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Improving access to finance for SMEs

European Parliament resolution of 5 February 2013 on improving access to finance for SMEs (2012/2134(INI))

The European Parliament,

– having regard to the Commission Communication 'An action plan to improve access to finance for SMEs' (COM(2011)0870),

– having regard to the Commission Communication 'Europe 2020, a strategy for smart, sustainable and inclusive growth (COM(2010)2020),

– having regard to the Commission Report 'Minimizing regulatory burden for SMEs – Adapting EU regulation to the needs of micro-enterprises' (COM(2011)0803),

– having regard to the Commission programme for the competitiveness of enterprises and SMEs, the 'COSME' programme (COM(2011)0834),

– having regard to the 'Small Business Act for Europe' (COM(2008)0394), which recognises the central role of SMEs in the EU economy and aims to strengthen the role played by SMEs and to promote their growth and job-creating potential by alleviating a number of problems which are thought to hamper the development of SMEs,

– having regard to the Commission Communication of 23 February 2011 on the review of the 'Small Business Act for Europe' (COM(2011)0078) and Parliament's resolution of 12 May 2011 thereon[1],

– having regard to the Commission proposal for a regulation of the European Parliament and the Council on European Venture Capital Funds (COM(2011)0860),

– having regard to the Commission proposal for a regulation of the European Parliament and the Council on European Social Entrepreneurship Funds (COM(2011)0862),

– having regard to the Commission and European Central Bank study of 2011 on the SMEs' Access to Finance Survey,

– having regard to the Special Report 2/2012 of the Court of Auditors on financial instruments for small and medium-sized enterprises co-financed by the European Regional Development Fund,

– having regard to its resolution of 7 September 2010 on developing the job potential of a new sustainable economy[2],

– having regard to Rule 48 of its Rules of Procedure,

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[1] OJ C 377 E, 7.12.2012, p. 102.
[2] OJ C 308 E, 20.10.2011, p. 6.

– having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on Employment and Social Affairs, the Committee on Internal Market and Consumer Protection, the Committee on Regional Development and the Committee on Legal Affairs (A7-0001/2013),

A. whereas poorly designed regulation of the financial industry, combined with the severe and pervasive effects of the financial, economic and debt crisis, may cause more difficult access to finance for SMEs;

B. whereas it is crucial to create and develop the necessary tools and lay down the right conditions to enable the Union to boost growth in the eurozone and in the Union as whole;

C. whereas bank loans are the main source of financing for SMEs in the European Union;

D. whereas, according to ECB data, lending rates for SMEs vary greatly among Member States and there are imbalances in access to liquidity, with high rejection rates as regards lending for business projects in some countries;

E. whereas SMEs account for more than 98 % of Europe’s businesses and provide more than 67 % of jobs in the Union; whereas they are thus the backbone of the European Union’s economy and important drivers of European long-term economic growth and sustainable job creation opportunities within the 27 Member States;

F. whereas 85 % of all new jobs in the EU between 2002 and 2010 were created by SMEs, in particular by new firms; whereas 32,5 million people in the EU are self-employed;

G. whereas there are different kinds of SMEs which all have different needs;

H. whereas actions supporting SMEs and entrepreneurship are regulated by the ‘Small Business Act‘, which Member States have committed themselves to implementing together with the European Commission;

General issues

1. Welcomes the Commission‘s Action Plan and its broad set of proposals and recommendations regarding SMEs;

2. Agrees with the Commission that the European Union‘s economic success, excellence and cohesion largely depend on sustainable growth and job creation based on SMEs committed to providing quality products and services; highlights the importance of encouraging economic growth across the spectrum of companies; emphasises that SMEs are part of a broader ‘ecosystem‘ of enterprises; notes that in this ‘ecosystem‘ there is also a need to ensure an equal focus on improving access to finance for microenterprises and sole traders; notes that larger companies rely extensively on a broad network of smaller SMEs;

3. Stresses that, because of the aggravating effect of the financial and economic crisis, many SMEs have difficulty in accessing finance, and that SMEs need to comply with new and sometimes more stringent regulatory criteria than before; stresses that banking institutions which have benefited during the crisis from state aid, as well as other implicit forms of subsidy provision such as public guarantees and liquidity support from central banks and the European Central Bank, should be subject to targets for their financing amounts and

conditions for SMEs; encourages the Commission to continue its efforts in promoting national-level implementation of the 'Think Small First' principle, which implies a further simplification of the regulatory and administrative environment for SMEs;

4. Underlines the fact that when simplifying the regulatory and administrative environment for SMEs, adequate protection for employees needs to be provided in the fields of social security and occupational health and safety; calls on the Commission and the Member States to tackle possible discrimination in access to finance in the case of SMEs run by disadvantaged people or social groups;

5. Notes that in recent years considerable efforts have been made to reduce red tape;

6. Highlights the importance of strengthening the local banking system; underlines the responsibility and the functions of banks, ranging from European- to local-scale banks, in terms of investing wisely in the economy and more specifically in SMEs; notes the differences between Member States in the cost of borrowing for SMEs and in access to financing for SMEs resulting from the adverse macroeconomic context, which might have negative competitive implications in border areas; points out that, even though SMEs‘ problems in accessing credit still vary among Member States, the results of the October 2011 ECB Bank Lending Survey show a significant overall tightening of credit standards for loans to SMEs and demonstrate that reducing investments to a minimum can lead to a credit crunch; acknowledges, in addition, that there is a significant demand for micro-credits in the EU;

7. Reiterates that revised public procurement and concession contract rules should not hamper SMEs‘ and micro-enterprises‘ access to the procurement market;

8. Recalls that in Europe the main source of financing for SMEs is the banking sector; believes that because of the fragmentation of the banking sector and the subsequent great divergence in lending rates and credit offer among countries, a differentiated approach to improving SMEs' access to funding is necessary, taking into account the country-specific circumstances;

The diversity of Small and Medium Enterprises

9. Reminds the Commission that SMEs across Europe are very heterogeneous, ranging from very traditional, family-run businesses to fast-growing enterprises, high-tech firms, micro-enterprises, social enterprises and start-ups, and that approaches to assisting them must be equally diverse;

10. Points out that in the current situation where insufficient access to appropriate sources of risk capital, particularly in the early stages, continues to be one of the most significant constraints on the creation and development of growth-oriented firms, the Commission's Action Plan places a lot of emphasis on venture capital as a possible mode of growth finance; underlines nonetheless that this kind of funding is adequate only for a small number of SMEs and that bank loans remain the main source of funding;

11. Stresses that there is no one-size-fits-all mode of finance and calls on the Commission to support the development of a broad range of tailored programmes, instruments and initiatives, ranging across equity (such as business angels, crowd funding and multilateral trading facilities), quasi-equity (such as mezzanine finance) and debt instruments (such as

small-ticket company bonds, guarantee facilities and platforms), in partnerships between banks and other operators involved in SME financing (accountancy professionals, business or SME associations or chambers of commerce), in order to support businesses in their start-up, growth and transfer phases, taking into account their size, turnover and financing needs;

12. Stresses that the Commission should emphasise the important role that the stock market can play in improving access to liquidity for both SMEs and investors at different stages; recalls that stock markets designed specifically for SMEs are already in place in the eurozone and that they were designed in response to specific market and financing requirements;

Vulnerability of SMEs

13. Asks the Commission to subject new regulations relevant to SMEs to an overall and inclusive impact assessment, including a comprehensive test, taking into account the needs and challenges that SMEs have to face;

14. Highlights the fact that SMEs are often at the end of a long delivery life cycle and hence are the ones affected most by late payments and short payment periods; welcomes, therefore, the Commission's initiative of strongly encouraging Member States to accelerate the implementation of the Late Payments Directive;

15. Underlines the fact that the Commission surveys show that not only access to finance but also access to skills, including managerial skills and financial and accountancy knowledge, are critical factors for SMEs in accessing funds, innovating, competing and growing; believes that the delivery of EU financial instruments should therefore be accompanied by the provision of appropriate mentoring and coaching schemes and knowledge-based business services;

16. Considers it necessary to support SMEs at local level in order to develop policies to promote entrepreneurship, improve the situation of SMEs throughout the course of their lifetime and help them gain access to new markets; believes that recognition and exchange of good practices are key elements in this policy;

Professionalising entrepreneurship

17. Notes that entrepreneurs' lack of knowledge of basic finance limits the quality of business plans and, consequently, the success of credit applications; calls on the Member States, therefore, to provide professional training support for potential entrepreneurs and to provide support for partnerships between banks, chambers of commerce, business associations and accountancy professionals;

18. Believes that female entrepreneurship is an untapped resource for the growth and competitiveness of the EU, which should be fostered and strengthened, and that all the obstacles facing women in the labour market should be removed;

19. Believes that developing entrepreneurship skills and programmes to learn how the market, economy and the financial system operate, function and interact should be included in basic education systems; believes that a well prepared business plan is the first step towards better access to finance and viability; calls on the Commission and the Member States to include financial education in their education programmes without any delay; supports in this

connection the ‘Erasmus for Young Entrepreneurs‘ programme, designed to promote an entrepreneurial culture and develop the single market and competitiveness;

20. Believes that what is needed is a special strategy for start-ups and financial tools to implement innovative projects and develop the creativity of young entrepreneurs;

21. Highlights the fact that in some Member States there is already some best practice in the field of improving preparation of entrepreneurs; calls on the Commission to support its implementation in other Member States;

22. Stresses that informing entrepreneurs and potential entrepreneurs and banks in simplified terms and on a regular basis about training initiatives, EU funding and programmes for SMEs is indispensable at national, regional and local level, as they need to take advantage of all the available opportunities and measures; calls on the Commission to ensure that national SME organisations are properly informed of EU initiatives and policy proposals;

23. Calls for increased communication efforts from the EIB group to promote financial schemes vis-à-vis the SME community in cooperation with SME organisations;

24. Points out that guidance for entrepreneurs who have gone bankrupt is indispensable, given that 15 % of businesses that close do so as a result of bankruptcy; supports the simplification and shortening of bankruptcy procedures in order to give the entrepreneurs in question a second chance, as businesses set up by re-starters might perform better;

Transparency

25. Notes that creditors‘ knowledge of credit tools is generally better than that of entrepreneurs and that entrepreneurs should communicate better with creditors about their business plan and their long-term strategy; stresses that this information gap creates difficulties when a credit application is being discussed; recognises that there is a need on the part of SMEs to get specially tailored advice on credit opportunities; calls on the Commission to foster the sharing of best practices on specific solutions concerning dialogue, cooperation and exchange of information between creditors and entrepreneurs; calls on the Commission to strengthen the dialogue and cooperation between entrepreneurs and creditors;

26. Emphasises that creditors should set clear and specific criteria on applying for finance in a transparent manner; stresses that when a creditor fully or partially rejects a credit application, the creditor must inform the entrepreneur adequately and constructively of the reasons for the rejection; calls on the Commission to define clear guidelines on this constructive approach to transparency;

27. Notes that when repaying a loan early, SMEs have to pay the funding loss, and often an additional fine, to the creditor, which results in a total cost that is too high to bear; calls on the Commission to propose more transparency in all contracts on early repayment for SMEs and to study the possibility of a cap to limit the costs of this kind of operation;

28. Notes that SMEs are being confronted with increasingly stringent requirements, including personal guarantees, in order to obtain financing from credit institutions; notes that increased interest rates might lead to an increase in non-price terms and conditions, including personal guarantees; considers, therefore, that the legislation required to regulate the financial industry must explicitly protect and stimulate effective lending to the real

economy, in particular to SMEs;

29. Calls on the Member States to reduce the administrative burden at the start-up and during the lifetime of the SME, given the differences between countries in this field that are hindering the completion of the single market; stresses that it is important to reduce the number of days required to start up a new business; asks the Commission to study the best potential practices to be implemented in Member States; calls on the Commission to assess the possibility of introducing a single SME identification number, stored in a single European database for SMEs, including all financial data, allowing SMEs to apply more easily for EU and national programmes and funding; points out that when introducing an SME identification number such as this, attention must be paid to data protection principles;

30. Welcomes the Commission's proposal to promote the use of qualitative ratings as a tool to complement the standard quantitative assessment of SMEs' creditworthiness;

New ways of funding

31. Welcomes the Commission's new funding programmes, which take account of the specific characteristics of SMEs; calls on the Commission to develop further EU funding tailor-made for SMEs; underlines the fact that fragmentation of funding should be avoided and that funding can be effective only when it is able to cover a substantial part of what is needed by the SMEs in question;

32. Strongly believes that the financial envelope for the debt and equity finance instruments under the COSME Programme and under Horizon 2020 should be substantially increased, and access to them for SMEs considerably improved;

33. Takes the view that the Commission should explore ways to improve the European quasi-equity market, in particular mezzanine finance; recommends that the Commission investigate how to strengthen the EIF Mezzanine facility for Growth and that it look into new mezzanine products such as a guarantee for mezzanine loans; recommends also that data and analysis regarding financial instruments be provided in order to reduce barriers for financial intermediaries who may wish to explore the lending market for mezzanine capital in the EU;

34. Calls for at least 20 % of the Horizon 2020 budget to be allocated to SMEs;

35. Notes that capital guarantees are widely appreciated and used by SMEs and credit institutions; welcomes the efforts of the Commission on this issue; calls on the Member States to implement an appropriate framework for capital guarantees;

36. Calls on the Commission to provide an appropriate, tailored regulatory framework for issuers of funding to SMEs that does not prove burdensome for them and also wins investors' confidence (under the European legislation on accounting standards, the Prospectus Directive, the Transparency Directive, the Market Abuse Directive and the MIFID);

37. Welcomes the agreement reached at the European Council meeting of 28 and 29 June 2012 to increase the EIB's capital by EUR 10 billion, which will enable the EIB group to boost its lending capacity within the Union by approximately EUR 60 billion over the period 2012-2015 and leverage some EUR 180 billion of total investment, and thus play a

welcome role as part of the concerted efforts to boost the European economy; welcomes the fact that the EIB in its lending priorities specifically identified the need to extend the range of banking partners for SME lending so as to include new financial and non-conventional intermediaries; stresses that this new commitment must not undermine the parallel efforts to strengthen and improve the joint EIB-Union budget instruments used to share risk and take equity stakes; in light of this, calls on the Commission to strengthen and optimise the risk-sharing instruments of the European Investment Bank and the European Investment Fund programmes for portfolios of equity or mezzanine financing granted by financial institutions (intermediaries) to SMEs; recognises that cohesion policy is one of the main sources of financial support for SMEs and that funding programmes under the Structural Funds, a reduction in red tape and increased speed and efficiency are essential to fostering the recovery of the EU economy and its competitiveness;

38. Calls on the Commission to establish a permanent European Guarantee Platform under the European Investment Fund to ease SMEs‘ access to finance, which would improve the development of guarantees or lending products based on European guarantees and reduce bank capital requirements and risk exposure for financial intermediaries;

39. Encourages the EIB to build further on its Project Microfinance initiative and in so doing to foster its contribution to delivering on EU policy priorities in the area of social inclusion;

40. Notes that in some Member States there is a record amount of household savings in bank accounts, while in other Member States deposits are reducing because of the effects of the crisis; stresses that creating a proper framework of incentives to activate these household savings should facilitate SMEs’ access to finance, both domestic and cross-border, and boost the EU economy; calls on the Commission to come forward with a proposal on the activation of these savings, for example by introducing incentives based on the best practices existing in the Member States;

41. Notes that SMEs contribute to getting people into work in regions where employment levels are lower, stimulating an increase in employment and helping to meet the current needs of the inhabitants, thus having a positive effect on the development of local communities; believes, therefore, that the development of SMEs is one way of reducing disparities at national level;

42. Welcomes the support provided to SMEs and micro-enterprises through initiatives such as the PSCI, the Creative Europe Programme (including the Cultural and Creative Sector Loan Guarantee Facility), COSME and Horizon 2020, all of which provide new ways of developing the skills and knowledge that enable SMEs and micro-enterprises to develop dynamically;

43. Calls on the Commission and the Member States to address ways of improving access to finance for SMEs aiming to provide innovative works, supplies or services to the public sector; calls in particular for measures to improve financing conditions by ensuring that venture capital and other relevant funding streams fully recognise the growth potential of innovative enterprises working with public-sector partners, both on pre-commercial procurement projects and in the context of Innovation Partnerships;

44. Stresses that a fair, open and transparent EU regulatory framework for public procurement and the proportionate, transparent and non-discriminatory enforcement of Directive 96/71/EC of the European Parliament and of the Council of 16 December 1996

concerning the posting of workers in the framework of the provision of services[1] are indispensable in order for SMEs to gain better access to public contracts and actually be able to deliver on such contracts;

45. Adds that measures must be taken to ensure that the simplification of cross-border activity for SMEs does not at the same time facilitate cross-border activity in the context of fictitious self-employment, especially in the construction sector;

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46. Instructs its President to forward this resolution to the Council, the European Central Bank, the European Investment Bank, the Commission and the governments and parliaments of the Member States.

[1] OJ L 18, 21.1.1997, p. 1.