Improving access to finance for SMEs

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The European Parliament adopted by 538 votes to 20, with 22 abstentions, a resolution on improving access to finance for SMEs, in response to the Commission's Action Plan on the same subject.

Recalling that SMEs account for more than 98% of Europe's businesses and provide more than 67% of jobs in the Union, Parliament welcomes the Commission's Action Plan and its broad set of proposals and recommendations regarding SMEs.

Due to the aggravating effect of the financial and economic crisis, **many SMEs have difficulty in accessing finance.** Consequently, 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.

Parliament recalls 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. Because of the fragmentation of the banking sector and the subsequent great divergence in lending rates and credit offer among countries, it calls for a **differentiated approach** to improving SMEs' access to funding is necessary, taking into account the country-specific circumstances.

Vulnerability of SMEs: 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 submit 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: Parliament notes that **entrepreneurs' lack of knowledge** of basic finance limits the quality of business plans and, consequently, the success of credit applications. It calls 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.

Parliament also considers 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: recognising that there is a need on the part of SMEs to get specially tailored advice on credit opportunities, the resolution 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**.

With a view to **reducing the administrative burden** for SMEs, 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: stressing that there are different categories of SMEs with differing needs and that there is no one-size-fits-all mode of finance, Parliament 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);
- **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;
- emphasise the important role that the **stock market** can play in improving access to liquidity for both SMEs and investors at different stages;

Lastly, noting that in some Member States there is a record amount of household savings in bank accounts, Parliament 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.