



FINANCING SMES AND ENTREPRENEURS 2020: AN OECD SCOREBOARD

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Outline

1. The WPSMEE
2. The Scoreboard in a nutshell
3. SME finance developments
4. Evolution of SME finance policies
5. Policy responses for SMEs during the COVID-19 pandemic



The Working Party on SMEs and Entrepreneurship (WPSMEE)

Participants:

- OECD member countries + partners
- International Organisations (EU, EIB, EIF, WB, IFC, EBRD, others)
- Representatives of small business (BIAC, SME United) and financial institutions

Aims to increase awareness among policymakers about the need for a level playing field for SMEs

- Financing
- Innovation
- Regulation
- Internationalisation

Assists countries in the design, implementation and assessment of policies



The SME and entrepreneurship finance Scoreboard



- Annual flagship publication that aims to improve the evidence base on SME finance
- Data on debt, credit costs and conditions, asset-based financing, VC investments, and the financial health of SMEs
- Information on policies and programmes
- 48 participating countries
- Official data from ministries, central banks, statistical offices, sector organisations, ...
- A network of experts

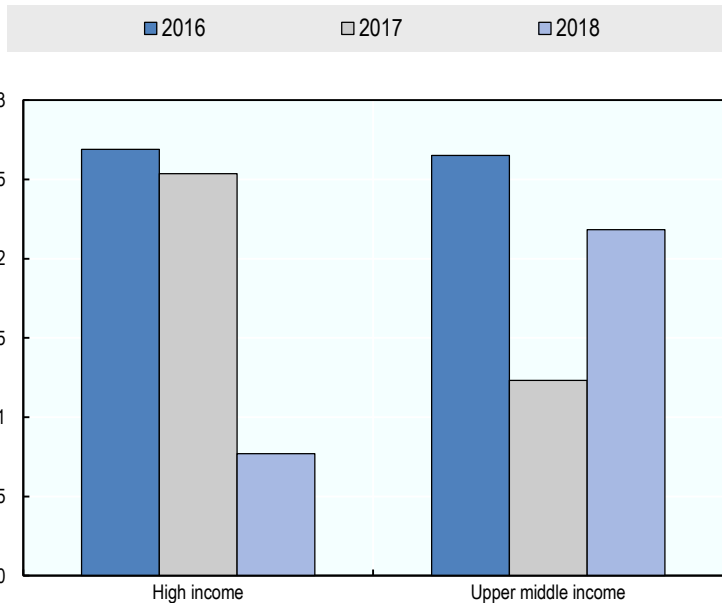
<https://www.oecd.org/cfe/smes/financing-smes-and-entrepreneurs-23065265.htm>



Growth in SME lending was stalling, even before the COVID-19 outbreak...

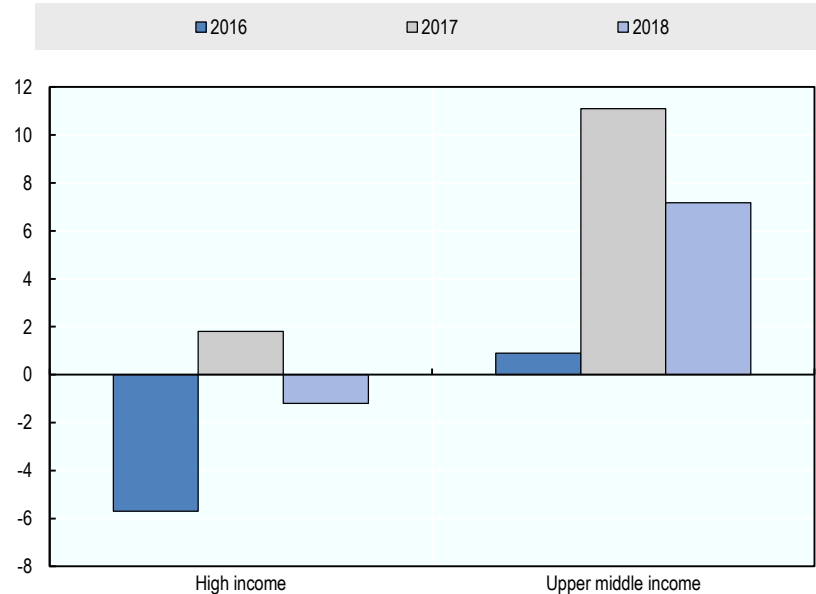
Growth in outstanding SME business loans

Median year-on-year growth rate, as a percentage



Growth to new lending to SMEs

Median year-on-year growth rate, as a percentage



Note: Data adjusted for inflation using the OECD GDP deflator. For non-OECD countries the deflator was extracted from the World Bank World Development Indicators.

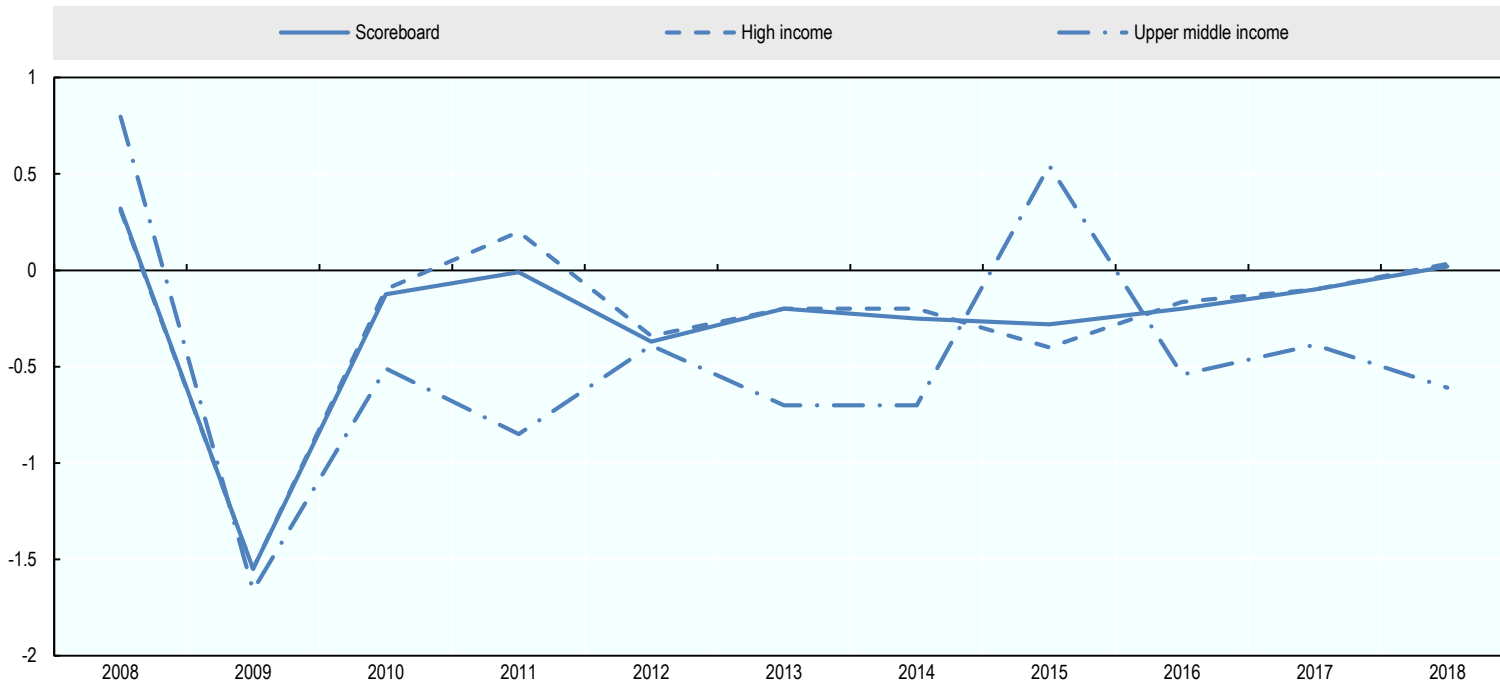
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2020.



...despite generally favourable financial and credit conditions

Nominal SME interest rates, median growth rate

As a percentage, by income group (2008-18)



Note: Definitions differ across countries. Detailed information on sources and definitions is available in the full country profiles.

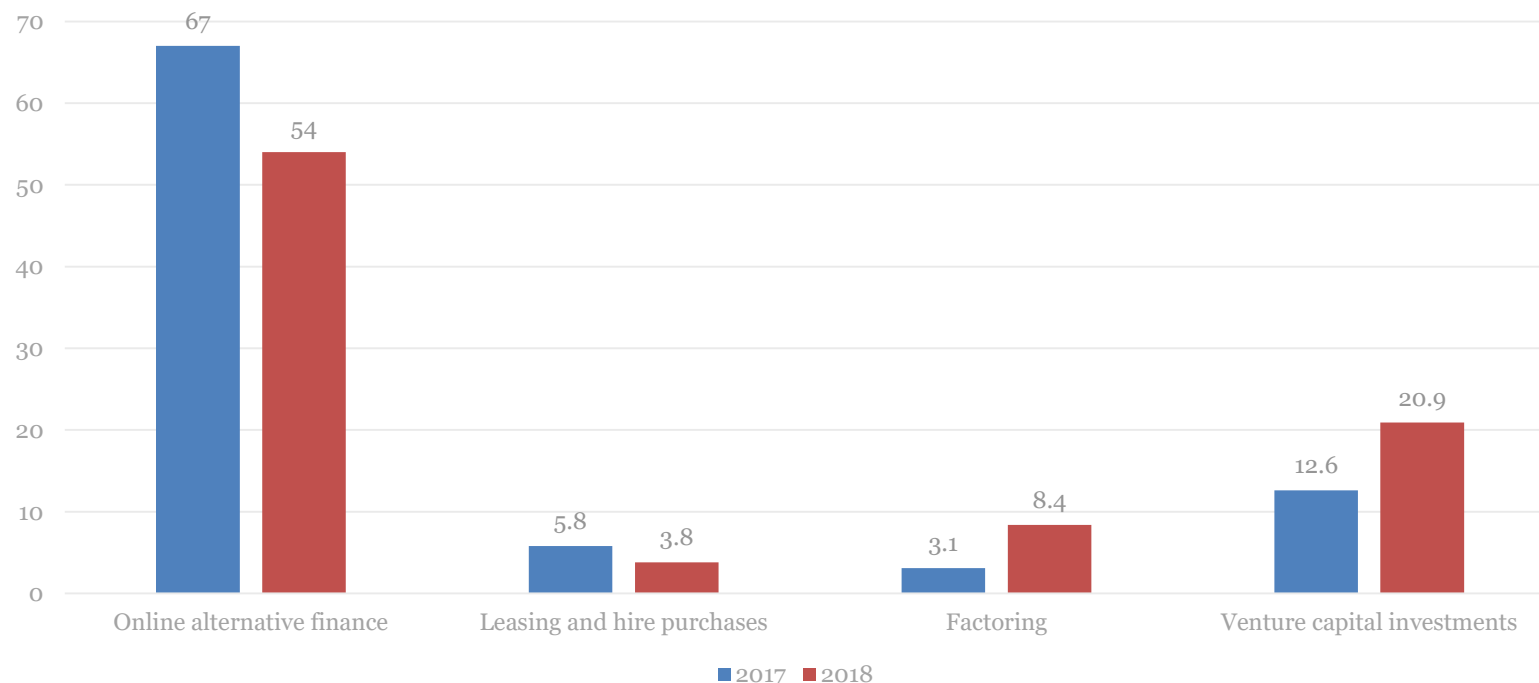
Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2020.



SMEs are increasingly turning to alternative financing instruments

Median growth rate of sources of finance other than straight debt

As a percentage



Note: All represented data are adjusted for inflation using the OECD GDP deflator. Data for non-OECD countries was extracted from the World Development Indicators from the World Bank.

Source: Data compiled from the individual country profiles of Financing SMEs and Entrepreneurs 2020.



Emerging policy developments in the run-up to the pandemic

- 1 **Credit guarantee** volumes continued to rise, but modestly
- 2 **Equity finance support** measures are on the increase
- 3 **“Open banking”** initiatives are emerging
- 4 **Support for Fintech** through regulation and targeted policies
- 5 Measures to **tackle payment delays** are being experimented



The evolution of SME finance policies since the financial crisis

Characteristic	Aftermath of the crisis	Recent years
Target beneficiaries	Broad SME population	Subgroups of the SME population: innovative firms, start-ups, lagging regions, women
Support for debt financing	Strong increase in credit guarantee volumes Direct lending Credit mediation	More focus on the delivery and eligibility criteria of support measures Creation of SME banks
Support for equity financing	Equity instruments were kept largely in place	Tax incentives Establishment of funds/funds of funds SME bank activities
Regulatory measures	Emphasis on financial stability Supply-side regulation (bank capital requirements)	Regulation of Fintech industry Emergence of regulatory sandboxes

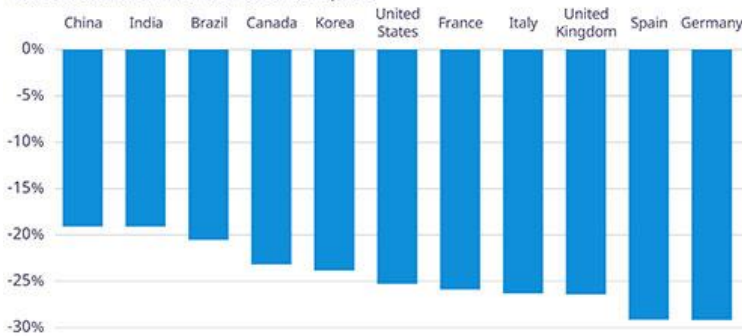


Impact of COVID-19 on SMEs

Latest OECD forecast:

The initial impact of containment measures will be felt worldwide

Selected countries, in % of GDP at constant prices



Source: OECD Annual National Accounts; OECD Trade in Value-Added database; Statistics Korea; Brazilian Institute of Geography and Statistics; and OECD calculations.

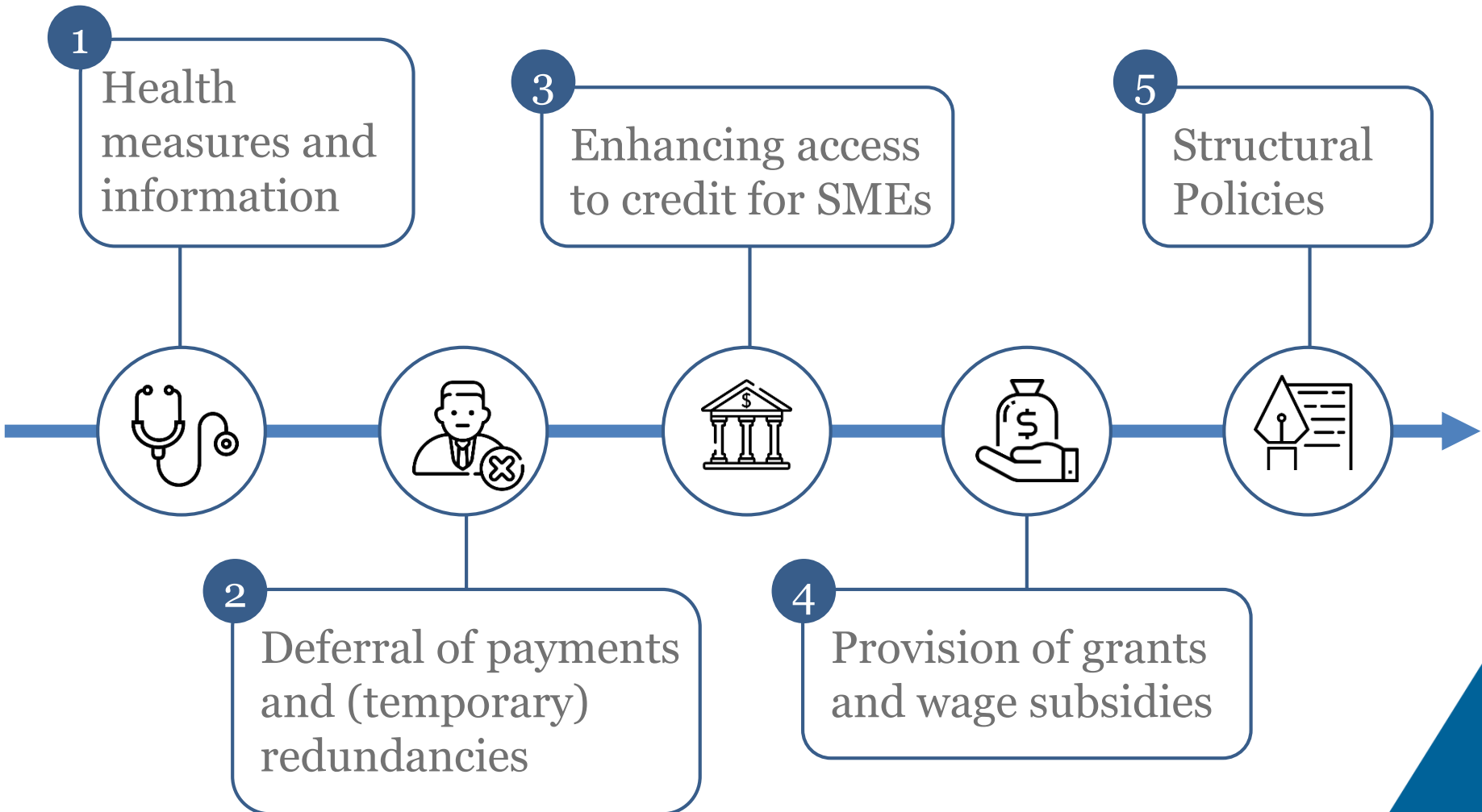
- Decline in annual GDP growth by 2 percent points for each month that strict containment measures continue

Surveys among SMEs across OECD countries show:

- Over 50% of SMEs experiencing a increasingly strong drop in revenue
- Over 50% lack the reserves to stay in business for longer that 2-3 months
- SMEs struggle to adopt new work place practices and technologies to mitigate the impact of containment measures



Sequence in SME policy responses





Financial instruments

1. Loan guarantees:

- New schemes (e.g. Denmark, Israel, Japan)
- Boost in funding (e.g. Austria, UK)
- Higher public risk (e.g. 100% in Switzerland and Germany)
- Easier access (e.g. Switzerland, France)

2. Direct loans:

- New schemes (Canada, Australia, Czech Republic)
- Higher funding (Japan, Brazil)

3. Grants:

- For SMEs affected by the lockdown (Netherlands, Korea)
- As wage subsidies (New Zealand, Chile)

4. Equity:

- Strengthened public VC funds (Germany)
- Economic stabilization fund to ring-fence strategic activities (Germany)
- Financing bridges for start-ups (France)
- Convertible loans for innovative companies (UK)



Issues for consideration

1. **Access:** How to ensure a balance between easy and rapid access for SMEs and accountability?
2. **Sustainability:** How to address the challenge of over-indebtedness and future sustainability?
3. **Leveraging new tools:** Potential for alternative finance providers and use of alternative data to implement SME finance support?
4. **Impact:** Need to monitor SME finance indicators and evaluate impact of policy measures
5. **Exit strategies:** How to adapt measures and develop exit strategies for the recovery phase?
6. **Further work:** How can OECD analysis of SME policies in response to the crisis contribute to mutual learning and effective SME policy delivery?



THANK YOU

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ADDITIONAL RESOURCES

- <https://www.oecd.org/cfe/smes/financing-smes-and-entrepreneurs-23065265.htm>
- [https://read.oecd-ilibrary.org/view/?ref=119_119680-di6h3qgi4x&title=Covid-19 SME Policy Responses](https://read.oecd-ilibrary.org/view/?ref=119_119680-di6h3qgi4x&title=Covid-19_SME_Policy_Responses)