Improving access to finance for SMEs

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The Committee on Economic and Monetary Affairs adopted the own-initiative report by Philippe DE BACKER (ADLE, BE) on improving access to finance for SMEs, in response to the Commission's Action Plan on the same subject.

Members welcome the Commission's Action Plan and its broad set of proposals and recommendations regarding SMEs. They agree 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.

Due to 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. Members encourage 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. The report stresses that banking institutions which have benefited during the crisis from state aid should be subject to targets for their financing amounts and conditions for SMEs.

Vulnerability: 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. Members welcome the Commission's initiative of strongly encouraging Member States to accelerate the implementation of the Late Payments Directive.

The Commission is asked 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.

Professionalising entrepreneurship: Members note that **entrepreneurs' lack of knowledge** of basic finance limits the quality of business plans and, consequently, the success of credit applications. They call on the Member States, therefore, to provide **professional training support** for potential entrepreneurs.

The Commission and the Member States are called upon to include financial education in their education programmes without any delay. Members support in this connection the '**Erasmus for Young Entrepreneurs**' programme, designed to promote an entrepreneurial culture and develop the single market and competitiveness.

Members also consider it essential to:

- set up a **special strategy for start-ups** and financial tools to implement innovative projects and develop the creativity of young entrepreneurs;
- facilitate the implementation of **best practice** in the field of improving preparation of entrepreneurs;
- **inform entrepreneurs and potential entrepreneurs** and banks in simplified terms and on a regular basis about training initiatives, EU funding and programmes for SMEs at national, regional and local level.

Transparency: the report 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. **Creditors should set clear and specific criteria on applying for finance in a transparent manner.**

Recognising that there is a need on the part of SMEs to get specially tailored advice on credit opportunities, Members call on the Commission to foster the sharing of best practices on specific solutions concerning **dialogue, cooperation and exchange of information between creditors and entrepreneurs**.

Member States are called upon 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. Members stress that it is important to **reduce the number of days required to start up a new business** and call on the Commission to assess the possibility of introducing a **single SME identification number**, stored in a single European database for SMEs.

Variations of SMEs and new ways of funding: the report 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.

Members welcome the Commission's new funding programmes, which take account of the specific characteristics of SMEs. They strongly believe that the financial envelope for the debt and equity finance instruments under the COSME Programme and under Horizon 2020 should be substantially increased. They call for at least 20% of the Horizon 2020 budget to be allocated to financing innovation in SMEs.

The Commission is invited 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;
- 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
- address ways of improving access to finance for SMEs aiming to provide innovative works, supplies or services to the **public sector**;
- emphasise the important role that the **stock market** can play in improving access to liquidity for both SMEs and investors at different stages;

The report 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. Members call 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.