

**TACKLING CORONAVIRUS (COVID-19)**  
CONTRIBUTING TO A GLOBAL EFFORT

# **SME FINANCE TRENDS AND THE PUBLIC POLICY RESPONSES TO COVID-19**

**AECM 2020 General Assembly**

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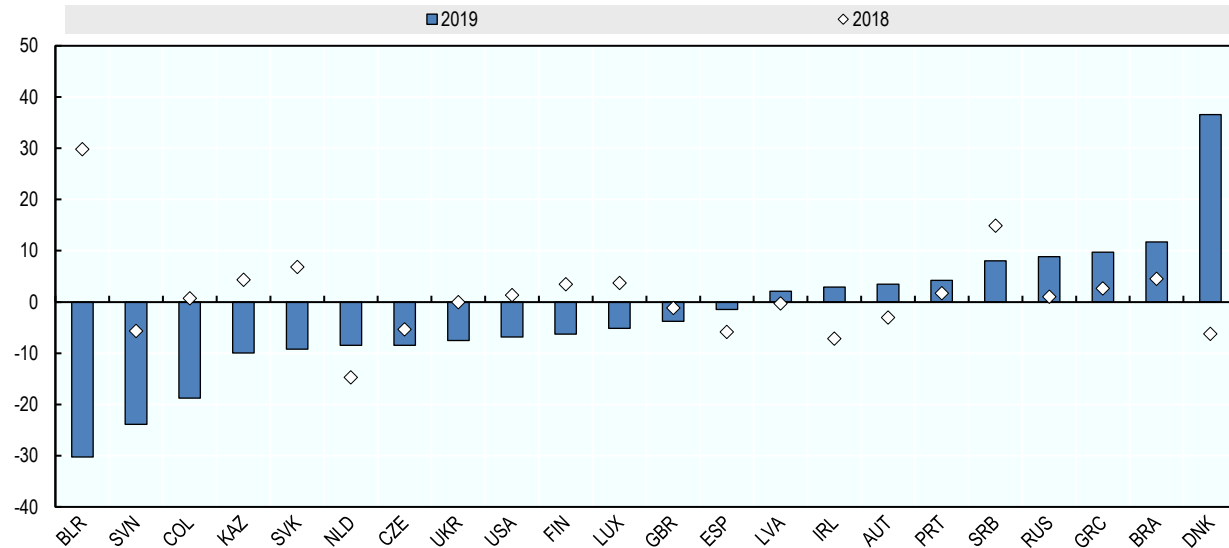


**SME access to finance in  
the run-up to the COVID-19  
crisis: latest data from the  
OECE Scoreboard**

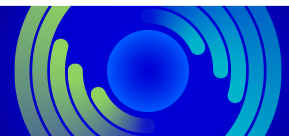
# SME finance conditions were broadly favourable in 2019, but lending remained weak

- **Interest rates declined** in 22 out of 39 countries
- **Relatively loose credit standards** documented by survey data
- **SME NPLs were relatively low** in the run-up to the crisis
- **New lending flows** remained weak

New lending flows to SMEs, year on year changes, as a percentage



Source: Data compiled from Scoreboard country profiles

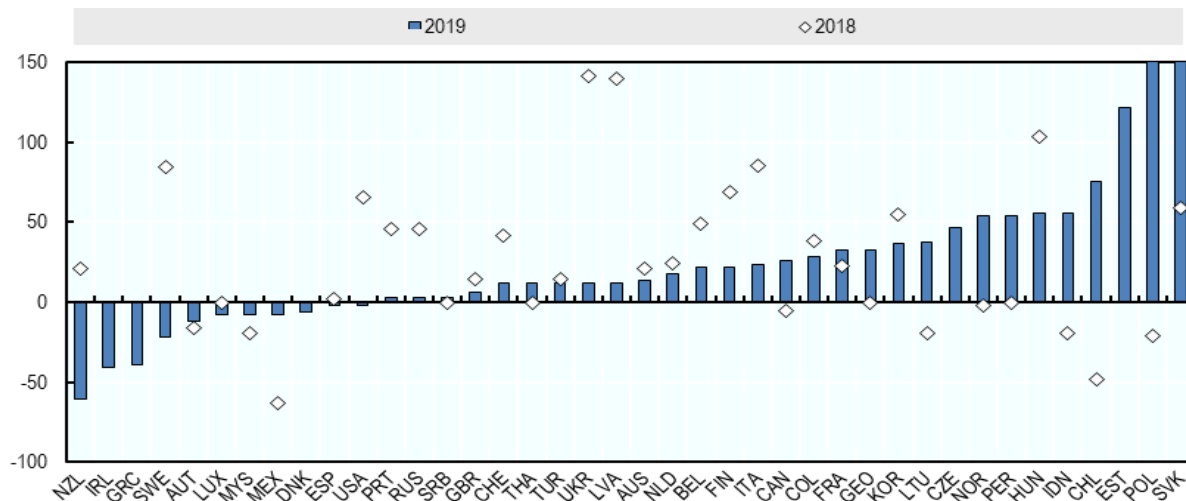


# ... while SME uptake of non-bank financing instruments continued to grow

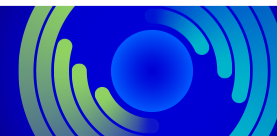
- **Leasing, hire purchases and factoring activities** all increased
- **Online alternative finance** likely increased (comprehensive data forthcoming)
- **Venture Capital Investments** expanded in 29 out of 40 countries

## Growth in Venture capital investments, 2018-19

Year to year change as a percentage (%)



Source: Data compiled from Scoreboard country profiles



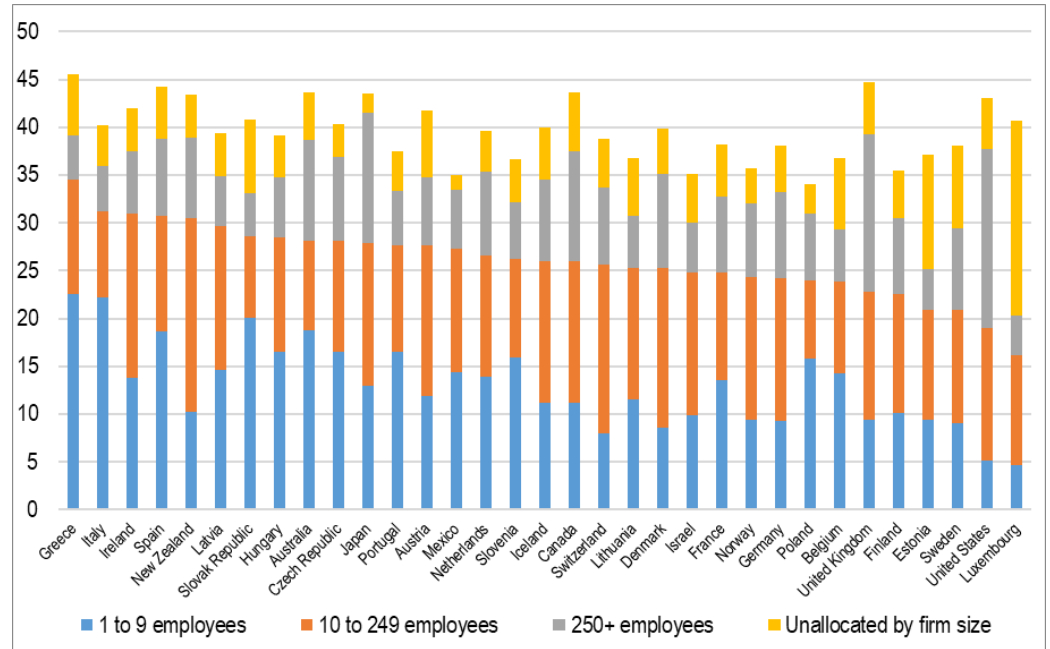


# COVID-19 impact and SME policy responses

# SMEs have been at the center of the Covid-19 pandemic

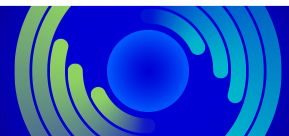
- SMEs represent close to **75% of all jobs** in the most affected sectors, compared to **60% in the total business economy**
- Across the world, 40+ business surveys show that **over 50%** of SMEs experienced a **strong drop in revenue** and were at risk of being put **out of business in less than three months**
- **Insolvencies** expected to rise significantly by **17%** in 2020 and **16%** in 2021

Share of total employment in the most adversely affected sectors by firm size (%)



Source: OECD Annual National Accounts and Structural Business Statistics databases, OECD calculations, 15 April 2020

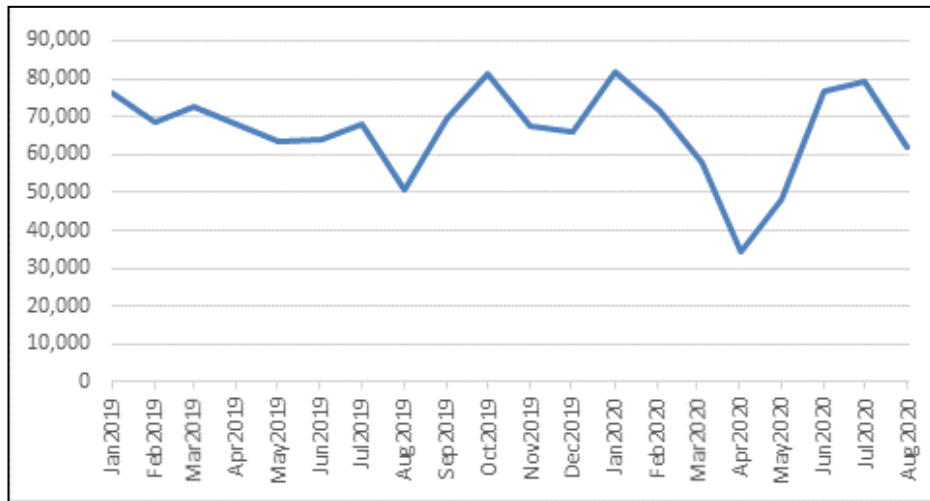
Note: Employment data from 2017 and 2018.



# Start up rates were hard hit – but a tentative recovery is underway in some countries

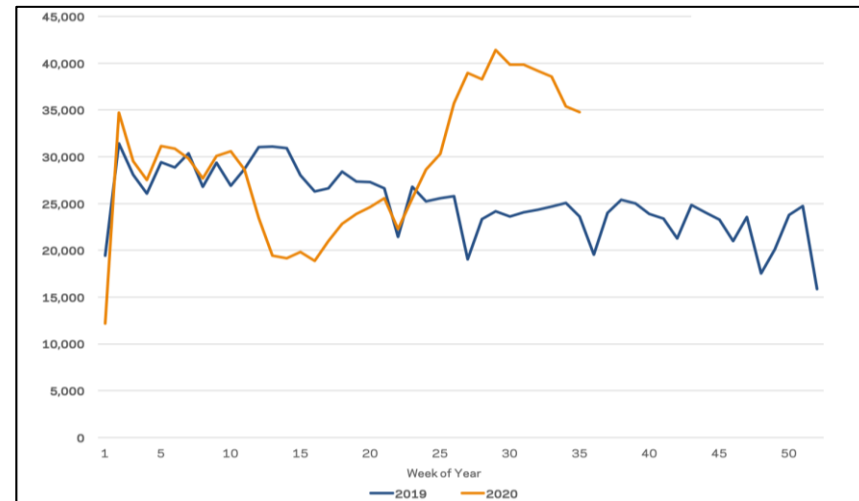
Monthly creation of new businesses in France

Jan 2019-Aug 2020



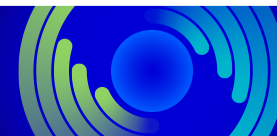
Weekly Business applications in the United States

2019 – 2020 (Jan-Aug)



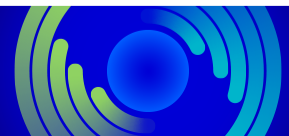
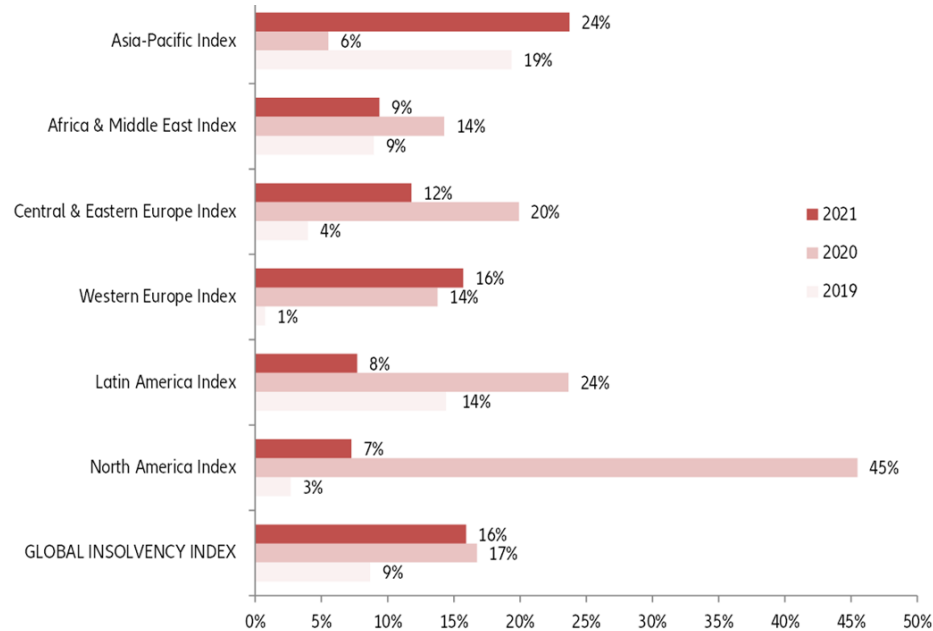
Source: INSEE <https://www.insee.fr/fr/statistiques/4631321#consulter> and US Census Bureau's Business Formation Statistics: <https://eig.org/news/weekly-update-covid-19-business-formation>

- **Strong drop in business creation/ application rates** between March and May 2020, followed by recovery over the summer, although uncertainty remains



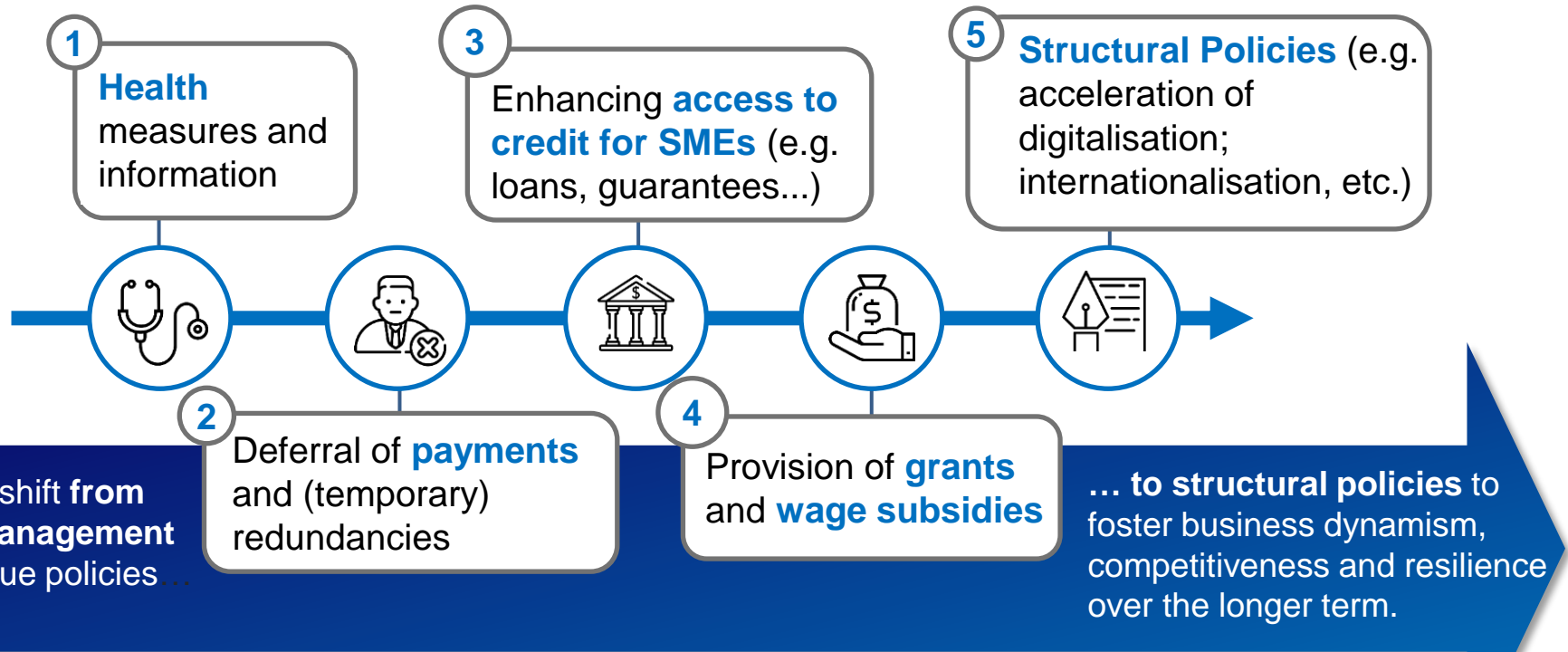
# Bankruptcies are expected to rise substantially in the second half of 2020 and in 2021

Regional Insolvency indices (yearly change in percentage)



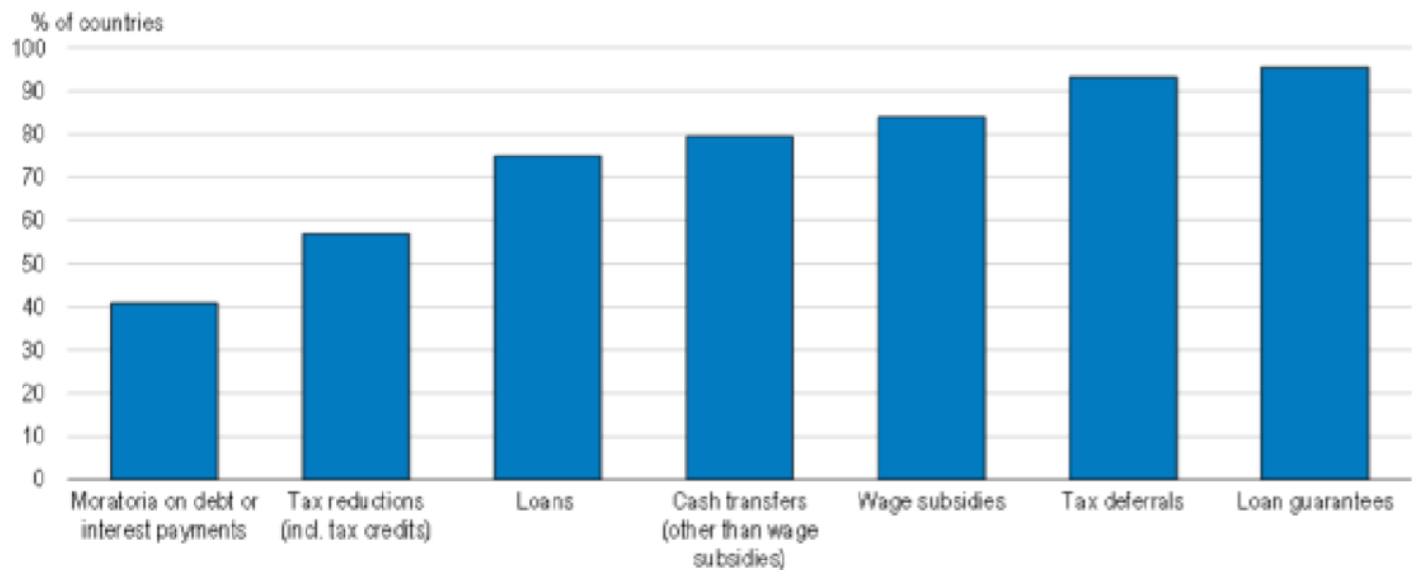


# In most countries, measures were sequenced to address the crisis



# Wide array of policy measures, but similar instruments

## Frequency of business support measures during the initial phase of the COVID-19 crisis



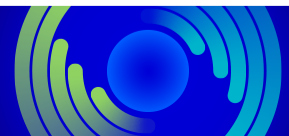
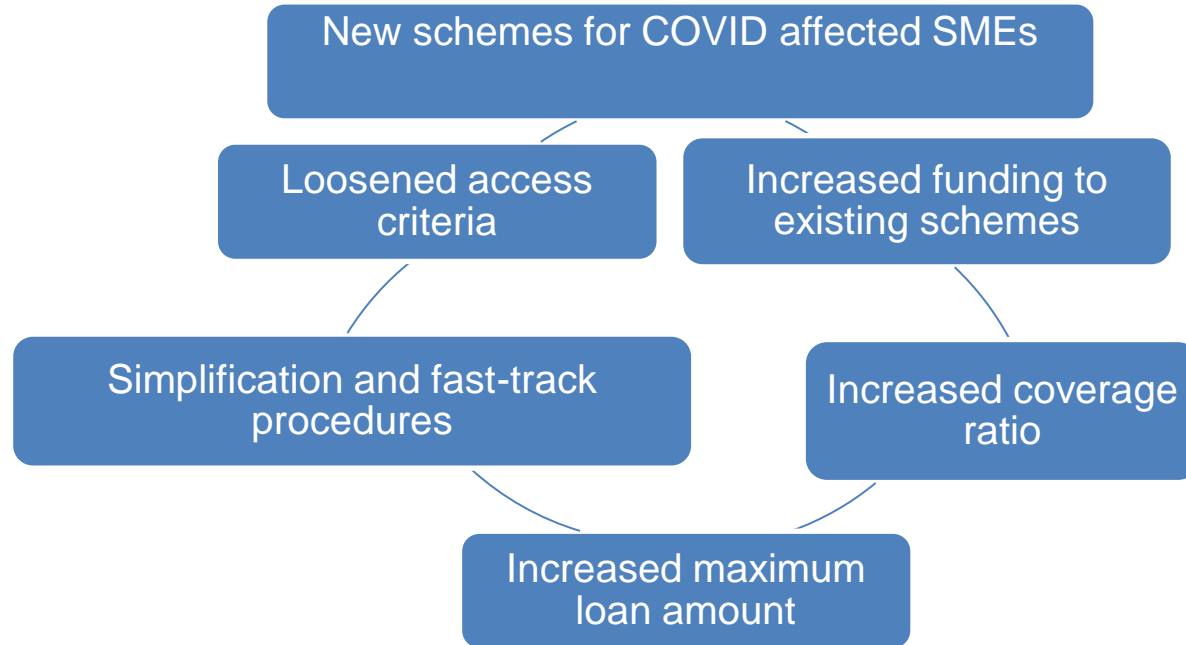
Note: Non-OECD countries include Brazil, China, India, Indonesia and South Africa.

Source: OECD COVID-19 Policy Tracker (2020) <https://www.oecd.org/coronavirus/country-policy-tracker/>, and national sources.



# Common trends but diverse product features

## Loan guarantee schemes



# Lending to firms held up in Q1 and Q2, but other types of finance are cause for concern

## Trends in lending vs. ...



### Euro zone

- Increase in demand for loans & no significant tightening of credit standards



### United Kingdom

- Steep increase in demand for credit in Q2 2020



### North America

- Increase of the demand for corporate loans and an increase in credit requirements



- Expected increase in demand of corporate credit in Q3

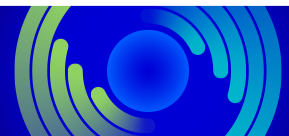


### Japan

- Increased corporate lending, especially for SMEs

## ...alternative financing instruments

- **Early stage equity finance:** Decline in seed and angel investments in US/ China, expected contraction in Euro zone
- **Trade finance:** likely to be strongly affected given the pronounced decline in both supply and demand of international trade
- **Leasing and hire purchases:** loan delinquencies are likely to rise, which is expected to lead to fewer activities



# COVID-related financial support instruments would benefit from greater diversification

## Loan guarantees

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

## Direct loans

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

## Equity

- **Strengthened public VC funds** (Germany)
- **Economic stabilization fund** to ringfence strategic activities (Germany)
- **Financing bridges** for start-(France)
- **Convertible loans** (UK)

## Grants

- **For SMEs affected by the lockdown** (Korea, Netherlands, Poland)
- **Wage subsidies** (Australia, Canada, Chile, Germany, Ireland, New Zealand, Norway)
- **Digitalisation:** (Austria, France, Germany, Korea, Spain)

Note: Countries underlined introduced new measures in the third quarter of 2020





**What Next?  
The need for SME recovery policies**

# Going forward, it is critical to connect short-term and long-term responses



**Access:** How to ensure a **fast-track access** to support for SMEs and the self-employed, while ensuring **accountability**? How can instruments reach all **viable SMEs**?



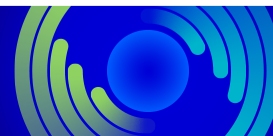
**Sustainability:** How can **alternative financing mechanisms** and channels be leveraged to avoid over-indebtedness of SMEs? How can equity and growth capital be mobilised?



**Business dynamism:** Support for **innovative entrepreneurship, second chance entrepreneurship and creation of start-ups** (e.g. fostering conducive regulatory frameworks)

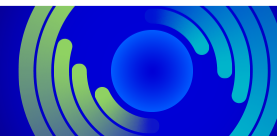


**Moving towards structural responses:** How to move **from crisis management to structural policies** that can enhance SME resilience and competitiveness over the longer term? For example, digitalization, reskilling, new markets and GVCs



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  - [Culture shocked: COVID-19 and the cultural and creative sectors](#) (7 September)
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  - [Cities policy responses](#) (3<sup>rd</sup> edition, 7 July)
  - [Tourism Policy Responses](#) (4<sup>th</sup> edition, 2 June. Also available in [French](#) and Italian.
  - [The territorial impact of COVID-19: managing the crisis across levels of government](#) (2<sup>nd</sup> edition, 16 June)
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# Thank you

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