

# **FOSTERING SMEs AND ENTREPRENEURSHIP FINANCING AFTER THE CRISIS**

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## Six years after the crisis SMEs in several OECD countries have not regained full access to financing

- The OECD Scoreboard 2014 provides evidence on how difficult it has been for entrepreneurs to fund their business
- This is not a statistical exercise, but an attempt to provide a comprehensive framework to assess evolving conditions and policies
- The Scoreboard is a unique product to fill a knowledge gap on a comparative basis

# PRESENTATION OF THE SCOREBOARD 2014 IN THREE PARTS

- Contents and significance of selected indicators
- The message that comes out of data, together with a thematic chapter on mezzanine finance
- Governments' policy response

# Scoreboard 2014 monitors 31 countries through 13 core indicators and a survey of their policies

Table 1. Core indicators in financing SMEs and entrepreneurs 2014

Core Indicators	What they show
1. Share of SME loans in business loans	SMEs' access to finance compared to larger firms
2. Share of SME short-term loans in total SME loans	Debt structure of SMEs; % used for operations and % used for expansion
3. SME loan guarantees	Extent of public support for SME finance
4. SME guaranteed loans	Extent to which such public support is used
5. SME direct government loans	Extent of public support for SME finance
6. SME loans authorised/SME loans requested or	Tightness of credit conditions and willingness of banks to lend
SME loans used/SME loans authorised	Proxy for above indicator; however a decrease indicates credit conditions are loosening
7. SME non-performing loans/SME loans	When compared to the ratio of non-performing loans (NPLs) for all business loans it indicates if SMEs are less creditworthy than larger firms
8. SME interest rates	Tightness of credit conditions and risk premium charged to SMEs
9. Interest rate spreads between large and small enterprises	Tightness of credit conditions; indicates how closely interest rates are correlated with firm size
10. Percent of SMEs required to provide collateral on their last bank loan	Tightness of credit conditions
11. Venture capital and growth capital	Ability to access external equity for start-up, early development and expansion stages
12. Payment delays	Cash flow problems; difficulty in paying and being paid
13. Bankruptcies	Rough indicator of the impact of a crisis, cash flow problems

# Why were these indicators selected?

Selection criteria:

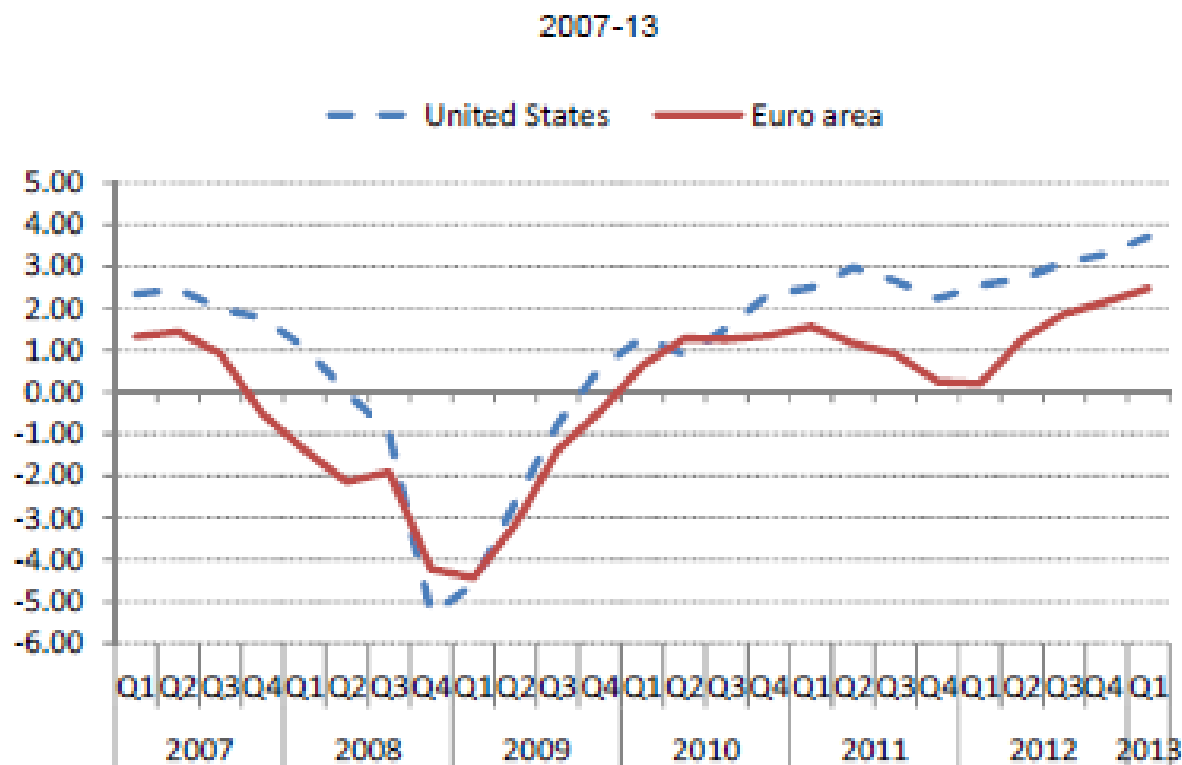
- 1) Core relevance to assess SMEs' ease of access to funding
- 2) Data availability at no significant additional cost

Time frame: 2007-2012 including most of crisis period

If policy makers wish to know more, they should require financial institutions to report data in a

# Diverging financial conditions across the Atlantic after the trough of the crisis

Figure 1. Financial conditions indices in the Euro area and the United States

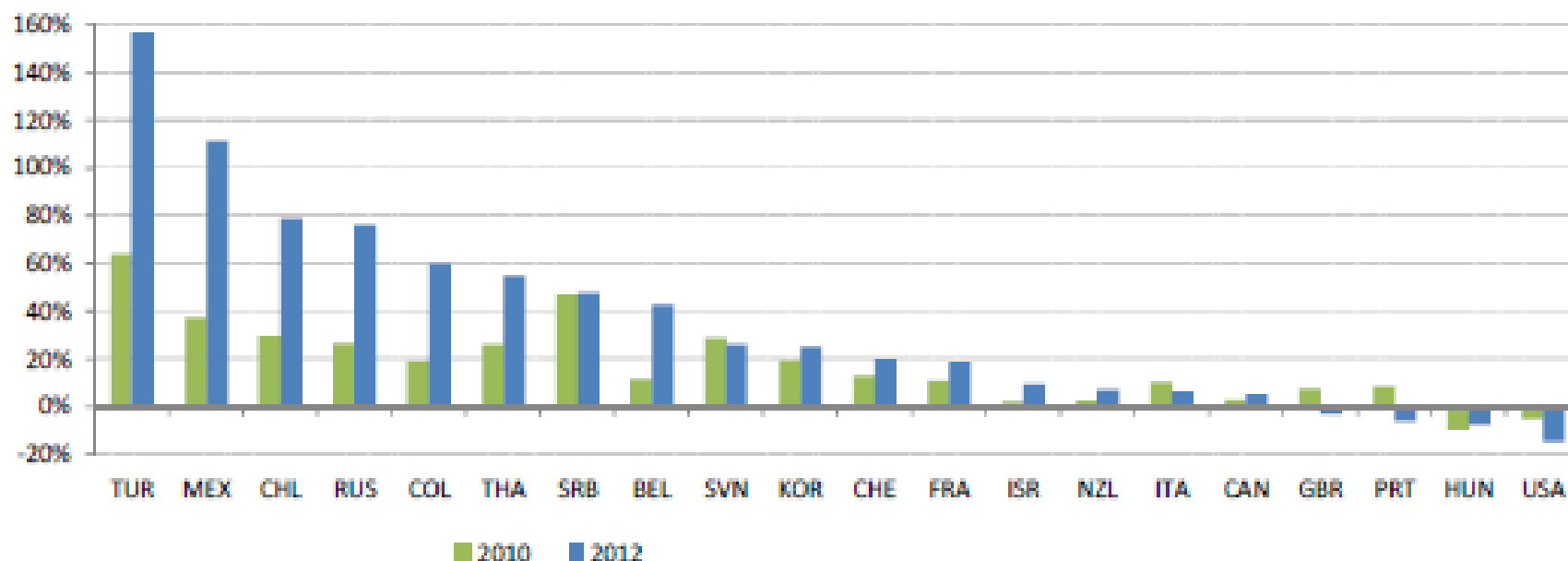


Note: A unit increase (decline) in the index implies an easing (tightening) in financial conditions sufficient to produce an average increase (reduction) in the level of GDP of  $\frac{1}{4}$  to 1% after four to six quarters. See details in Guichard et al. (2009). Estimation done with available information up to 16 May 2013.

# Downward trend in SME lending, except for countries less affected by the fin. crisis

Figure 3. Trends in outstanding SME loans 2007-12

Relative to 2007, percentages (2007=0)



Notes: 1. Definitions differ across countries. Refer to table of definitions in each respective country profile in Part II. 2. The Base year for Russia is 2008; base year for New Zealand is 2009. 3. Countries with flow data are not included.

Source: National scoreboards.

# SME Business Loans

(yearly percentage changes)

Country	2008	2009	2010	2011	2012
<b>Outstanding SME business loans (stocks)</b>					
Belgium	8.3	0.0	3.0	8.8	17.4
Canada	-0.1	3.7	-0.9	5.0	-2.5
Chile	11.3	6.9	8.8	20.4	14.7
Colombia	12.7	-5.2	11.3	17.5	14.5
France	4.8	0.3	5.3	5.3	1.8
Greece	n.a.	n.a.	n.a.	-7.1	-7.9
Hungary	10.3	-7.6	-11.1	0.3	1.9
Ireland	n.a.	n.a.	n.a.	0.9	-6.0
Israel	0.2	-5.1	7.3	7.0	0.3
Italy	2.1	1.2	6.6	-1.9	-1.5
Korea	14.4	5.0	-0.5	3.2	1.4
Mexico	16.9	-1.0	18.4	18.9	29.7
Norway	25.7	-7.7	4.2	4.7	n.a.
Portugal	9.2	0.9	-1.6	-3.9	-10.0
Russia	n.a.	3.7	21.9	19.1	16.9
Serbia	40.3	-0.8	5.6	3.1	-2.6
Slovak Republic	32.4	-0.5	0.1	-12.0	n.a.
Slovenia	15.5	-0.3	11.9	1.8	-4.0
Sweden	7.2	20.4	-21.4	n.a.	n.a.
Switzerland	5.9	5.3	1.3	3.2	2.8
Thailand	9.5	7.4	7.2	3.1	19.1
Turkey	10.6	-1.6	50.7	29.8	20.5
United Kingdom	11.1	-1.7	-1.7	-6.1	-3.5
United States	3.6	-2.3	-6.2	-6.8	-3.3
<b>New SME business loans (flows)</b>					
Austria	n.a.	n.a.	6.4	0.7	-1.4
Czech Republic	-0.5	-28.6	-16.6	0.6	-3.7
Denmark	-13.7	-19.2	23.2	-2.6	14.5
Finland	2.6	-16.3	-16.5	-4.8	-0.5
Netherlands	-5.0	-24.2	5.1	17.6	-3.6
New Zealand	n.a.	n.a.	2.5	-0.9	5.3
Spain	-9.5	-26.3	-20.0	-17.2	-16.2

Notes: 1. Definitions differ across countries. Refer to table of definitions in each respective country profile in Part I. 2. 21 countries reported outstanding SME loans (stocks), 7 countries reported new SME loans (flows); 3 countries had no SME loan data for 2012.



# Percentages of SME loans in total business loans 2007-2012

Country	2007	2008	2009	2010	2011	2012
<b>SME business loans as stocks</b>						
Belgium	58.9	60.5	61.0	60.8	63.0	65.1
Canada	17.4	15.6	17.9	17.5	17.5	15.7
Chile	16.7	15.2	17.5	18.2	18.2	18.5
Colombia	33.4	31.0	28.9	27.1	26.6	26.8
France	20.7	20.3	20.2	20.5	20.7	21.2
Greece	n.a.	n.a.	n.a.	38.5	36.8	38.1
Hungary	62.4	60.6	60.0	54.5	54.4	61.6
Ireland	n.a.	n.a.	n.a.	63.9	67.8	67.5
Israel	40.4	36.6	37.4	38.9	39.8	40.7
Italy	18.8	17.9	18.3	19.0	18.3	18.4
Korea	86.8	82.6	83.5	81.5	77.7	74.7
Mexico	13.0	12.3	12.0	13.0	13.4	16.1
Norway	42.9	43.7	40.4	41.0	40.4	n.a.
Portugal	78.3	77.7	77.4	77.3	77.1	74.7
Russia	n.a.	19.9	21.3	23.7	22.5	23.0
Serbia	21.6	22.0	21.5	22.1	22.4	21.2
Slovak Republic	65.7	77.1	79.4	79.4	65.8	n.a.
Slovenia	54.8	53.4	53.4	57.0	60.1	62.2
Sweden	88.9	88.5	92.4	91.1	n.a.	n.a.
Switzerland	81.2	81.1	80.1	79.9	78.8	78.8
Thailand	28.1	26.6	26.9	38.4	36.8	37.6
Turkey	40.1	33.8	31.7	35.6	35.7	37.5
United Kingdom	19.6	18.0	19.9	21.2	21.2	21.8
United States	30.1	27.7	27.6	29.0	26.5	23.7
<b>SME business loans as flows</b>						
Austria	n.a.	n.a.	11.8	12.6	13.0	11.6
Czech Republic	24.4	23.9	19.0	18.5	20.7	17.2
Denmark	12.3	9.1	9.0	11.2	11.7	16.3
Finland	27.1	21.9	19.6	15.3	21.1	22.4
New Zealand	n.a.	n.a.	40.9	42.8	41.7	43.0
Spain	39.8	38.4	30.3	31.6	33.0	30.1

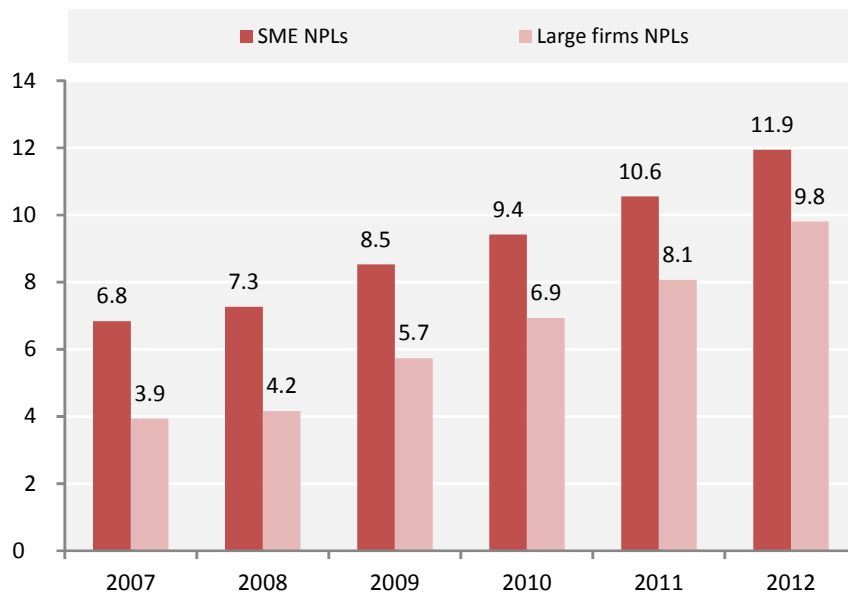
Notes: Definitions differ across countries. Refer to table of definitions in each respective country profile in Part II.

# Credit stringency also due to mounting non-performing loans (NPL) especially among SMEs

- ❖ SME credit quality deteriorated, which could increase banks' reluctance to lend to SMEs in light of capital adequacy requirements

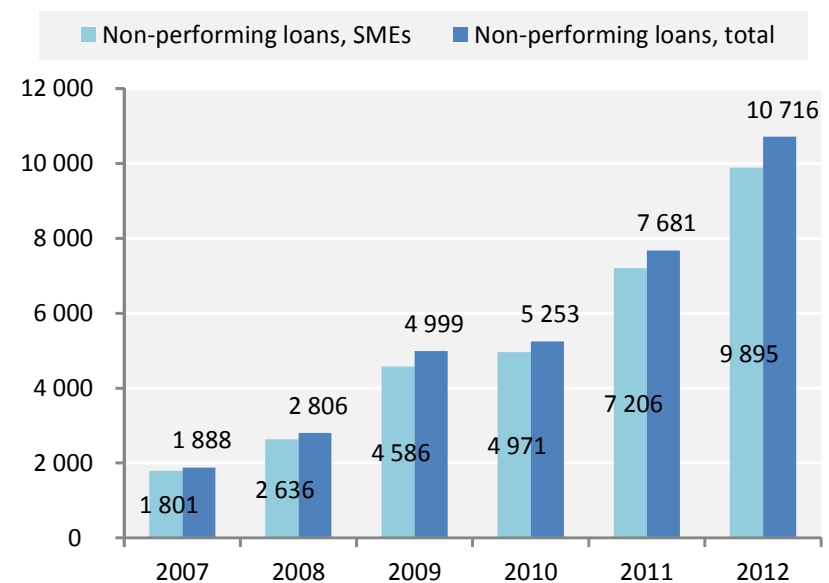
## Italy

SME NPLs as a % of total SME lending,  
Large firms NPLs as a % of large firms' total lending



## Portugal

SME NPLs in EUR million,  
Total NPLs in EUR million



# Developments in SME loan shares over total must be seen in light of trends in both SME and total lending

**Table 4. Trends in SME loan shares and credit market scenarios, 2011-12**

<b>SME loan share change</b>	<b>Countries</b>	<b>Trends in SME and total business loan stock</b>	<b>Credit market scenarios</b>
SME loan shares increased	Belgium, Chile, Colombia, Mexico, New Zealand, Russia and Turkey	SME loans increased more than total loans increased	Increased share of a growing business loan stock
SME loan shares increased	Denmark, France, Hungary and Israel	SME loans increased but total loans decreased	Larger share of a shrinking business loan stock
SME loan share increased	Finland, Greece, Italy and the United Kingdom	SME loans decreased slower than total loans decreased	Larger share of a shrinking business loan stock
SME loan shares decreased	Ireland, Portugal, Slovenia and Spain	SME loans decreased faster than total loans decreased	Smaller share of a shrinking business loan stock
SME loan shares decreased	Austria, Canada, Czech Republic, the Netherlands, Serbia and the United States	SME loans decreased while total loans increased	Smaller share of a growing business loan stock
SME loan shares decreased	Korea and Thailand	SME loans increased but not as fast as total loans increased	Smaller share of a growing business loan stock

# SME Demand for loans in the Euro area: credit availability deteriorated until 4q2012; longer, for South-EU countries

As a percentage of total SMEs surveyed

Category	H1 2011	H2 2011	H1 2012	H2 2012
<b>Availability of loans</b>				
Deteriorated (net)	-14	-20	-22	-10
<b>Willingness to lend</b>				
Deteriorated (net)	-20	-23	-27	-21
<b>Applied for a loan</b>	22	25	24	24
Granted in full	63	62	60	65
Rejected	10	13	15	11
<b>Interest rate</b>				
Increased (net)	54	42	27	17
<b>Collateral</b>				
Increased (net)	33	36	39	35

Note: The net percentage is the difference between the percentage of firms reporting that the given factor has improved and the percentage reporting that it has deteriorated or the difference between the percentage reporting that it has increased and the percentage reporting that it has decreased.

Source: ECB Surveys on SME access to finance

SME average interest rates were reduced, but less in Italy than in other countries

Interest charges on SME loans receded in most countries but interest rate spreads over Large enterprise loans rose

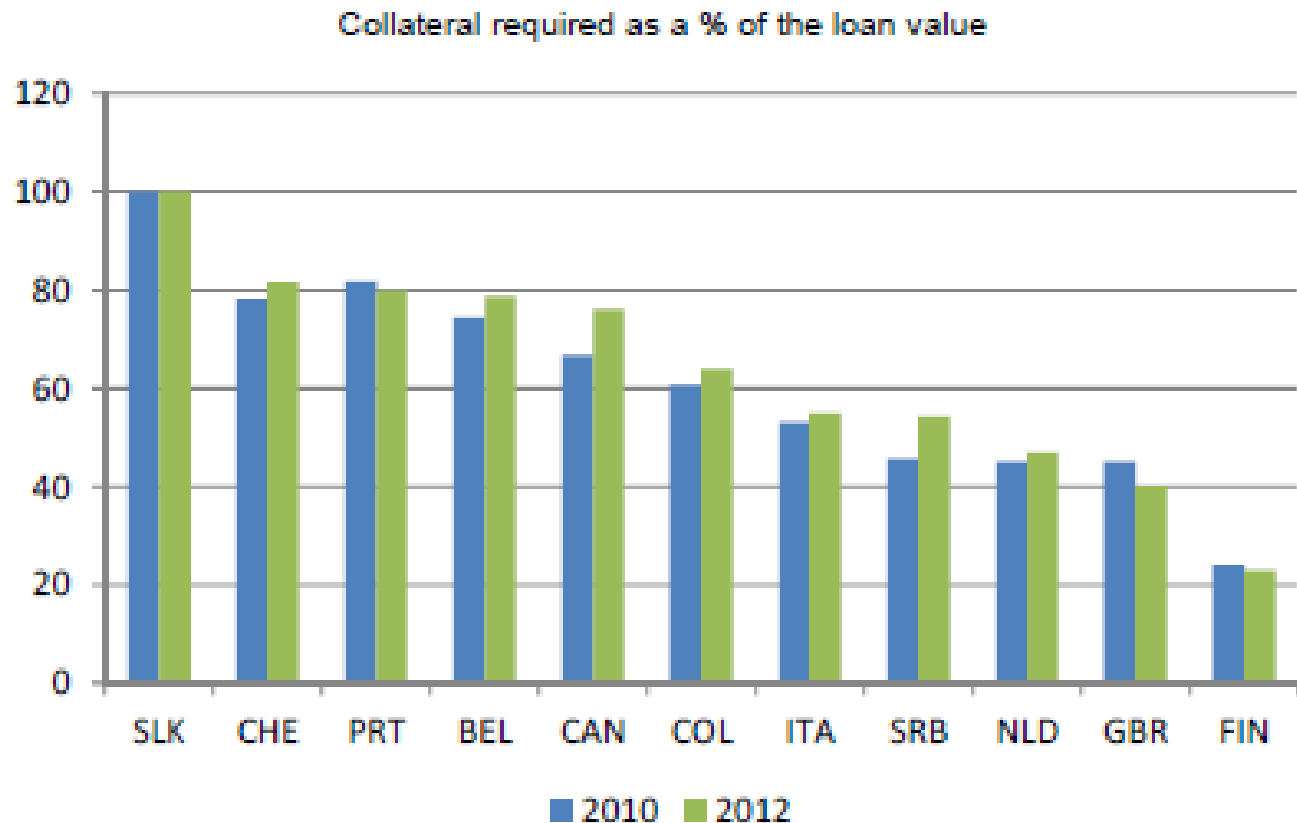
# Declining trends in SME interest rates across countries, but....

Interest rate spreads SME vs. Large firms rose in the EU except in the Netherlands in 2012



# Divergent trends in SME interest rate spreads

# Collateral requirements in SME loans – 2011-2012



Notes: Definitions differ across countries. Refer to table of definitions in each respective country profile in Part II.

Source: National scoreboards.

# Alternative financing tools in SME financing

<i>Low Risk/ Return</i>	<i>Low Risk/ Return</i>	<i>Medium Risk/ Return</i>	<i>High Risk/ Return</i>
Asset-Based Finance	<b>Alternative Debt</b>	<b>“Hybrid” Instruments</b>	<b>Equity Instruments</b>
<ul style="list-style-type: none"> <li>• Asset-based lending</li> <li>• Factoring</li> <li>• Purchase Order Finance</li> <li>• Warehouse Receipts</li> <li>• Leasing</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Bonds</li> <li>• Securitised Debt</li> <li>• Covered Bonds</li> <li>• Crowdfunding (debt)</li> </ul>	<ul style="list-style-type: none"> <li>• Subordinated Loans/Bonds</li> <li>• Silent Participations</li> <li>• Participating Loans</li> <li>• Profit Participation Rights</li> <li>• Convertible Bonds</li> <li>• Bonds with Warrants</li> <li>• Mezzanine Finance</li> </ul>	<ul style="list-style-type: none"> <li>• Private Equity</li> <li>• Venture Capital</li> <li>• Business Angels</li> <li>• Specialised Platforms for Public Listing of SMEs</li> <li>• Equity Derivatives</li> <li>• Crowdfunding (equity)</li> </ul>

# Investment in Venture and Growth Capital – 2007-2012

Relative to 2007 (2007=1) and percentages

	Relative to 2007 (2007=1)						2011/2012 Growth rate (in %)
	2007	2008	2009	2010	2011	2012	
Austria	1.00	0.79	1.13	0.70	1.96	0.57	-70.9
Belgium	1.00	0.90	1.17	0.75	0.58	0.74	27.4
Canada	1.00	0.78	0.56	0.61	0.83	0.83	0.0
Chile	1.00	0.88	0.86	1.05	1.39	1.39	0.0
Czech Republic	1.00	7.59	6.74	5.50	2.51	1.25	-50.3
Denmark	1.00	0.93	0.44	0.35	0.63	0.40	-36.9
Finland	1.00	0.73	0.48	0.97	0.52	0.60	14.4
France	1.00	1.21	1.20	1.47	1.78	1.20	-32.5
Hungary	1.00	3.49	0.18	1.77	2.86	4.90	71.2
Ireland*	1.00	1.08	1.28	1.37	1.21	1.19	-2.0
Israel	1.00	1.18	0.64	0.72	1.21	1.09	-9.9
Italy*	1.00	1.54	0.99	0.98	1.61	1.77	9.8
Korea	1.00	0.73	0.87	1.10	1.27	1.24	-2.2
Mexico	1.00	1.02	1.06	1.52	1.52	1.63	7.7
The Netherlands	1.00	1.18	0.77	0.73	1.15	0.70	-39.0
New Zealand	1.00	0.81	0.42	1.15	0.45	0.33	-26.8
Norway	1.00	0.74	0.37	0.76	0.98	n.a.	n.a.
Portugal*	1.00	0.67	0.31	0.48	0.09	0.12	28.9
Russia* <sup>1</sup>		1.00	1.06	1.17	1.40	1.84	31.5
Serbia	1.00	21.67	n.a.	220.13	n.a.	n.a.	n.a.
Slovak Republic*	1.00	1.14	2.06	1.63	1.64	1.00	-39.1
Slovenia	1.00	6.78	13.80	10.06	5.85	0.94	-84.0
Spain <sup>1</sup>		1.00	1.08	1.08	0.81	0.66	-19.2
Sweden	1.00	1.22	0.78	0.69	0.60	0.46	-22.8
Switzerland	1.00	1.03	0.91	1.19	0.74	0.79	6.5
Turkey	1.00	0.06	0.46	3.48	27.29	8.05	-70.5
United Kingdom	1.00	1.74	1.09	1.42	1.45	1.31	-9.5
United States	1.00	0.94	0.63	0.73	0.92	0.84	-8.6

Notes: 1. Base year is 2008 \* SMEs only. Definitions differ across countries. Refer to table of definitions in each respective country profile in Part II.

## Firms also resorted to payment delays - 2007-2012

in days

	2007	2008	2009	2010	2011	2012	2009-12 Growth rate (in %)
Austria	8.0	8.0	11.0	12.0	11.0	12.0	9.1
Belgium	--	--	17.0	17.0	15.0	19.0	11.8
Chile	--	--	1.8	1.7	1.3	1.4	-24.5
Colombia	48.7	50.0	60.3	61.7	65.4	25.2	-58.2
Denmark	7.2	6.1	12.0	12.0	13.0	12.0	0.0
Finland	6.0	5.0	7.0	7.0	7.0	7.0	0.0
France	14.3	16.0	18.0	18.0	18.0	17.0	-5.6
Hungary	16.3	19.0	19.0	15.0	22.0	20.0	5.3
Ireland	n.a.	n.a.	22.0	25.0	30.0	31.0	40.9
Italy	n.a.	19.4	22.1	19.0	16.9	17.9	-19.0
Korea	11.0	12.1	9.9	12.1	11.7	9.1	-8.1
Netherlands	13.2	13.9	16.0	17.0	18.0	17.0	6.3
Norway	7.4	7.3	11.0	8.0	9.0	9.0	-18.2
Portugal	39.9	33.0	35.0	37.0	41.0	40.0	14.3
Slovak Republic	19.7	8.0	13.0	17.0	20.0	21.0	61.5
Spain	27.0	12.0	26.0	23.0	14.0	11.0	-57.7
Sweden	6.9	7.0	8.0	8.0	8.0	7.0	-12.5
Switzerland	13.7	12.0	13.0	13.0	11.0	10.0	-23.1
United Kingdom	--	--	22.8	22.6	25.7	24.7	8.1

Note: Definitions differ across countries. Refer to table of definitions in each respective country profile in Part II.

## Mezzanine finance vs. other financing approaches

	Senior debt	Mezzanine	Equity
Economic perspective	Debt	Equity	Equity
Legal perspective	Debt	Debt	Equity
Ranking	Senior	Contractually subordinated	Junior
Taxation	Debt interest deductible	Debt interest deductible	Tax on capital
Covenants	Comprehensive restrictions	Tracks senior, but looser	None
Security	Yes -1 <sup>st</sup> ranking	Yes -2 <sup>nd</sup> ranking	No
Investor's involvement in management	No direct involvement	Moderate involvement; board seats	Direct involvement
Purpose	Contractually specified	Not specified	Not specified
Term	4-5 years	5-10 years	Open ended
Interest Costs	Cost of funds + 255-350 basis points	150-300 basis points above senior	None
Repayment	Amortising from cash flow	Bullet <sup>a</sup> upon exit or at maturity	None
Warrants	None	Almost always	None
Total Expected Return	5-13%	13-25%	>25%

<sup>a</sup> The payment for the principal is not made over the life of the loan, but rather as a lump-sum payment at exit or maturity

Source: adapted from Credit Suisse (2006).

# Diverging Trends in business bankruptcies - 2007-2012

Relative to 2007 (2007=1) and percentages

		Relative to 2007 (2007=1)						2011/2012
		2007	2008	2009	2010	2011	2012	Growth rate (in %)
Austria	all firms	1.00	1.00	1.10	1.01	0.93	0.96	2.9
Belgium	all firms	1.00	1.10	1.23	1.29	1.36	1.43	5.2
Canada	per 1 000 firms	1.00	1.00	0.94	0.71	0.65	0.58	-10.0
Chile	all firms	1.00	1.05	1.21	0.94	0.93	0.91	-2.3
Colombia <sup>1</sup>	all firms	..	1.00	1.57	1.67	1.87	1.22	-34.8
Czech Republic	all firms	1.00	1.04	1.53	1.55	1.51	1.60	6.5
Denmark	all firms	1.00	1.54	2.38	2.69	2.28	2.27	-0.2
Finland	% of firms <sup>3</sup>	1.00	1.11	1.33	1.11	1.22	1.22	0.0
France	all firms	1.00	1.08	1.22	1.18	1.16	1.19	2.4
Greece	all firms	1.00	0.65	0.70	n.a.	n.a.	n.a.	n.a.
Hungary	per 10 000 firms	1.00	1.10	1.39	1.52	1.83	1.97	7.9
Ireland	all firms	1.00	1.25	1.89	1.90	2.13	2.05	-3.5
Italy	all firms	1.00	1.22	1.53	1.83	1.97	2.03	3.0
Korea	all firms	1.00	1.19	0.87	0.88	0.59	0.54	-9.6
Netherlands <sup>2</sup>	all firms	..	..	1.00	0.89	0.88	1.05	19.4
New Zealand	all firms	..	1.00	1.45	1.37	1.21	1.12	-7.45
Norway	only SMEs	1.00	1.50	2.16	1.89	1.81	1.60	-11.6
Portugal	all firms	1.00	1.35	1.46	1.57	1.82	2.56	40.9
Russia <sup>1</sup>	all firms	..	1.00	1.11	1.15	0.92	1.01	10.0
Serbia	all firms	1.00	1.05	1.21	1.39	1.54	n.a.	n.a.
Slovak Republic	all firms	1.00	1.49	1.63	2.04	2.22	2.13	-4.0
Spain	only SMEs	1.00	2.83	4.92	4.70	5.37	7.00	30.4
Sweden	only SMEs	1.00	1.09	1.32	1.26	1.20	1.29	7.3
Switzerland	all firms	1.00	0.98	1.21	1.45	1.54	1.59	2.7
Turkey	all firms	1.00	0.90	0.96	1.31	1.38	2.71	95.8
United Kingdom	all firms	1.00	1.23	1.51	1.32	1.40	1.34	-3.9
United States	all firms	1.00	1.54	2.15	1.99	1.69	1.41	-16.2

Notes: 1. Base year is 2008. 2. Base year is 2009. 3. % of firms in bankruptcy proceedings.

If SME financing did not deteriorate further, it is because governments and monetary authorities came to the rescue

- Parallelism in approaches across countries
- Support to bank lending and equity investment
- Innovative tools: credit mediation, on-lending, debt temporary moratorium, etc.
- Institutional reform and innovation
- Support to rehabilitate the banking sector



## Government policy responses - 2007-2012

Policy response	Countries
Government loan guarantees	Austria, Belgium, Canada, Chile, Colombia, Czech Republic, Denmark, Finland, France, Greece, Hungary, Ireland, Israel, Italy, Korea, Mexico, the Netherlands, Norway, Portugal, Russian Federation, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Thailand, Turkey, United Kingdom, United States
Special guarantees and loans for start ups	Austria, Canada, Denmark, Mexico, the Netherlands, New Zealand, Serbia, United Kingdom
Government export guarantees, trade credit	Austria, Belgium, Canada, Colombia, Czech Republic, Denmark, Finland, Hungary, Korea, the Netherlands, New Zealand, Spain, Sweden
Direct lending to SMEs	Austria, Belgium, Canada, Chile, Colombia, Czech Republic, Finland, France, Greece, Hungary, Ireland, Israel, Korea, Norway, Portugal, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Turkey, United Kingdom
Subsidized interest rates	Austria, Hungary, Portugal, Russian Federation, Spain, Turkey, United Kingdom
Venture capital, equity funding, business angel support	Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Finland, France, Greece, Hungary, Ireland, Israel, Mexico, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Turkey, United Kingdom
SME banks	Czech Republic, France, Portugal, Russian Federation, United Kingdom
Business advice, consultancy	Austria, Colombia, Denmark, Finland, the Netherlands, New Zealand, Sweden
Tax exemptions, deferments	Belgium, Finland, Italy, New Zealand, Norway, Spain, Sweden, Turkey
Credit mediation/ review/code of conduct	Belgium, France, Ireland, New Zealand, Spain
Bank targets for SME lending, negative interest rates for deposits at central bank	Ireland, Denmark
Central Bank funding to banks dependent on net lending rate	United Kingdom

# Innovative Government approaches to support SMES

- Credit mediation in France and Belgium
- Debt moratorium in Italy
- On-lending schemes in UK and Italy
- Norms for bank credit expansion in Ireland
- Assistance to small entrepreneurs in dealing with bank lending managers in France
- Indirect investment in mezzanine finance
- Reshaping public financial institutions in France and UK

# Public schemes for mezzanine finance to SMEs

Indirect investment via funds	Direct provision of finance to companies	Funding of private investment companies at attractive terms (US SBIC model)
<p>a) Fund of funds structure</p> <ul style="list-style-type: none"> <li>• public investor               <ul style="list-style-type: none"> <li>– establishes investment policy</li> <li>– selects funds</li> <li>– co-invests in fund with other public and private investors</li> </ul> </li> <li>– provides funding to fund</li> <li>• fund               <ul style="list-style-type: none"> <li>– selects SME for investment.</li> </ul> </li> </ul> <p>b) Simple fund structure</p> <ul style="list-style-type: none"> <li>• public investor               <ul style="list-style-type: none"> <li>– establishes investment policy</li> <li>– joins other public and private investors to form fund</li> </ul> </li> <li>• fund               <ul style="list-style-type: none"> <li>– selects SME for investment</li> </ul> </li> </ul>	<p><i>Government entity</i></p> <ul style="list-style-type: none"> <li>• designs product</li> <li>• sets criteria for eligibility</li> <li>• provides funding directly to SME via loans or guarantees</li> </ul>	<p><i>Government entity</i></p> <ul style="list-style-type: none"> <li>• sets criteria for eligibility</li> <li>• provides funding on favourable terms to private companies specialised in SME investment.</li> </ul> <p><i>Private investment company</i></p> <ul style="list-style-type: none"> <li>• selects SME for investment.</li> </ul>

# Prospects for SME financing: the new “normal”

- Radical changes in financing patterns of both banks and SMEs
- More prominent role for financial markets and regulations
- SMEs have to learn with Gvt support to move faster towards new funding patterns, i.e. the new “normal”.
- Three requirements: 1) debt diversification; 2) boost to equity base; 3) larger use of hybrid financial instruments