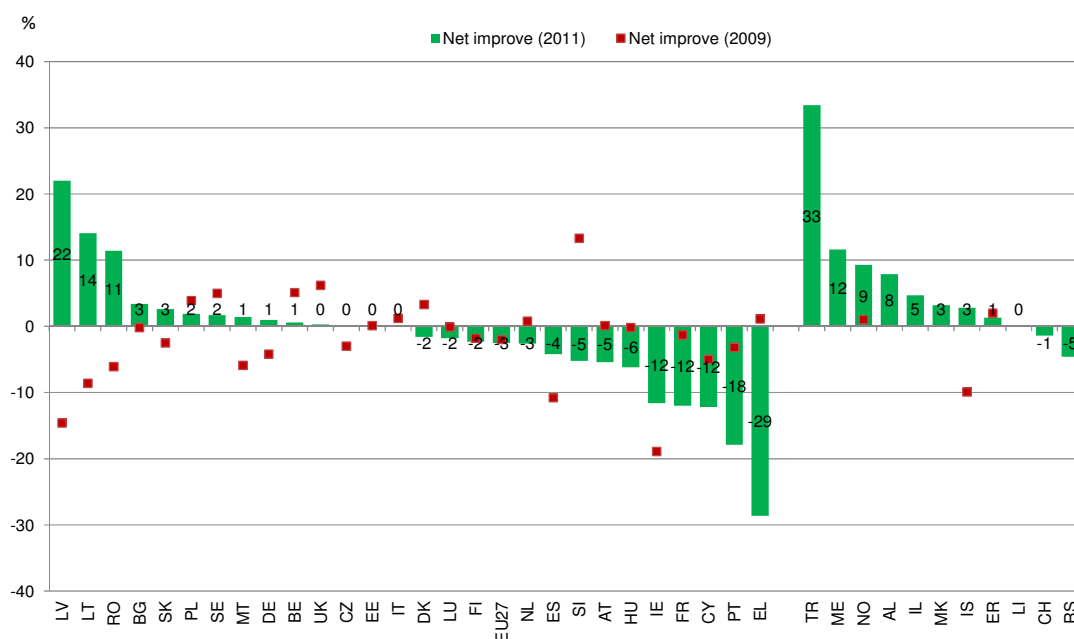
A relative majority of SMEs in every country said that they expected the availability of trade credit to remain unchanged in the next six months. SMEs in Finland (68%), Romania (58%) and the UK (53%) and Ireland (55%) were the most likely to think that the willingness of business partners to provide trade credit would remain the same in the next six months.

SMEs in Latvia (net score of +22%), Lithuania (+14%) and Romania (+11%) were the most positive, but small base sizes mean that this finding should be treated with some care.

SMEs in Greece and Portugal were again the most negative about the future availability of trade credit (-29% and -18% respectively), but managers in Cyprus, Ireland and France (-12%) were also more negative than most.

Bulgaria, Lithuania, Romania and Slovakia all saw significant rises in the proportion of SMEs saying they are positive about the availability of trade credit between 2009 and 2011, while Belgium, Denmark, Italy, Slovenia and the UK all saw declines.

## 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

In the majority of countries covered in this study, the proportion of managers who answered the questions about equity investments was below 50%, so some caution should be taken when interpreting the results.

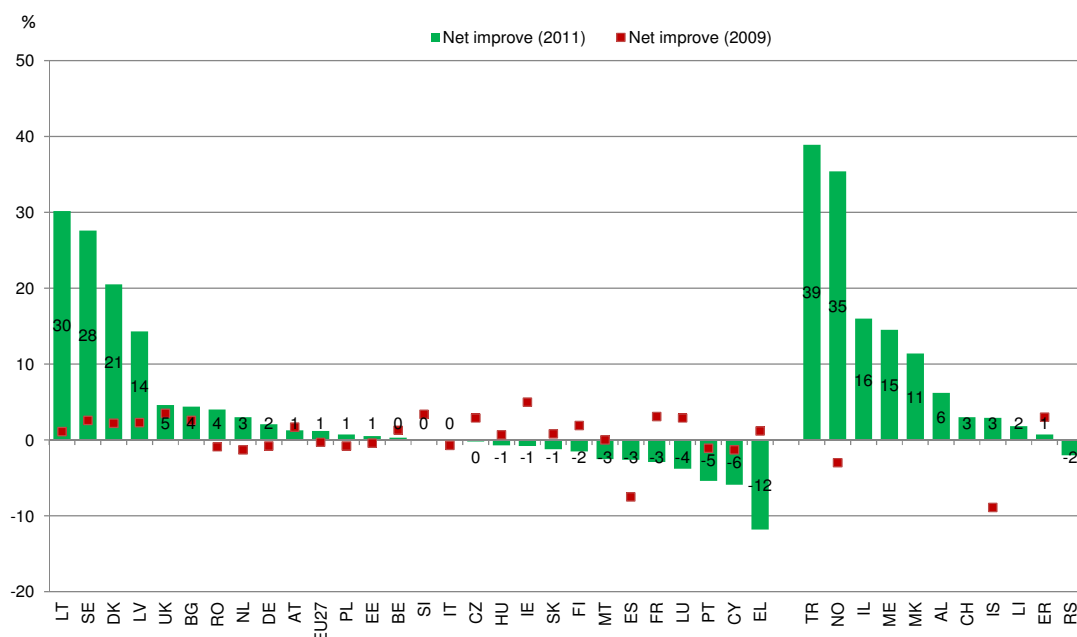
However, as in 2009 a clear pattern emerges where the majority of managers in all countries expect the availability of equity investments to remain stable in the next six months.

Just 5% of managers overall expected the availability of equity investments to improve in the next six months, although this rose to 28% in Denmark, 30% in Sweden and 33% in Lithuania.

As with other types of financing, managers in Greece, Cyprus, Portugal and France were the most pessimistic about the short-term future of equity investment availability.

There has been a significant rise in confidence in the availability of equity investment in Denmark, Germany, Latvia, Lithuania, the Netherlands, Poland, Romania and Sweden.

## 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?

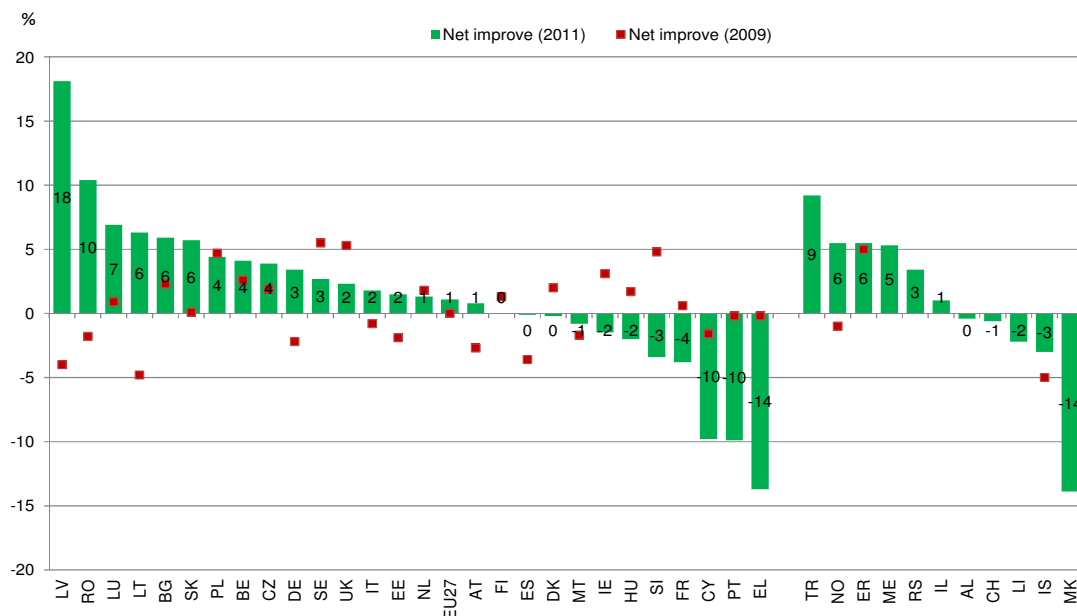
Base: % by country

## Expected availability of other sources of funding

A relative majority of SMEs expected no change in the availability of other sources of funding in the next six months. Overall, 34% said they expect the availability of other sources to remain unchanged and this ranged from 10% in Estonia to 48% in France and 51% in Sweden.

SMEs in Latvia were the most likely to expect other sources of funding to improve in the next six months (+18%), while those in Greece were the least positive (-14%).

## 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

Larger companies tended to be more positive about the future availability of internal funds. A quarter of managers from companies with more than 250 employees said they expected the availability of internal funds to improve over the next few months compared to 17% of managers from SMEs.

SMEs owned by shareholders (19%) and those owned by venture capitalist firms or businesses (20%) were the most positive about the future availability of internal funds. There is also some variation by the age of the company. SMEs that have been active for less than two years were more likely to say that they expect the availability of internal funds to improve over the next six months than those from companies that have been active for more than 10 years (24% compared to 16%).

#### Bank loans

Perceptions about the future availability of bank loans did not vary very much by the type of company. Across all sizes and types of company around half said that they expect the availability of financing through bank loans to remain unchanged over the next few months, with around one in nine saying it will improve and around three in twenty saying it will deteriorate.

## Gazelles and Innovators

Gazelles were more positive though about bank loans, 22% expecting an improvement compared with 11% among non-gazelles. Innovators were only a little more positive, 14% expecting an improvement rather than 9% from non-innovators.

## Other sources

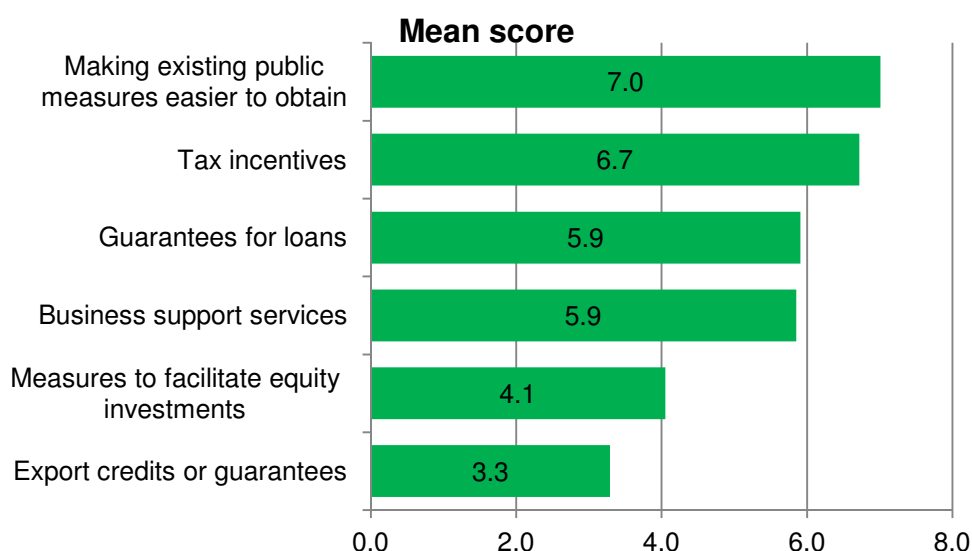
The proportion of SMEs that did not express a view about trade credit was over a third for each company type and the proportion who did not answer the question about equity and debt securities ranged from 46% to 83%. This means that perceptions about changes in the availability of these instruments were difficult to compare, both across company types and over time. However, when we control for not applicable answers there was little variation by company type (although this finding should be treated with some caution given the small base sizes).

## 4.5 Importance of factors on future financing

When asked to rate the importance of a number of different mechanisms to help their company's financing in the future using a 1-10 scale (where 1 is 'not at all important' and 10 is 'extremely important'), SMEs across the EU rated making existing public measures easier to obtain (for example, through the reduction of administrative burdens) as the most important (mean score: 7.0). This was followed by tax incentives, which received a mean score of 6.7, guarantees for loans (5.9) and business support services (5.9).

Of relatively less importance were measures to facilitate equity investments (such as support for venture capital or business angel financing), which on average was rated as 4.1 out of 10, and export credits or guarantees, which averaged 3.3.

### Importance of factors in companies' financing in the future



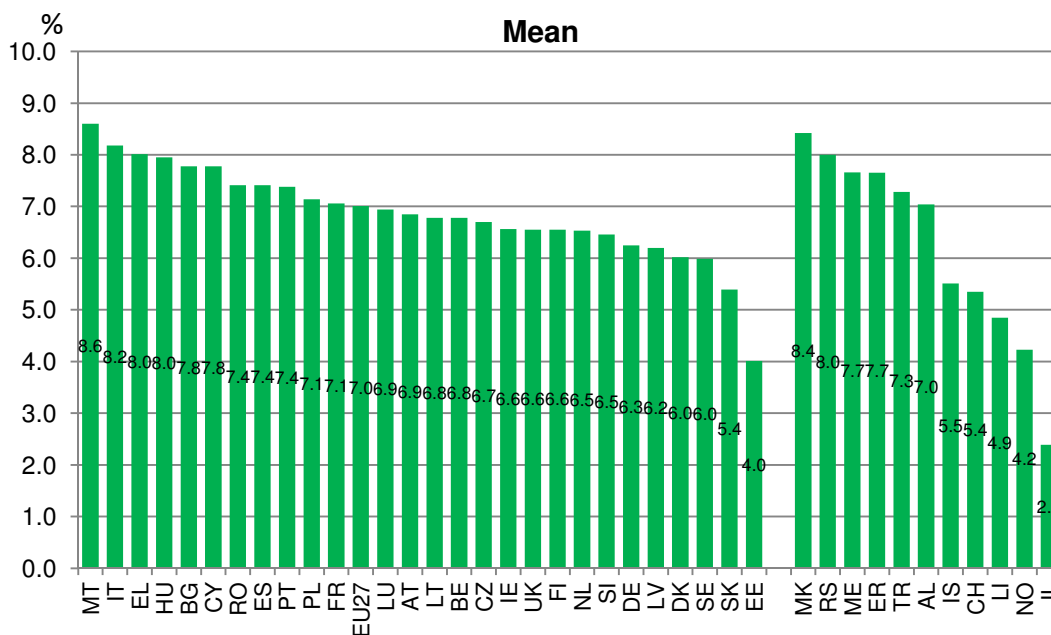
Q24. On a scale of 1-10, where 10 means it is extremely important and 1 means it is not at all important, how important are each of the following factors for your company's financing in the future?

Base: mean scores EU-27 SMEs

### Country variations

The importance of **making existing public measures easier to obtain** was particularly clear among SMEs from Malta, Italy, Greece and Hungary, each of which had a mean score of 8 out of 10 or higher. Making existing public measures easier to obtain was also notably important in Bulgaria (mean score: 7.8) and Cyprus (7.8), but less important in Estonia (4.0).

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

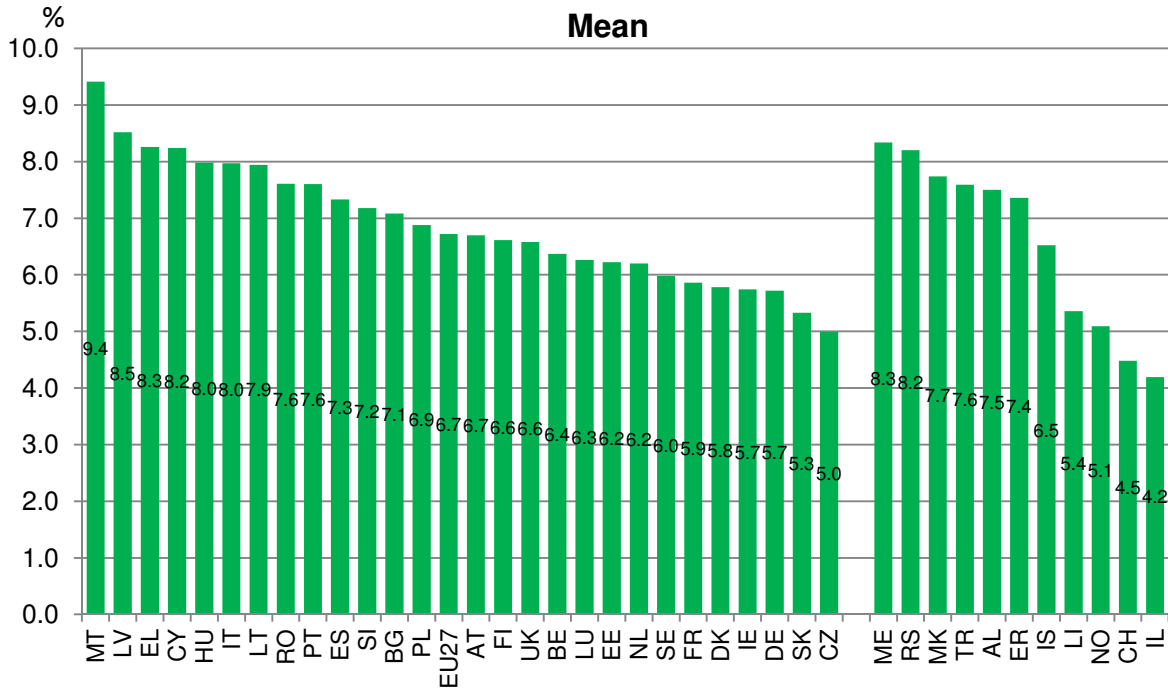


Q24. On a scale of 1-10, where 10 means it is extremely important and 1 means it is not at all important, how important are each of the following factors for your company's financing in the future?

Base: mean scores by country

**Tax incentives** were also seen as very important in Greece (8.3), as well as in Latvia (8.5). Tax incentives had a relatively lower level of importance for the future of their company's financing among SMEs in the Czech Republic (5.0).

**Importance of tax incentives in companies' financing in the future**

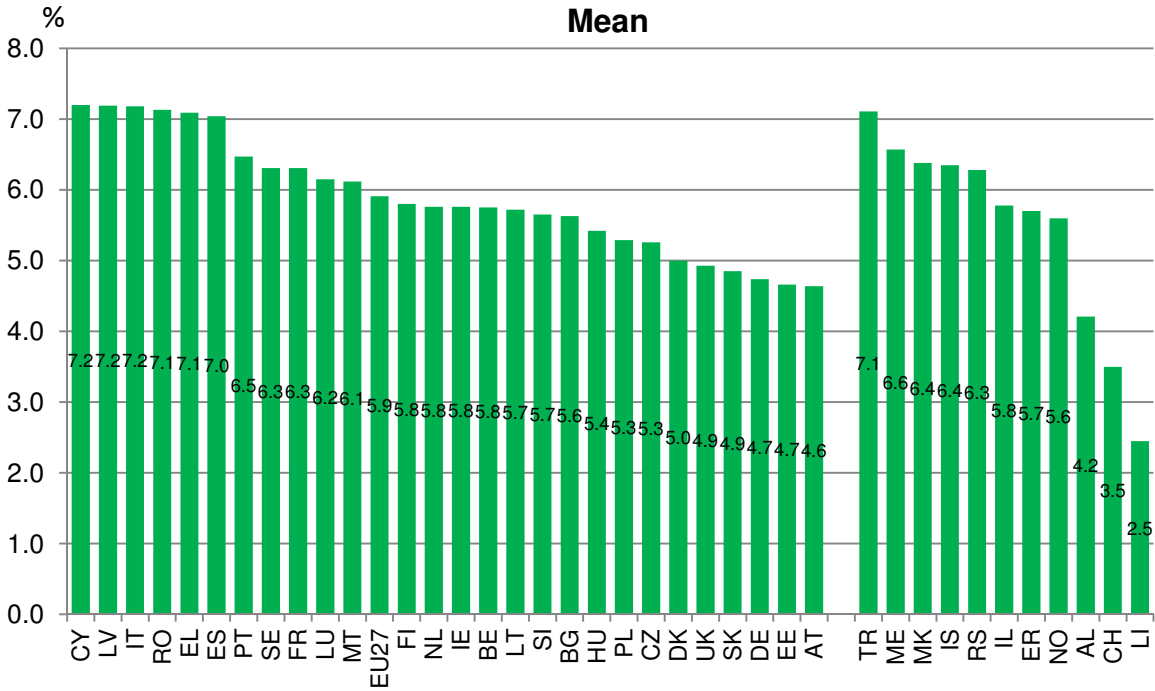


*Q24. On a scale of 1-10, where 10 means it is extremely important and 1 means it is not at all important, how important are each of the following factors for your company's financing in the future?  
Base: mean scores by country*

SMEs in Greece were also the most likely to say that **guarantees for loans** would be important in their company's future financing (7.1). Guarantees for loans were also seen as important mechanisms by managers in Cyprus (7.2), Latvia (7.2), Italy (7.2) and Romania (7.1).

Managers of companies in Germany and the UK among were the least likely to say that guarantees for loans would be an important factor in their future financing (4.7 and 4.9 respectively).

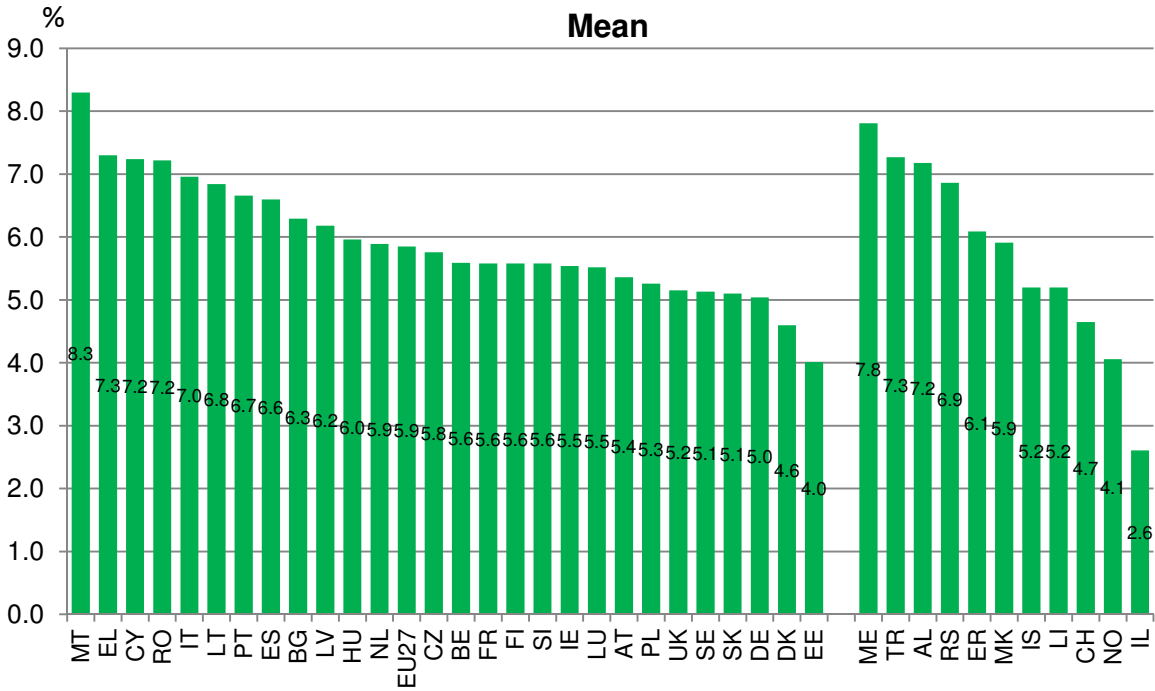
**Importance of guarantees for loans in companies' financing in the future**



*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 with all other factors influencing the future of financing in their company, SMEs in Malta (8.3) and Greece (7.3) were the most likely to say that **business support services** will be important.

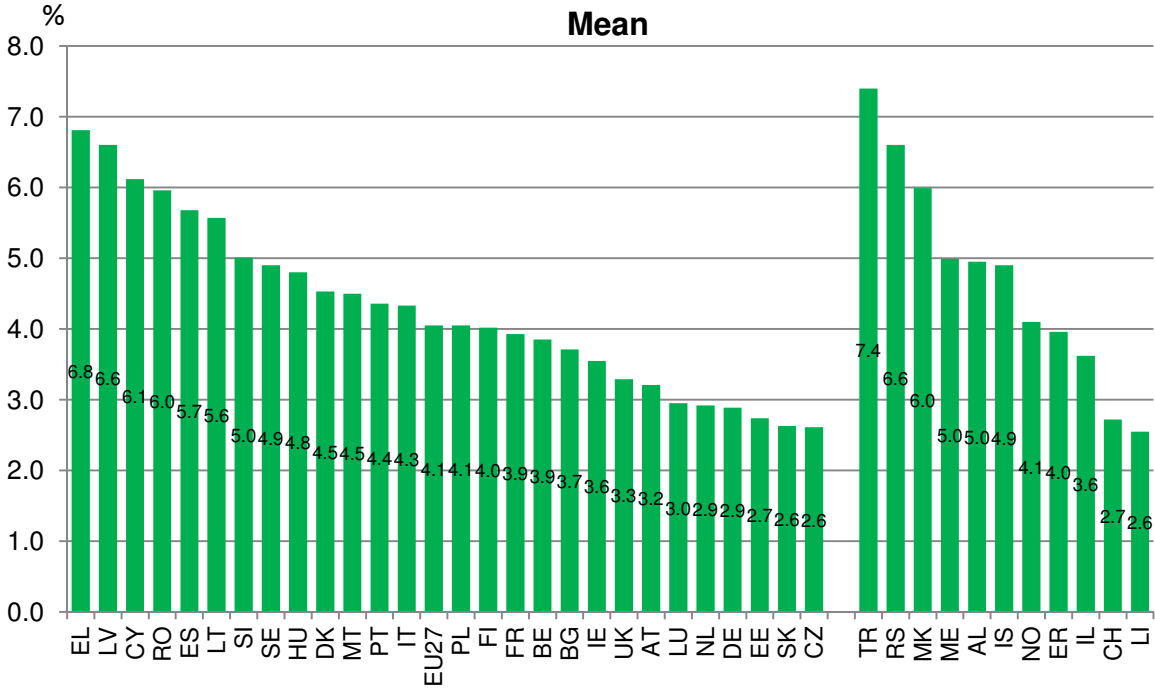
**Importance of business support services in companies' financing in the future**



*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*

Overall, **measures to facilitate equity investments** receive a mean score of four out of 10 (4.1). This ranges from 6.81 in Greece to 2.6 in the Czech Republic. A third of SMEs in Portugal say that they do not know or it is not applicable to them (34%), which is by some distance the highest among all countries.

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

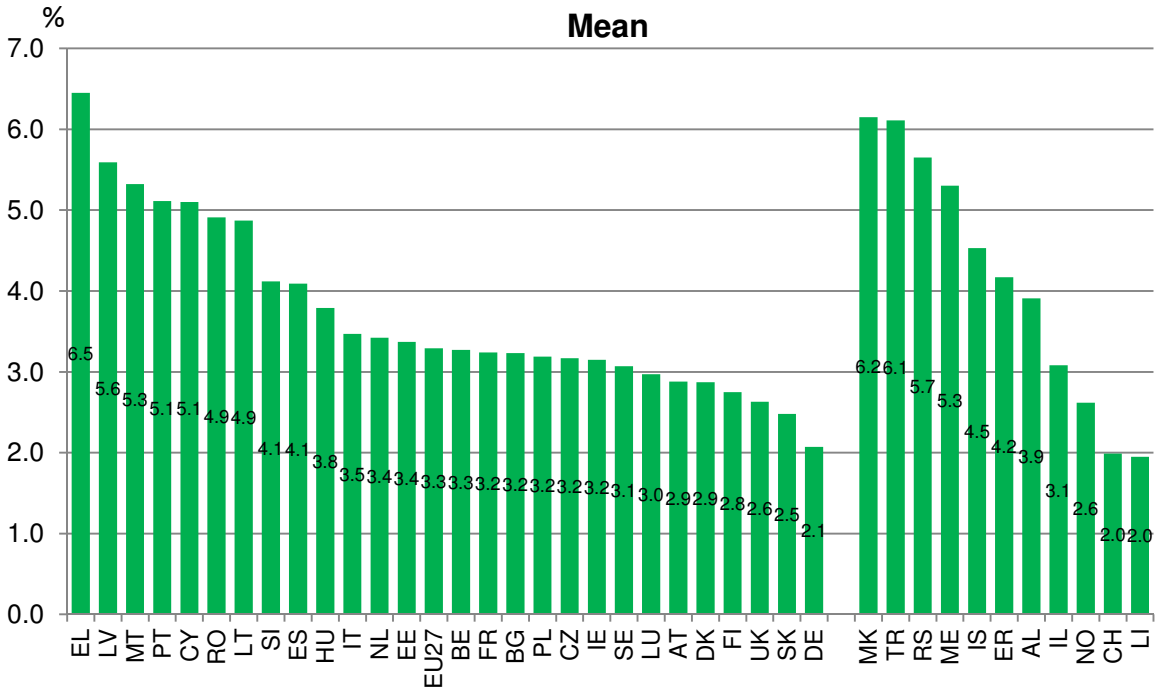


*Q24. On a scale of 1-10, where 10 means it is extremely important and 1 means it is not at all important, how important are each of the following factors for your company's financing in the future?  
Base: mean scores by country*

**Export credits or guarantees** are given the lowest level of importance by most countries, with a mean score of just 3.3. As with other factors in future financing, it was seen as most important by managers in Greece (6.5).

Three in ten SMEs in Portugal said that they do not know or it is not applicable to them (30%).

**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, managers of 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.

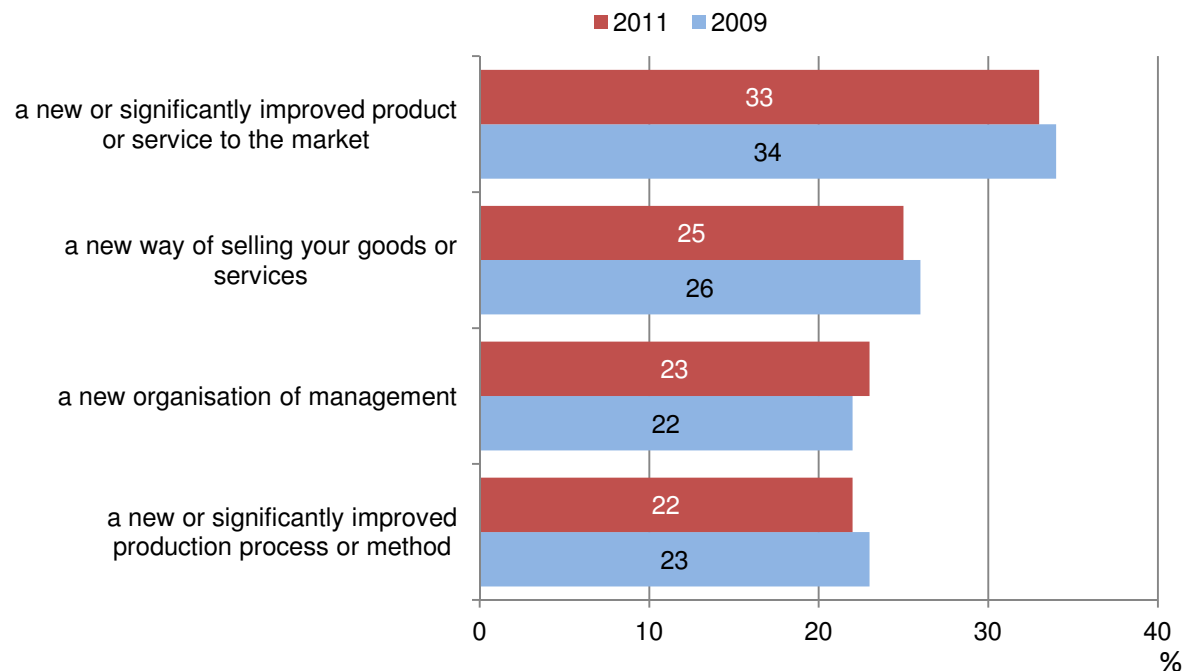
## 5.1 Innovative companies

### 5.1.1 Innovative activities

One third (33%) of SMEs in the EU stated that they have introduced *a new or significantly improved product or service to the market*. This was the most likely innovative activity among SMEs in the EU. The next most likely innovative activity was *introducing a new way of selling their goods or services* (25%), followed closely by *introducing a new organisation of management* (23%) and *a new or significantly improved production process or method* (22%). There have been no significant changes in the proportions who have introduced these innovations between 2009 and 2011 (see chart below)

In summary, nearly three-fifths (57%) of SMEs in the EU stated that they have introduced some form of innovation – i.e. have brought in at least one of the four aforementioned areas. This is broadly unchanged from 2009 (55%).

#### Innovative activities introduced in the past 12 months



Q1. During the past 12 months have you introduced.....?  
Base: All SMEs, % EU-27

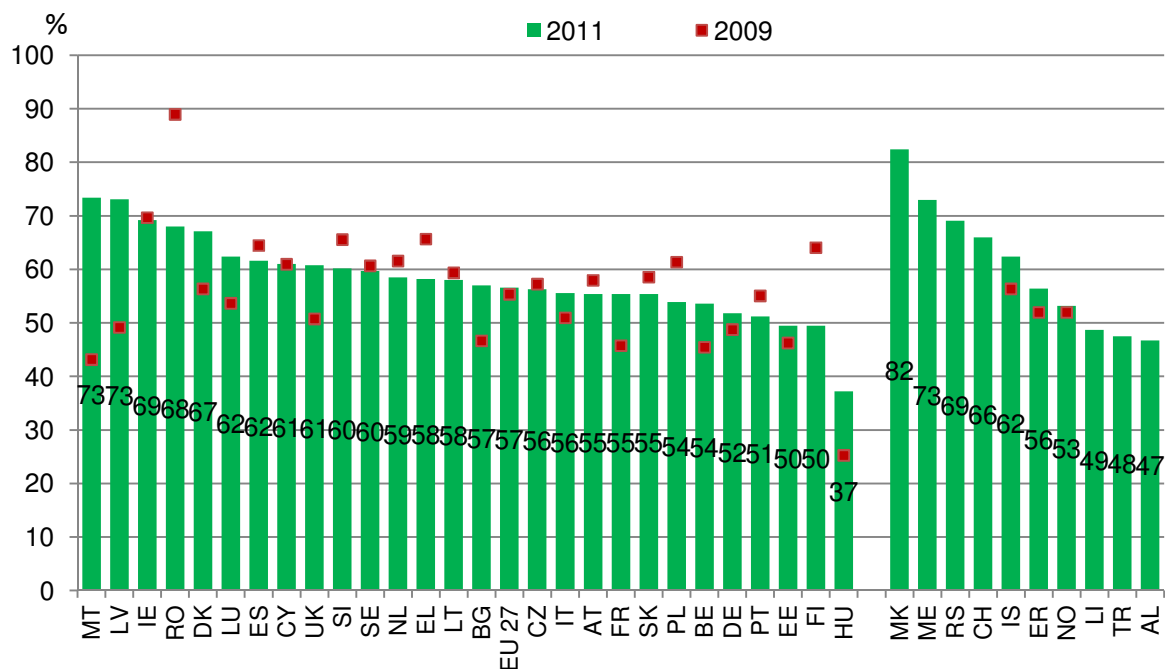
#### Country variations

In several countries – Latvia (73%) and Malta (73%) – over seven in 10 SME managers said that they have undertaken some form of innovative activity. In most countries, over half said that they are providing new or improved products or services, marketing, production or

management. Hungary is ranked significantly lower than all other EU countries in this regard (37%).

The most significant change between 2009 and 2011 can be seen in Romania, which has seen a drop in the proportion registering some form of innovation from 89% to 68%. Twelve other EU countries have seen a drop in innovative activities

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

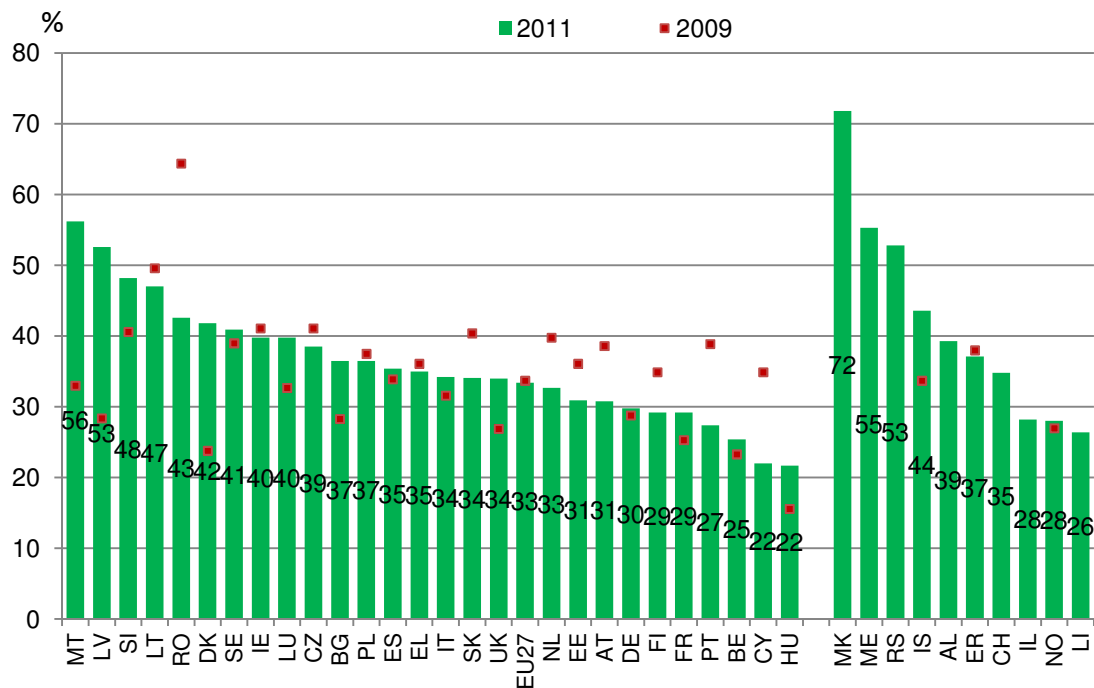


Q1. During the past 12 months have you introduced.....?  
Base: All SMEs, % by country

Over half of SMEs in Malta, Montenegro, Serbia and Latvia said that they have *introduced a new or significantly improved product or service* in the last 12 months, the highest proportion in the EU.

Belgium (25%), Estonia and Austria (31% each) have the lowest proportion of SMEs saying they have undertaken this activity. The most marked decline in activity since 2009 can again be seen in Romania (from 64% to 43%).

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

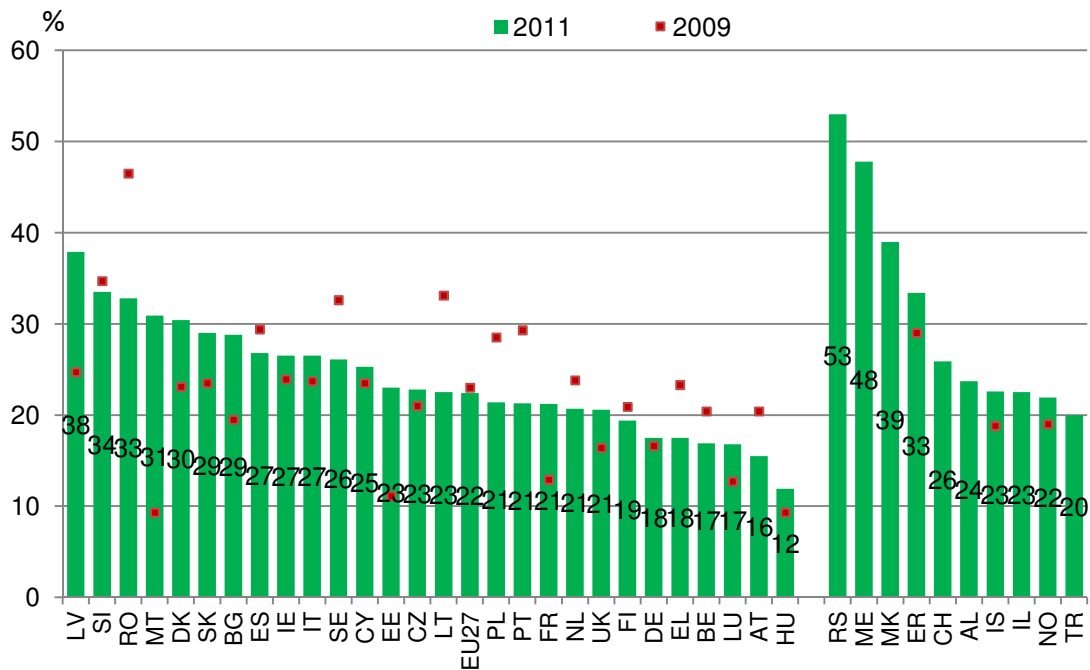


Q1. During the past 12 months have you introduced.....?  
Base: All SMEs, % by country

The spread of activity is somewhat more pronounced with regard to introducing a *new or significantly improved production process or method*. SMEs in Latvia (38%) and Slovenia (34%) show the most widespread activity here, with Romania (33%), Malta (31%), then Denmark (30%) next most highly ranked. This type of innovation is seen least widely in Hungary (12%) and Austria (16%).

Malta sees a significant increase here (up from 9% in 2009 to 31% in 2011). The most notable statistically significant decrease is again in Romania (down from 47% to 33%)

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



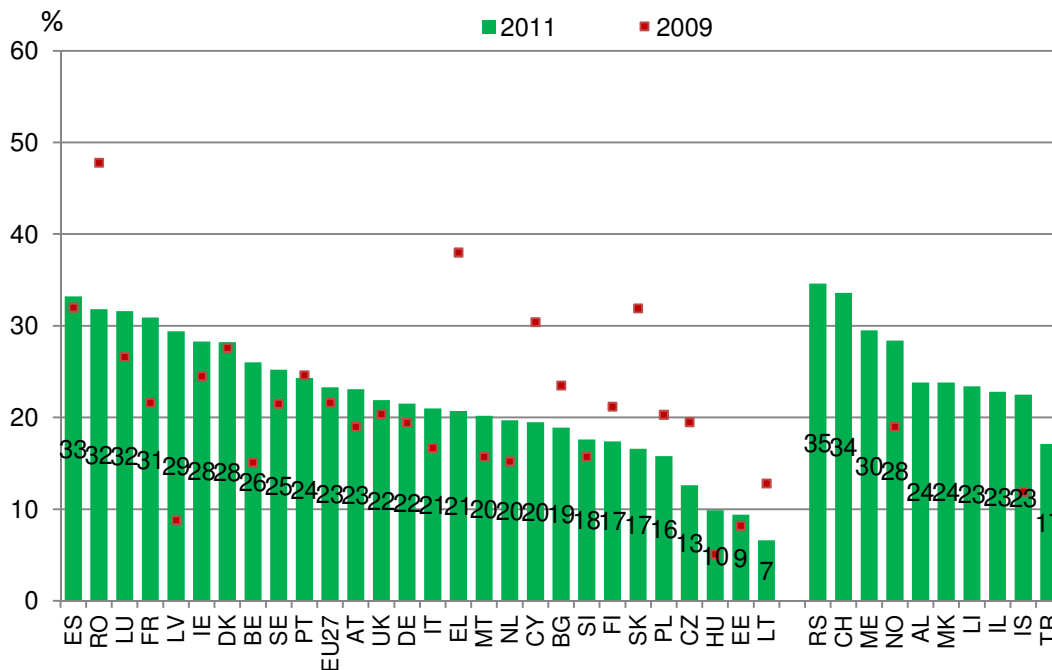
During the past 12 months have you introduced.....?

Base: All SMEs, % by country

Q1.

SMEs in Spain (33%), Romania and Luxembourg (both with 32%) are most likely to have *introduced a new organisation of management* in the last year. The spread of activity is less notable for this type of innovation, with the lowest ranking countries Estonia (9%) and Lithuania (7%). Romania and Greece have the largest declines in innovation in this area from 2009 to 2011 – down from 48% to 32% and from 38% to 21% respectively.

## Introduction of a new organisation of management



Q1.

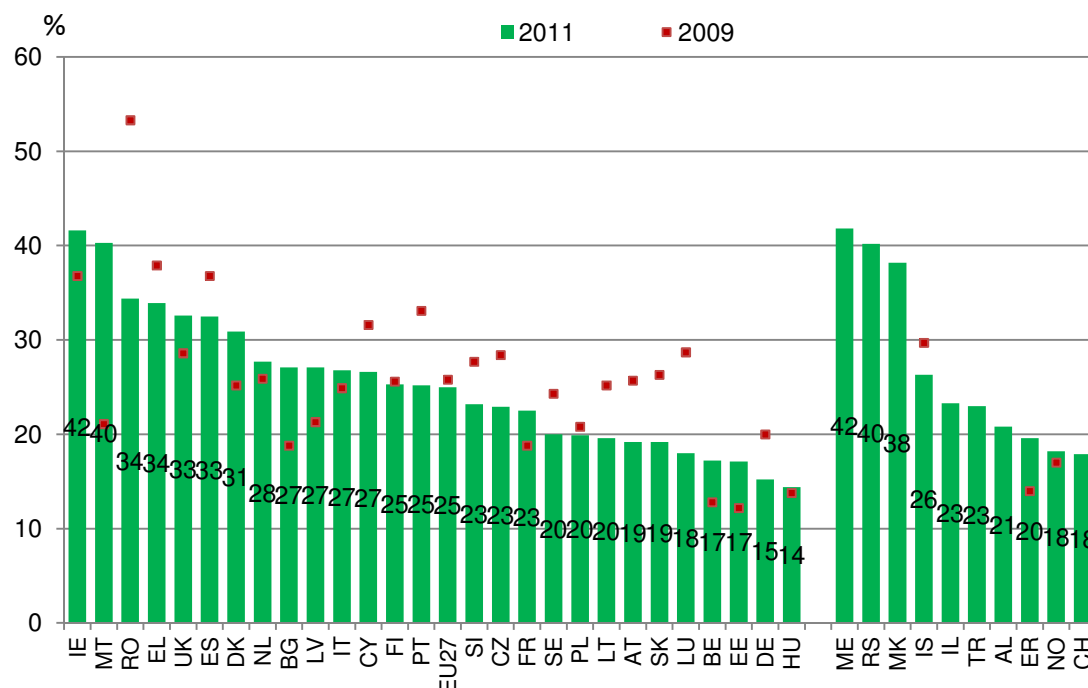
During the past 12 months have you introduced.....?

Base: All SMEs, % by country

During the past 12 months, around two-fifths of SMEs in Ireland and Malta have *introduced a new way of selling goods or services*, ahead of Romania and Greece. Again, there is a relatively high degree of consistency across the EU in terms of this activity with few 'outliers'. Those where this innovation is less widespread are Hungary (14%) and Germany 15%)

Romania saw the sharpest decline between 2009 and 2011, falling from 53% of SMEs introducing new ways to sell their goods or services to 34%. In total, 16 of the 27 EU countries have seen a decline in innovative activity in this area since 2009.

## 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 and other company characteristics

LSEs (businesses with 250+ employees) are somewhat more likely to have introduced some form of innovation in the last 12 months – i.e. have brought in at least one of the four aforementioned areas. Over two-thirds (68%) have introduced innovation, compared with 57% of SMEs in the EU. The likelihood to have implemented one of these activities is lowest among micro businesses (with 1-9 employees), with a total of 53%.

SMEs working in industry were most likely to have undertaken one or more of the four innovation activities (64%), with those in the construction sector least likely (43%). This is consistent with the picture in 2009. A significantly higher proportion of SMEs which are venture capital/business angel-backed (72%) have undertaken some form of innovation.

When examining the individual types of innovative activity mentioned above, the same pattern for micro businesses and SMEs versus LSEs (i.e. more limited versus more active respectively) can be seen in most cases and particularly with regard to introducing a new organisation of management. Here, 19% of micro business managers say they have brought in new management organisation, compared with nearly twice as many LSEs (35%). The one activity where this pattern is not seen is for introducing new ways of selling goods or services. Here the pattern is reversed, with micro businesses more likely to have undertaken activity.

Venture capital/business angel-back SMEs are most active in introducing a new or significantly improved product or service to the market (in 49% of cases).

### 5.1.2 Growing – and high growth – SMEs

When asked to estimate how much their firm had grown on average per year over the last 3 years in terms of *number of employees*, the largest proportion of SMEs in the EU (39%) said they had experienced 'no growth'. However, over a quarter (26%) said that their business did see growth of up to 20% and a further 11% said that on average their business grew by over 20% per year. Overall, nearly a quarter (23%) of SMEs in the EU said that their business had 'got smaller' (by an unspecified amount) on average over the last 3 years.

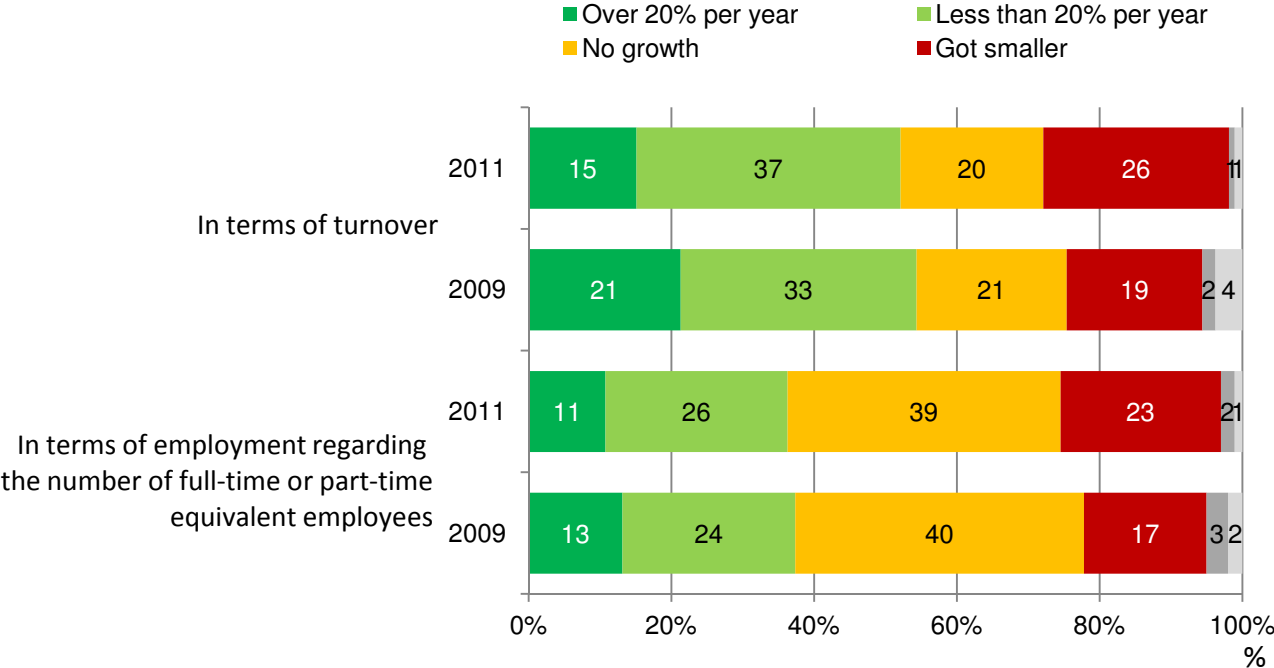
Therefore the *net growth* in employee numbers (growth minus decline) is +14 percentage points. Fewer business in the EU have experienced significant growth or a decline in their staff numbers, but the overall balance between moderate growth and stasis is broadly similar to that seen in 2009.

SMEs were also asked to confirm how much their firm had grown on average per year in the last 3 years in terms of *turnover*. Feedback was more positive here, with nearly two-fifths (37%) saying that their business saw growth of up to 20% and a further 15% saying that they experienced average growth in turnover in excess of 20%.. Roughly the same proportion said that their turnover had shrunk (26%) as said that their number of employees had declined (23%) but fewer said that they had experienced 'no growth' in turnover (20% versus 39%).

The net growth in turnover is therefore more positive than the net growth in employee numbers, at +26%, or a positive-to-negative ratio of 2:1.

There are clearer differences between the 2011 and 2009 data for turnover. There has been a contraction in the number of businesses that register significant growth of over 20% (down from 21% in 2009 to 15% in 2011) and a corresponding increase in those registering a decline in turnover.

**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-27

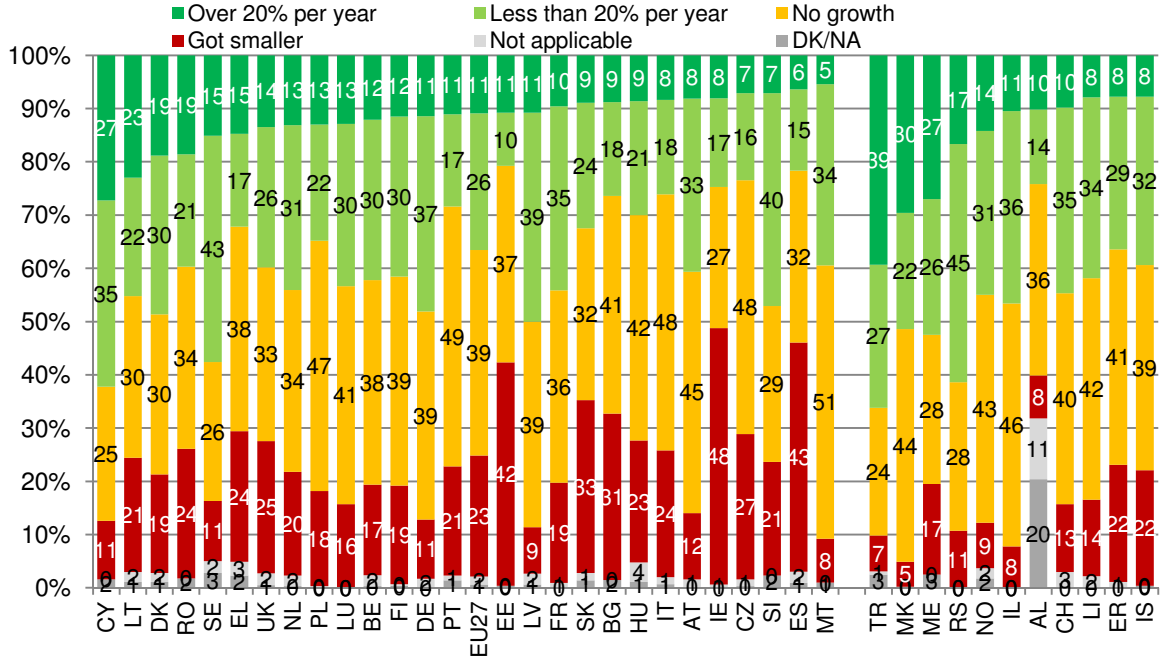
**Country variations**

The country with the highest proportion of SMEs that experienced high growth in *employee numbers* (i.e. over 20% per annum, on average) was Cyprus (27%) and Lithuania (23%).

Both Ireland (48%) and Spain (43%) saw particularly widespread declines in employee numbers over the last 3 years, as did Estonia (42%). A number of countries sit below this, with 25%-30% of SMEs saying they saw their staffing levels decline, including (in descending order) Slovakia, Bulgaria, Czech Republic the United Kingdom, Greece and Italy.

Only Germany records a statistically significant change in the proportion of high growth in staffing levels from 2009 (up from 6% to 11% in 2011). However there are significant increases in the proportions of SMEs who report declines in their employee numbers in Slovakia, Spain, UK, Austria, Belgium, Bulgaria, Finland, France, Ireland, Greece, Italy, and the Netherlands.

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

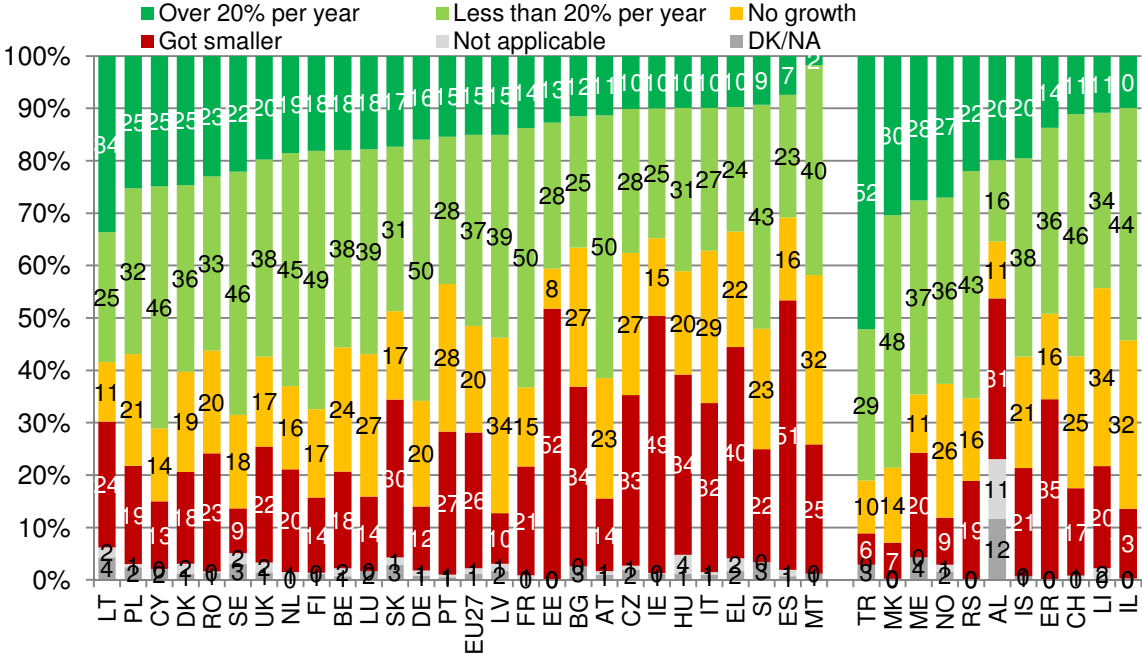


Q16. Over the last three years, how much did your firm grow on average per year.....?  
 Base: All SMEs, % by country

Lithuania (34%), Cyprus and Poland (25% each) have the highest proportion of SMEs that experienced high average turnover growth (over 20%) in the last 3 years, compared with an EU total of 15%.

The countries that experienced the most widespread average yearly declines in turnover were Estonia (52%), Spain (51%), Ireland (49%) and Greece (40%).

**Companies' average yearly growth (in terms of turnover)**



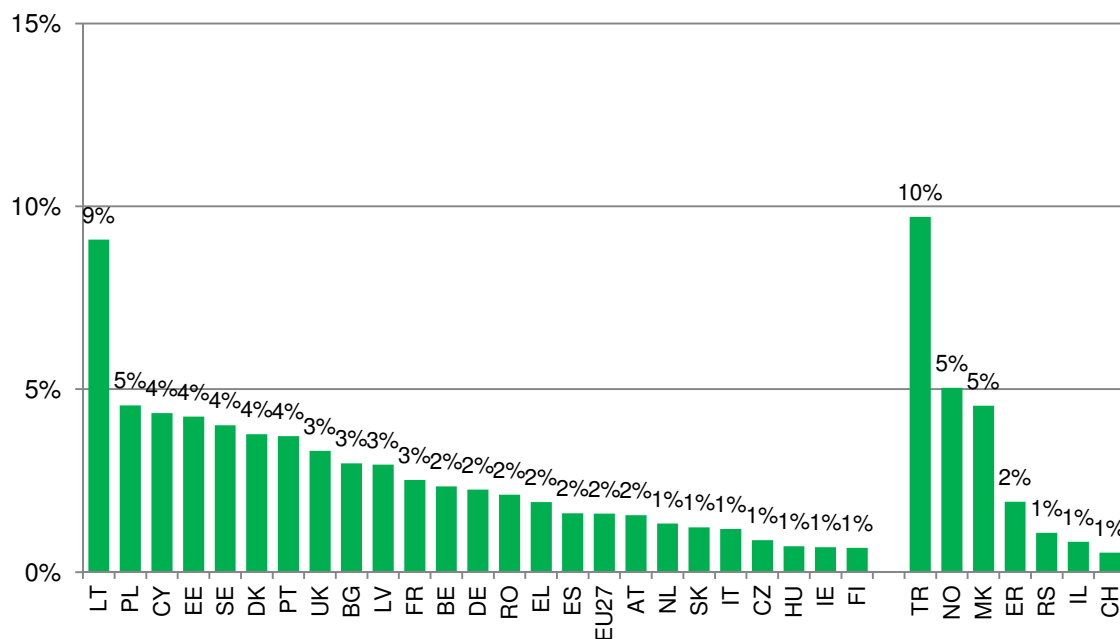
Q16. Over the last three years, how much did your firm grow on average per year.....?  
 Base: All SMEs, % by country

**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 and we include **all** companies in our sample of EU businesses (i.e. both SMEs and LSEs) in our analysis of gazelles. The EU country with the highest proportion of gazelles was Lithuania (9%, unchanged from 2009), followed by Poland with 5% of its businesses classified as gazelles. Finland has seen the most significant drop in the proportion of gazelles – down from 13% in 2009 to 1% of businesses in 2011.

## 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 (defined as have introduced innovation in at least one area, such as products, services, marketing, production or management), continue to be more likely to have average annual growth of over 20% per year than SMEs in the EU generally or those which are non-innovative – see table below. However, that gap between the high growth in turnover experienced by innovative and non-innovative businesses has closed between 2009 and 2011 – down from 9 to 6 percentage points among those with growth higher than 20% per year.

### Companies' average yearly growth in terms of turnover

	Over 20% per year	Less than 20% per year	No growth	Got smaller	Not applicable	DKNA
2011 EU-27	15%	36%	20%	26%	1%	1%
2009 EU-27	21%	33%	21%	19%	2%	4%
<b>INNOVATION</b>						
2011 Non-innovative companies	12%	36%	23%	27%	1%	1%
2009 Non-innovative companies	15%	32%	25%	20%	3%	4%
2011 Innovative companies	18%	37%	18%	25%	1%	1%
2009 Innovative companies	26%	34%	18%	18%	2%	3%

### Growth and other company characteristics

Although there are no significant differences between SMEs and LSEs in the EU in terms of those who experienced high growth in *employee numbers* (over 20% on average per annum) or indeed in the proportion who experienced a fall in employee numbers, there are notable differences elsewhere.

While around a fifth (21%) of LSEs saw no growth on average in the last 3 years, the figure is nearly double that (39%) among SMEs. There is a correspondingly smaller number of SMEs who saw growth of up to 20% (26%), compared with 41% of LSEs in the EU. High growth in employee numbers (of over 20%) is also more prevalent among SMEs that have been active between 2 and 5 years (26%), compared with younger and older SMEs.

As with changes in employee numbers in the last 3 years, there are few significant differences in high growth *turnover* (of over 20% per year) across different types of business - whether small, large, in difference sectors or with other characteristics. However, LSEs are again more likely to have experienced some form of more limited growth in turnover than SMEs in the EU. In contrast, SMEs across the European Union were more likely to see either no growth in turnover (20% versus 13% for LSEs) or a decline in turnover (26% versus 15% for LSEs) in the last 3 years. SMEs in the construction sector were also more likely to see a decline in turnover than their counterparts elsewhere (38%).

## 5.2 The financial situation of companies

### 5.2.1 Income generation indicators

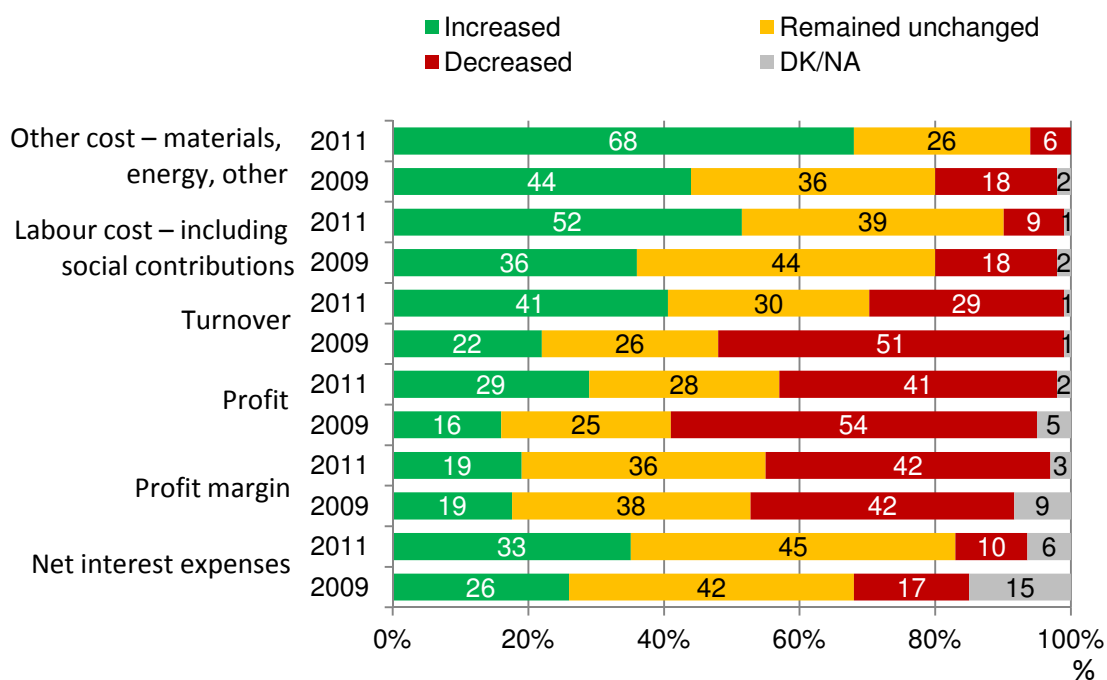
When managers of SMEs were asked about a range of indicators for the income generated by their firm, *labour costs* and *other costs (such as materials and energy)* were seen to have increased most widely over the past 6 months (among 52% and 68% of SMEs in the EU respectively). When looking at the *net increase* (i.e. those saying they have seen an increase minus those saying they have seen a decrease), this translates into net increases of +42% for *labour costs* and +62% for *other costs* – the proportions that have seen decreases in the last 6 months in these two areas are relatively small.

In contrast, the net increase for *net interest expenses* in the last 6 months is markedly lower, at +23%. SMEs in the EU most often (45%) say that this has not changed over that period. Both *profit* and *profit margins* have seen net decreases (-12% and -23% respectively), with over two-fifths of SMEs saying that they have seen a decrease in each of those two indicators in the last 6 months.

Over two-fifths (41%) of SME managers in the EU overall said that there has been an increase in *turnover* in the last 6 months, though a significant minority (29%) experienced a decrease in the same period. This compares with over half that proportion (51%) seeing an increase in turnover in 2009.

There have been similarly significant increases in the proportion saying there have been increases to their other costs, when compared with 2009 (up from 44% to 68%) and those who have seen increased in their labour costs (up to 52% from 36%).

### Situation of companies compared to six months ago



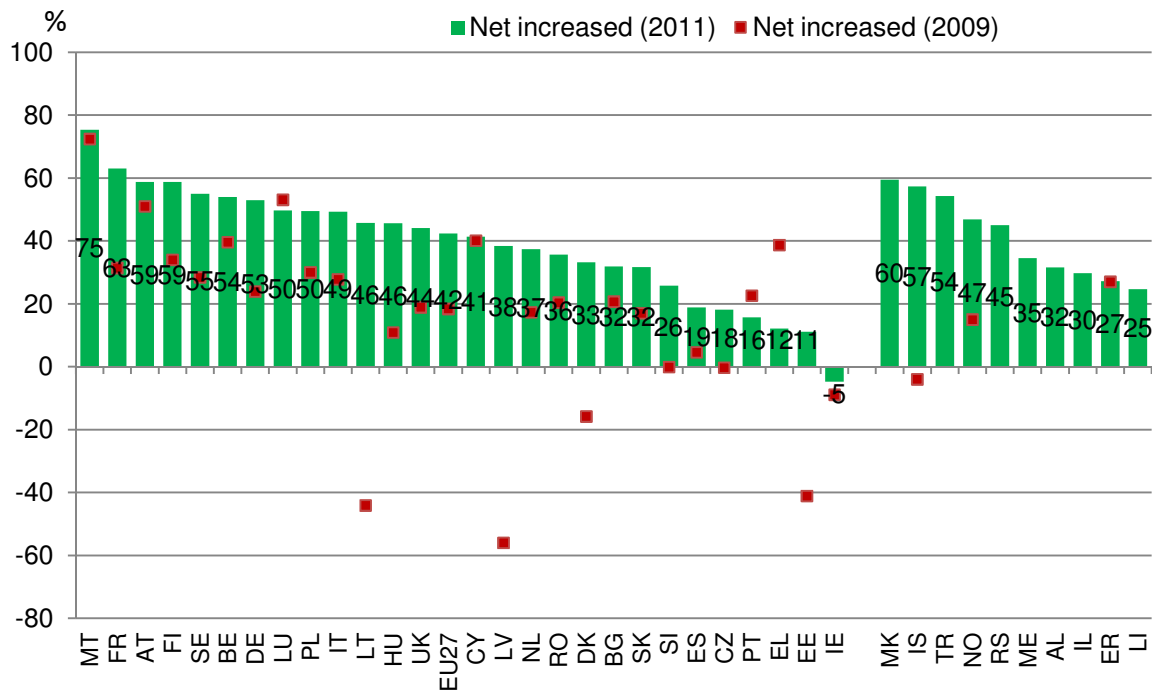
Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased over the past 6 months in your company.  
 Base: All SMEs, % EU-27

### Country variations – cost and interest expenses

There are some marked variations in net increase among SMEs across the EU-27 countries for *labour costs* in the last 6 months.

The highest net rating was in Malta (+75%), followed by France (+63%), Finland and Austria (+59% each). At the other end of the distribution were Greece (+12%), Estonia (+11%) and Ireland (with an overall net decrease of -5%). Latvia and Lithuania also registered marked rises in these net increases in labour costs since 2009.

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

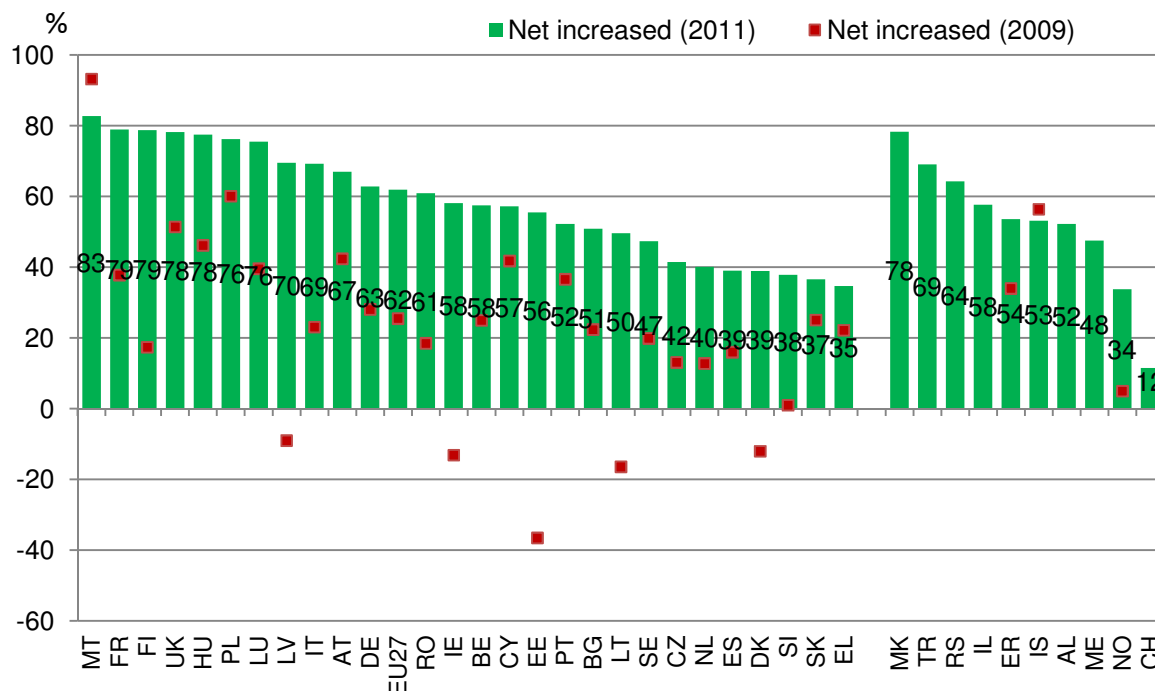


Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased over the past 6 months in your company.  
Base: All SMEs, % by country

A number of countries showed net increases for *other costs (materials, energy, other)* of between +70% and +80%. Those ranked highest were Malta (+83%), Finland (+79%), France (+79%), UK (+78%) and Hungary (+78%).

The spread in net increase scores across SMEs in the European Union was less marked for *other costs* than for *labour costs*. Those countries ranked lowest for net increase were Slovenia (+38%), Slovakia (+37%) and Greece (+35%).

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

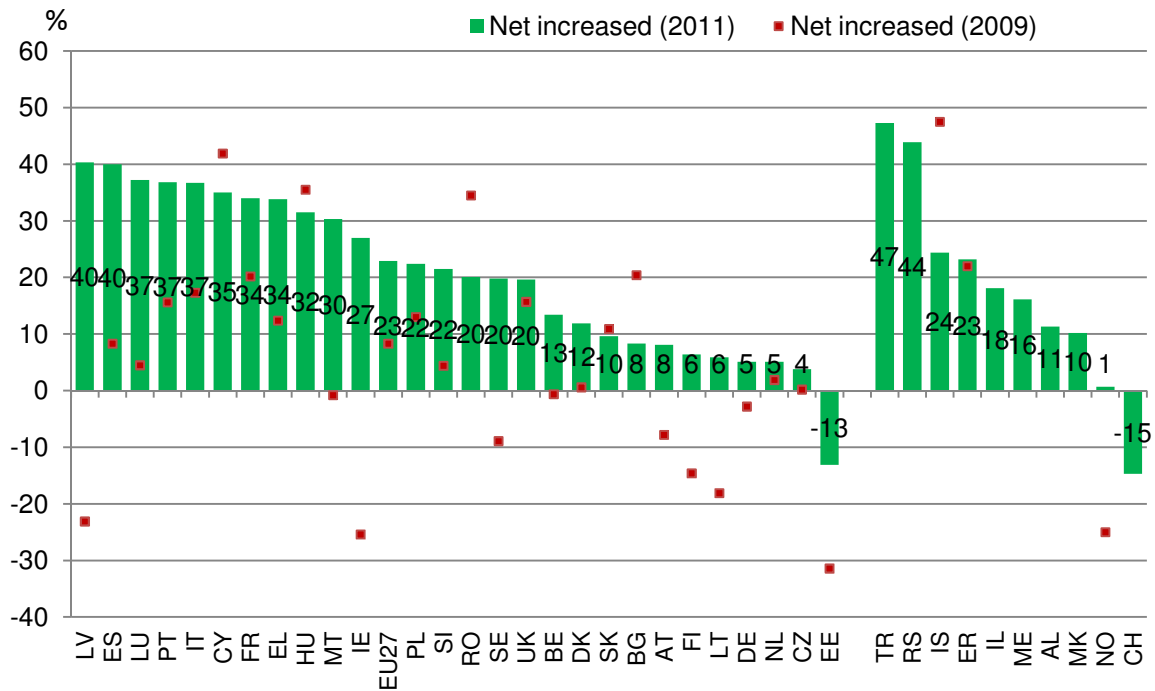


Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased over the past 6 months in your company.  
 Base: All SMEs, % by country

SMEs in Latvia and Spain had the highest net increase in *net interest expenses* (+40% each), followed by Portugal, Italy and Luxembourg (+37% each). Latvia in particular saw a significant rise in net interest expense since 2009 – up from -23%.

Estonia was ranked significantly lower than other EU countries for this indicator, at -13%, which was nevertheless up from its overall net increase rating in 2009 (-31%). Other EU countries ranked lower for this indicator were Denmark, Netherlands and the Czech Republic.

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



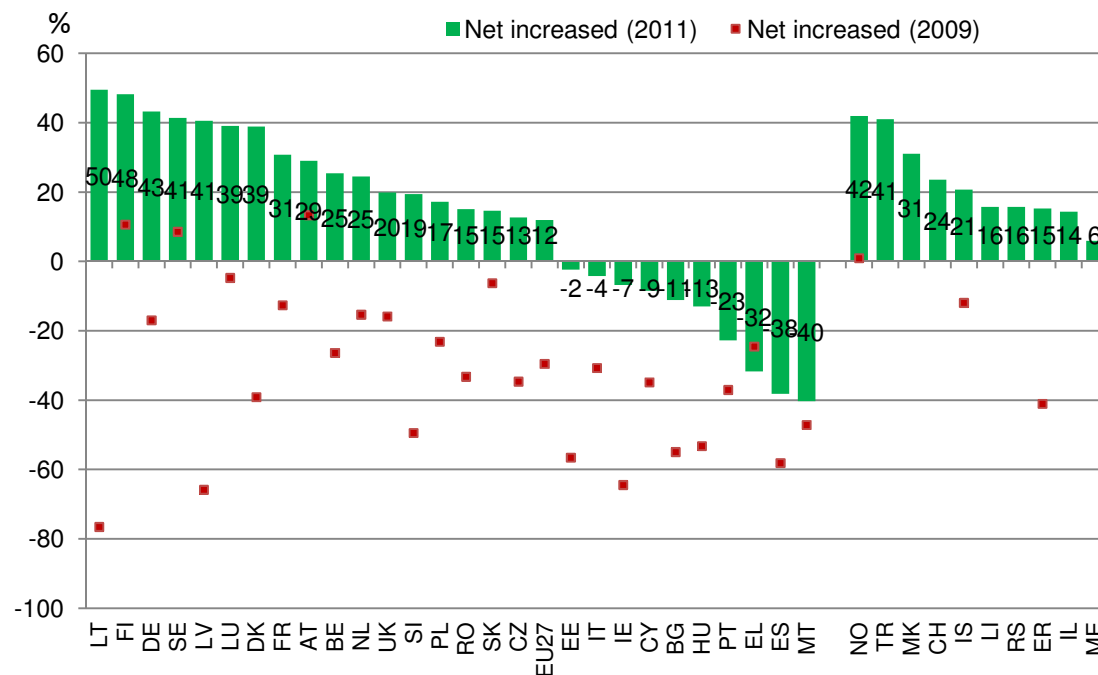
Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased over the past 6 months in your company.  
 Base: All SMEs, % by country

**Country variations – turnover, profit and mark up**

The income indicator which showed the most significant variations among SMEs across the EU-27 countries was *turnover*. Net increase scores for Lithuania (+50%), Finland (+48%) and Germany (+43%), contrast very strongly with the net decreases for turnover in Malta (-40%), Greece (-32%), Spain (-38%) and Portugal (-23%).

In 17 EU countries, SMEs register net increases in their turnover in the past 6 months.

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

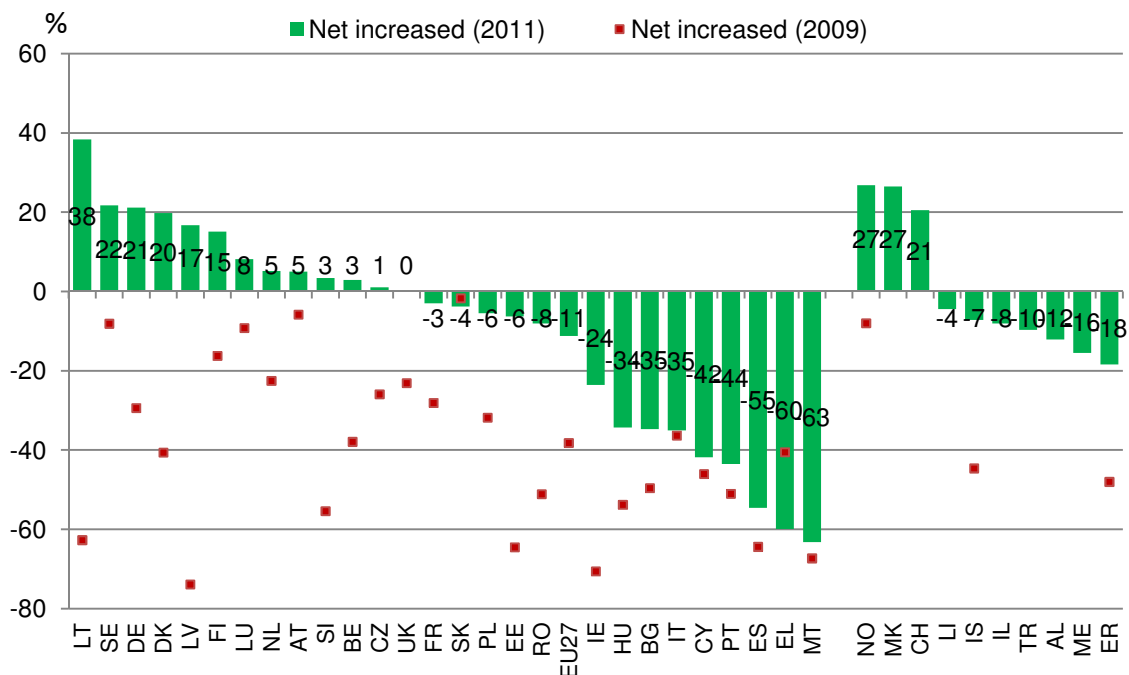


Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased over the past 6 months in your company.  
 Base: All SMEs, % by country

Net increase scores for *profit* among SMEs follow a similarly dispersed pattern to *turnover* across the EU 27 countries. The highest net increase scores are seen in Sweden (+22%), Germany (+21%) and Denmark (+20%), but it is Lithuania which is the clear positive outlier with a net increase for profit of +38%.

In comparison, firms in 15 of the 27 European Union countries see net decreases in their profit. Those with the lowest net scores are again Spain (-55%) and Greece (-60%), with Malta as the lowest of these outliers at -63%. Other countries that have low net increase scores for profit include Portugal, Bulgaria, Cyprus, Italy, Ireland and Hungary. Nevertheless, 25 out of the 27 EU countries see higher net ratings for profit among their SMEs than in 2009.

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

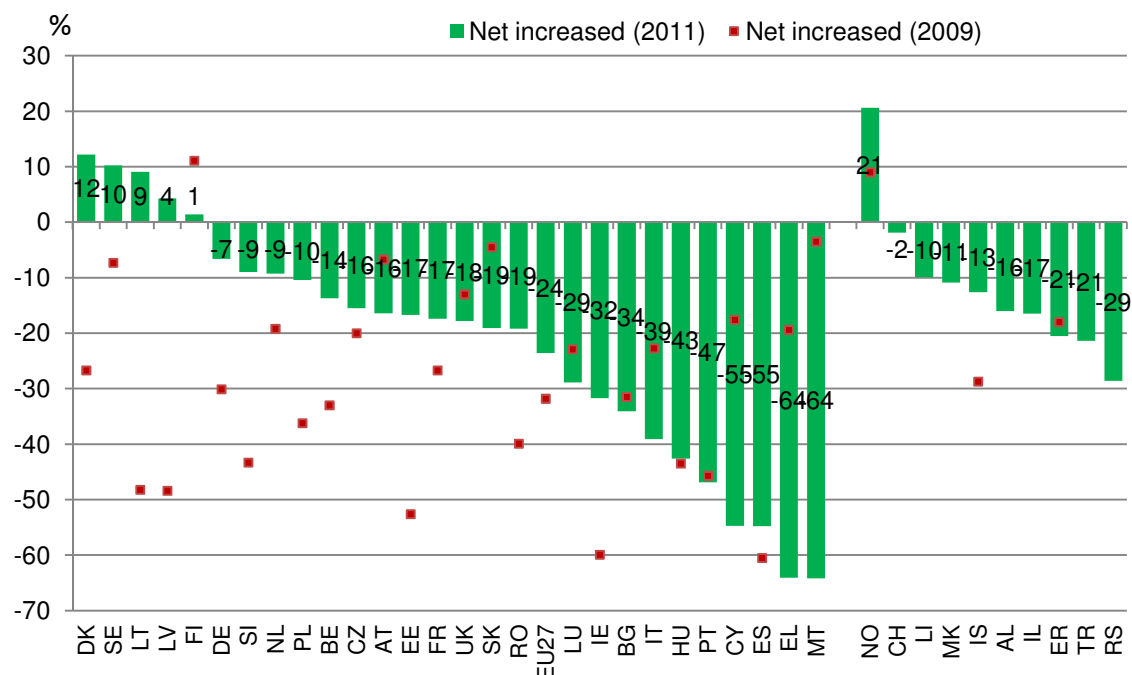


Q2. The following indicators are relevant for the income generation of your firm. Please tell me whether the following indicators have decreased, remained unchanged or increased over the past 6 months in your company.  
 Base: All SMEs, % by country

Only five out of the 27 EU countries saw positive net ratings for *profit margins* overall among their SMEs, and these were relatively modest – Denmark, Lithuania, Sweden, Latvia and Finland.

Of the remaining countries, those which have the lowest net score for this indicator of income were Greece and Malta (-64% each), Spain and Cyprus (-55%). In particular, Greece and Malta showed the largest declines in net increase ratings between 2009 and 2011 (from -19% and -4% respectively).

## 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

### 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 – nearly two-fifths (38%) of SMEs had seen such a change. This is down significantly from 51% of SMEs in 2009
- An improvement in their financial situation – over a quarter (28%), up from 15% in 2009
- No change in their financial situation, also known as “stagnant” (26%)

A clear majority of SMEs in Malta (70%), Greece (66%), Spain (64%) Cyprus (58%), Portugal (54%) and Ireland (50%) experienced a deterioration in their financial situation. An improvement was most widely seen in Lithuania (52%), Macedonia (46%), Norway (45%) and Denmark (45%).

### Company characteristics

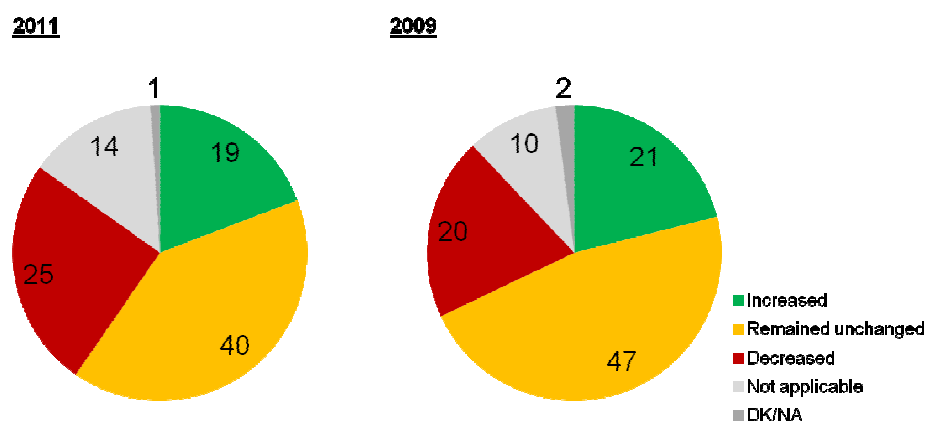
Large companies (LSEs) in the EU have a significantly higher net increase score than SMEs for *turnover* in the past 6 months – 45% versus 12%. The gap is even more marked between LSEs and micro-sized firms (with 1-9 employees), which actually showed a net decrease for turnover of -5%. A similar pattern across SMEs and LSEs can also be seen, albeit to a lesser extent, when *profits* and *profit margins* are considered. The net scores for SMEs and LSEs for profit are -11% and +13% respectively, while the scores for profit margins are -7% and -24% respectively.

SMEs in *industry* have a higher net increase score for *turnover* overall (+27%), in contrast with SMEs in construction (-1%) which have the lowest net score for turnover. Firms which are venture capital/business angel-backed also have a higher net increase for turnover.

### 5.2.2 Changes in companies' debts to assets ratio

A greater proportion (25%) of SMEs overall saw their debts-to-assets ratio decrease in the past 6 months, than saw that ratio increase (19%). The largest segment of around two-fifths (40%) saw no change in the ratio in the past 6 months. This picture was broadly unchanged from 2009.

#### Companies' debt-to-assets ratio



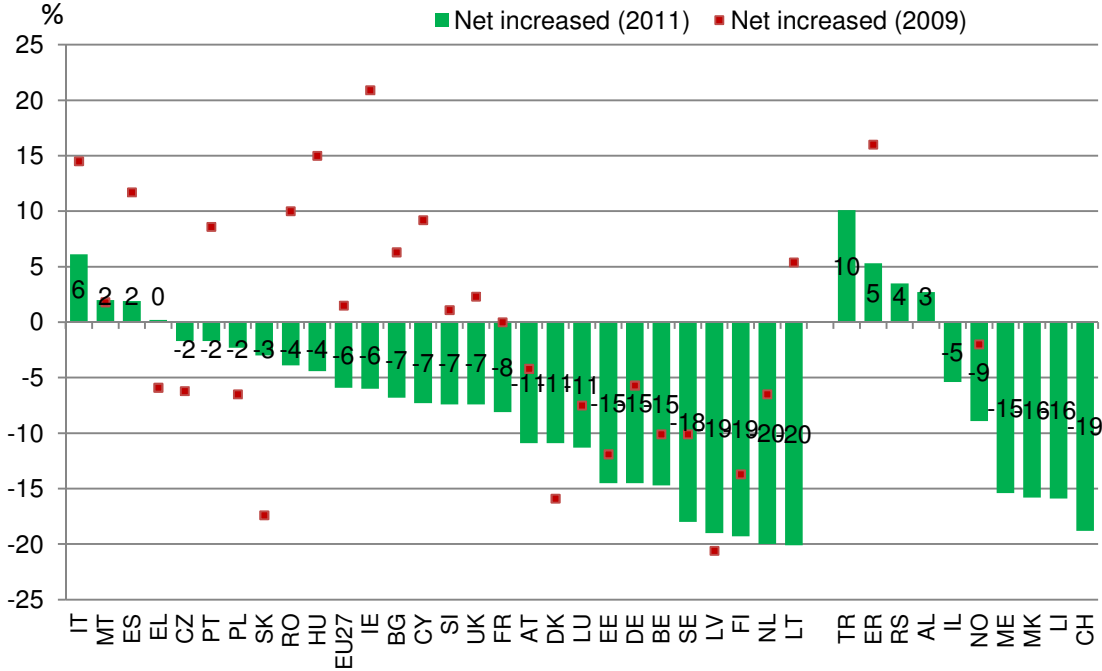
Q3. *Would you say that the amount of debt compared to the assets of your company has decreased, remained unchanged or increased over the past 6 months* Base: All SMEs, % EU-27

### Country variations

Across all EU countries, the largest proportion of SMEs says that they have seen no change in their debts-to-assets ratio over the last 6 months. There is comparatively little significant variation in this figure across the different countries, or across the net increase scores by country. The most widespread net decrease ratings among SMEs are in Finland, Latvia, the Netherlands and Lithuania – all around -20%.

SMEs in Ireland show a significant drop in the net increase rating for debts to assets ratio – down from +21% in 2009 to -6 in 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, % countries

**Company characteristics**

There are few variations by size of business (e.g. between SMEs versus LSEs, or between different turnover bands), by business sector among SMEs or other demographic information, such as level of innovation.

# Technical Annex

# Appendix 1: Sampling

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

- Country – 27 EU members states and other countries of the European Free Trade Association (EFTA) or participating in the Entrepreneurship and Innovation Programme (EIP): Belgium, Bulgaria, 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, Switzerland, Montenegro, Croatia, 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, 15,150 interviews were conducted across 38 countries, including 13,859 interviews across the EU 27 countries, between 22<sup>nd</sup> August 2011 and 7<sup>th</sup> October 2011, 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 EU country and in each size class.

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)
Belgium	500	500	200	200	85	15
Bulgaria	500	501	150	150	150	51
Czech Republic	500	500	140	152	153	55
Denmark	500	500	150	150	150	50
Germany	1,000	1,006	302	309	294	101
Estonia	100	100	30	30	30	10
Ireland	500	502	200	199	85	18
Greece	500	500	200	200	85	15
Spain	1,000	1,001	309	309	300	83
France	1,000	1,002	300	301	301	100
Italy	1,000	1,001	305	298	294	104
Cyprus	100	100	30	30	30	10
Latvia	200	200	60	60	60	20
Lithuania	300	300	90	90	90	30
Luxembourg	100	100	31	30	30	9
Hungary	500	500	150	150	150	50
Malta	100	100	27	41	26	6

CONT	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)
Netherlands	500	500	180	180	110	30
Austria	500	502	166	190	109	37
Poland	1,000	1,000	300	300	300	100
Portugal	500	502	181	181	110	30
Romania	500	541	161	169	161	50
Slovenia	100	100	30	30	30	10
Slovakia	300	300	83	91	93	33
Finland	500	500	200	200	85	15
Sweden	500	500	150	150	150	50
United Kingdom	1,000	1,001	302	301	301	97
<b>EU-27</b>	<b>13,800</b>	<b>13,859</b>	<b>4,427</b>	<b>4,491</b>	<b>3,762</b>	<b>1,179</b>
Iceland	100	102	35	34	33	0
Liechtenstein	50	50	17	19	14	0
Norway	200	200	67	67	66	0
Switzerland	100	100	34	33	33	0
Montenegro	100	102	34	34	34	0
Croatia	100	100	34	33	33	0
FYROM	100	100	34	33	33	0
Turkey	300	301	100	99	102	0
Albania	100	102	35	33	34	0
Serbia	100	100	34	33	33	0
Israel	100	100	34	33	33	0
<b>TOTAL</b>	<b>15,150</b>	<b>15,216</b>	<b>4,885</b>	<b>4,942</b>	<b>4,210</b>	<b>1,179</b>

# Appendix 2: Questionnaire

## Final questionnaire for a survey on access to finance of EU SMEs (Common version), September 2011 survey (Wave 5)

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

[COMMON] 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] 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] 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

**[COMMON] D4. What was the annual turnover of your company in [YOUR COUNTRY] in 2010?**

[READ OUT – ONLY ONE ANSWER IS POSSIBLE]

[For non-euro countries the amounts in euro will be converted to national currency. For Estonia both euro and former national currency will be used.]

- 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 [1700-2011] (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 2011 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.

**[COMMON] Q0. What is currently the most pressing problem your firm is facing?**

[READ OUT – ROTATE – ONLY ONE ANSWER IS POSSIBLE]

- Finding customers .....1
- Competition .....2
- Access to finance [EXPLAIN IF NEEDED: FINANCING OF YOUR FIRM – BANK LOANS, TRADE CREDIT, EQUITY, DEBT SECURITIES, OTHER EXTERNAL FINANCING] .....3
- Costs of production or labour .....4
- Availability of skilled staff or experienced managers .....5
- Regulation [EUROPEAN AND NATIONAL LAWS, INDUSTRIAL REGULATIONS, ETC.] .....6
- Other .....7
- [DK/NA] .....9

**[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, participation loans or similar financing instruments..... 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]..... 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 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?

[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. FOR ESTONIA BOTH EURO AND FORMER NATIONAL CURRENCY WILL BE USED]

- We did not take a loan..... 1
- Smaller than €25,000 ..... 2
- €25,000- €99,999 ..... 3
- €100,000 - €1 million ..... 4
- 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, 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, how much does your company expect to grow?

[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 QUESTIONS 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, participation loans or similar financing instruments .....	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 - €1 million .....	3
Over €1 million .....	4
[DK/NA].....	9

[FOR NON-EURO COUNTRIES THE AMOUNTS IN EURO SHOULD BE CONVERTED TO NATIONAL CURRENCY. FOR ESTONIA BOTH EURO AND FORMER NATIONAL CURRENCY SHOULD BE USED]

**[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]**

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

## 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	Montenegro	ME
Bulgaria	BG	Croatia	ER
Czech Republic	CZ	FYROM	MK
Denmark	DK	Turkey	TR
Germany	DE	Albania	AL
Estonia	EE	Serbia	RS
Ireland	IE	Israel	IL
Greece	EL		
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		
Iceland	IS		
Liechtenstein	LI		
Norway	NO		
Switzerland	CH		