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Access to credit for Venetian SMEs

An empirical analysis

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ABSTRACT

Small and medium Enterprises (SME) are the core of the Italian economy, they have been a great source of innovation and competitiveness. The global crisis deeply affects our economy harming Italian firms, from this situation a new challenge arises: help SME to regain their position. Financial resources are the most difficult to obtain, recession and new banking directive have changed the rules of the game, and this document aims to find, through an empirical analysis, how firms are facing the issue of access to credit, searching common patterns and verifying if 2013 is for real the year where Italian recession stops.

Key words: SMEs, access, credit, finance.

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To my family and to my girlfriend Sara, I hope you are proud of me.

SUMMARY

INTRODUCTION

In this first part of the thesis, the aim is to introduce the reader into this empirical work, explaining the research question and to show the way we got into this topic.

The core argument of the document is the access to credit for small and medium enterprises (SMEs), and the analysis would be done in three different moments, as the main section of the thesis are. The first section is a review of the literature, in which there would be a glance on previous studies in this field whence we can extrapolate many concepts useful for the research. In addition this part will contain references to macroeconomic issue and international banking policies so important to better define the context of European and Italian enterprises.

Second section will contain empirical researches about access to credit, the intention is to reinforce the literature with another base coming from similar studies. The focus will be on three countries Vietnam, Ireland and Italy to confront different situation finding correlation useful for the third chapter.

The third section, the one dedicated to the empirical research, will be the thesis core and it contains an analysis of interviews collected from 44 firms from Padua province, in order to achieve in understanding the effects of the credit issues for the enterprises of the territory.

To better clarify limits of the empirical research, it's correct to quote EU recommendation 2003/361 and define what in this document will be intended as Small and medium enterprise. The criteria used for this taxonomy are 3: number of employees, turnover, and balance sheet total.

Micro enterprises have no more than 10 employees and a turnover not superior or equal to 2 million euros, same amount for balance sheet total. Small enterprises are the ones having between 10 and 49 employees, a turnover and a balance sheet total at most equal to 10 million euros. Medium enterprises have until 249 employees, a turnover equal or less than 50 million euros and a balance sheet total equal or smaller than 43 million euros.

Small and medium enterprises are the vast great majority of the Italian economic scenario, in fact about 99% of Italian firms are in this category (Istat, 2014), 80% of the total Italian workforce is employed in these realities, considering such business landscape, where the average size of firms is 3,7 (Istat, 2014) persons, implicates talking about a particular dynamic and innovative environment, but at the same time fragile and particular sensible to external shocks.

From 2008 a deep economic crisis has crippled the economy first in the US, than in UE, leading many countries to a recession, Italy is one of them, and our particular entrepreneurial structure was deeper affected because of its structure. Small and medium enterprises generally have more problems in facing this kind of exogenous shocking factors, due to their weak financial structure, where capital obtained from debts and from financial institution has a great relevance. For this reason the literature review will focus on reforms of the banking system and relations with SMEs and empirical analysis will confirm this trend.

Another important issue is related to year 2013, according to OECD it is the ending point of the great recession, since US, UK and Germany had a positive GDP growth rate. In Italy things went differently, GDP growth rate was -1.7% in 2013, followed by -0.4% of 2014 (World Bank), symptom of a slower recovery. However questionnaire used for the empirical analysis comprehends two different time horizons, one from 2008 to 2012 and second from 2013. This division is done to check if something changed and for real recession is over also in Eurozone, but from questionnaire results appears that there is no change between before and after 2013 opening different interpretations of the phenomenon.

Chapter 1
Literature review

1.1 Introduction

As written in the summary in this first theoretical part there will be shown models and researches useful to obtain all the instruments to better understand the topic of access to credit and the factors that have relevance in modifying its conditions to create a knowledge base as a starting point for the reader to understand and also critically analyze the empirical research of chapter 2. The path direction is from the macroeconomic level of statement and regulation to the firm, because the current financial situation of firms can be understood only analyzing the determinants that lead to this result.

This Chapter starts with a brief exposition of the credit rationing model, as theoretical foundation of the considered market, followed by the reforms of the banking system made by the Basel Committee and the impact they are having on the relation between firms and credit institutions. These relations will be object of the following paragraph, where it will be explained how banks decide to concede loan to firms, giving a glance to the schemes of the past and the innovation introduced by Basel directives. In the final part focus comes to SMEs, European and Italian, there are studies and interviews to enterprises useful to show the current situation.

1.2 Macroeconomics assumptions

As a starting point for the literature review the intention is to describe the current macroeconomic situation showing the research made by Stiglitz and Weiss in 1981 that explain the reason why in the credit is rationed in a situation of equilibrium. This statement is based on a market situation characterized by imperfect information. In addition to this there's the concept of credit crunch, a condition started from 2008 crisis.

The definition of credit rationing (Stiglitz and Weiss, 1981) is a scenario where among the possible borrowers with almost the same characteristics, some access to loans some others not even if they would pay a higher interest rate; or a situation where there are groups in the population that cannot have a loan, whatever is the interest rate.

Neoclassical theory of demand and supply is the basic assumption to start studying economy, it states that given a demand and a supply for a certain good, both characterized by the variables price and quantity, they would match in a point, called equilibrium, where demand is satisfied by supply. In this case where demand excess supply, market would raise the price (in this situation the interest rate), leading to a new equilibrium. Since banks have interest in maximizing their profit, an increase of the interest rate would result in higher returns, but not in case of the "adverse selection" principle.

The latter is a concept, developed in a first phase in the insurance market than used also in other branches of economics, that define a situation where an agent, modifying the current conditions in its favour obtain the opposite effect due to the decisions taken by subjects with whom he interfaces.

Transporting this concept to the credit context, there are banking institutions that, raising their interest rates could gain more profits since there are many individuals claiming for loans but, as the rate grows, loans became riskier for banks because worst borrowers would accept these conditions to obtain a lending. The rise of credit cost indeed lead to a change in potential borrowers' behaviour, more interested to ask for credit for riskier activities that anyway could result in more successful outcomes

So profits for banks are like to lower for the increase of the borrowers' risk, for these reasons financial institution are not interested in raising interest rates or in conceding loans to individuals offering to pay higher rates, this result in a rationed equilibrium for credit market.

Second important assumption taken in consideration is "credit crunch", it refers to an economic condition characterized by a contraction of the credit supply.

This expression exists since the Great Depression of the '30s, it has been review by Bernake and Lown (1991), where the situation appeared again, this time due to the combination of banks capital impoverishment and a worsening quality among borrowers. What the global economy is facing nowadays started in the U.S. in 2007 (Mizen, 2008), in presence of certain conditions: stability, finance innovation and fall of house prices.

The former refers to a period of financial stability characterized by low long-term interest rates due to savings glut collected in emerging countries, second factor is related to an increase variety and complexity of the financial market and about the products traded in. These first 2 components helped investments in complex derivative financial products called CBO, risky investments presented as safe one, for their rating (Mizen, 2008). Finally fall of house prices contributed to the collapse of the subprime market that anticipated failures of banks and financial institutions leading to the current scenario.

1.3 Basel Committee

Small and medium enterprises (SMEs) are the core topic of the thesis, the paper line is not to deeply analyze macroeconomic issues related to credit crunch or to the recent crisis, but it is necessary to mention the directive of the Basel Committee (BIS), because they had a direct impact on the behaviour of banks and so consequences for credit access.

Basel Committee is an international organization created in 1974 in Switzerland by the central banks of G10 members (namely Belgium, Canada, France, Germany, Japan, Italy, Netherland, United Kingdom, United States, Sweden and Switzerland) after the end of the Bretton Woods system. Its aim was to promote a more cooperation among country's national banks to improve a system of supervision. Doing its task the Committee works for the development of standards for banking supervision to enhance financial stability, to promote the spread of information and good practices through the entire banking system (BIS, 2014). The Committee acts through the formulation of standards, guidelines and recommendations, not legally binding instruments, that have to be transposed in the state current legislation to be effective, in addition to this since 2012 the Committee has started to control the implementations of the directives, to improve their diffusion and reliance.

After a first phase where the main focus was the creation of common standards in supervision, the efforts of the Committee went to the capital adequacy issue to respond to the exigency of lowering the risk undertaken by banks and so protect the depositors. From these needs in 1988 born the Basel Capital Accord, named also Basel I. This first document was enforced by law by the G-10 members in 1992.

It was introduced a minimum patrimonial requirement, the bank's capital had not to be lower than the 8% of their risk-weighted assets (RWA), in fact in banks assets(including loans) are divided into risk classes, so institutions not standing in this ratio situation had to reduce their risk assets, or choose for more safer ones (BIS,2014). This has been a

starting point for a safer banking system, in the years that followed the first accord it has been added more measures to make it more effective, and to include more definition of risk.
Despite integrations and modifications in 1999 a proposal for a new directive was formulated to answer to the several limitations related to the risk assigned to the assets. So the Committee worked for the creation of a better version of this agreement and the 2004 Revised Capital Framework, (generally known as Basel II) was finally approved and ratified in most of the members state before 2008. This revision of the first accord is based on three pillars: minimum capital requirements, supervisory review and market discipline (BIS, 2014).
Pillar one enlarges the rules developed with the first Accord, the modification regards risk measurement, it has been added the operational risk to the credit and the market one, this linked to the introduction of a rating to classify credits is a proposal for having a more clear estimation of the risks undertaken by financial institution.
The second pillar aims to enhance the supervision power of the authorities to verify banks activities and the application of the procedures in ratings calculation, the last pillar is about a more transparent market, forcing credit institute to give more information about their risk and patrimonial conditions.
In 2008 the global economic crisis exploded, a big exogenous shock that showed other weaknesses(BIS, 2014) of the banking sector: too high level of debt and lack of liquidity buffers. These events had required new instruments to be solved, so in 2011 was agreed a new directive, Basel III.
These new rules for the banking system had been scheduled to be introduced from 2013 to 2019 to favour a gradual change and so not harm more the economic scenario.
The principles behind Basel III aim to introduce minimum liquidity standards, a better definition of capital requirements, a restraint in the leverage ratio, and measures to reduce the cyclicality of the prudential rules(BIS, 2014).
Going into the reforms, to increase liquidity buffers, it has been settled an indicator, the Liquidity Coverage Ratio (LCR). It requires that banks would have to hold high quality liquid assets to withstand a stress scenario of 30 days, in addition to this banks are required to build another buffer, the net stable funding ratio (NSFR) for long term stress situations.

The capital requirements became higher than Basel II, they would include two buffers: the first, the capital conservation buffer, that guarantee the minimum level of capital otherwise distribution of dividends; the second, a countercyclical one, limit bank's participation in risky activities, to give an additional protection to bad results of risk-weighted assets and their harming effects on the system.

It has been introduced a leverage ratio, based upon all the bank assets, in order to contain the total exposure of the credit institutions and creating limitations for debt of the entire system.

All these reforms of the banking system, change the behaviour in the relationship between credit institutions and SMEs, especially with Basel II that has introduced ranking for the borrowers, change some existing rules and patterns, above all the relation of the small entrepreneur and his small bank(such as cooperative credit). More quantitative information, more controls, but it's not effective clear from the literature(Charpentier, 2013) if these reforms are harming or improving access to credit for the firms, because in a period or economic crisis and recession, the scenario is more blurred and relation of cause and consequences among all these factors cannot be find so easily.

1.4 Lending models

After describing rules and regulations of credit market, it is correct to go to the main source of SMEs credit, banks. The objective is not to describe banking system, its characteristics and problems, since firms are the core of the thesis, what is important is the relation between finance institutions and SMEs. Relations among these two subject are crucial for firm's capital and liquidity request, how do banks respond to them? According credit is not a matter of sympathy, there are many techniques used to assess the request and find worthy firms, they could be based on quantitative or qualitative information, using the taxonomy proposed by Uchida and Udell (2006) on one hand there are "transaction-based" lending technology founded on the primarily use of quantitative information, on the other hand there is "relationship lending" focused on the use of qualitative information.

SMEs are complex organization for the difficulty to have information or clear one about their business, so there is no a best method (Berger, Udell, 2002) used by banks to determine they are creditworthy. Since there's no best way it's right to show a study favourable to a "transaction-based lending" technology (Berger, Frame, 2005), one favourable to "relationship lending" (Berger, Udell, 2002) and the reason they could better suit the need first of all of banks to choose in the right way among the borrowers, and in second moment the need of firms of obtaining credit useful to run their business.

Small business credit scoring (SBCS) is one of the most used lending technology since the late nineties, this model is build using information about firms loan application finding correlation between characteristics about the firm or about the owner and the success or failure of the loan return. Advantages of this method regards cost saving and response speed, banks usually use it (Berger, Frame, 2005) to have an expansive low cost strategy, even if it helps to deal with firm's information opacity, research suggests that credit scoring will be more effective if used with another lending technology.

From a very different point of view there is the so called "relationship lending" (Berger, Udell, 2002), a method based on the creation of a relationship between firm and bank, where the latter used this connection to gather information useful to its lending decisions.

Information are obtained not only from SME's financial history but also through dialogues with the subjects whom work with the firm, clients, suppliers, workers for example. This would lead to a relation that could result in mutual benefit for bank and firm, for the first the better is the knowledge the safer would be the loan, for the second advantages could come to better conditions in obtaining credit.

This method presents also limits, building a relation require time and dedicated personal and banks would not be interested in making such an investment moreover for the nature of these information, banks have to create different controls to monitor officers and limit the risk of agency problems.

1.5 Rating

After the introduction of Basel II, and enhanced with Basel III use of rating has become the new rule to determine creditworthiness and consequently the quantity of capital needed to cover this investment. Rating is a synthetic valuation of the firm's risk profile which summarize the information banks have about the firms in relation to the other firms and to its financial behavior (ABI, 2010). So rating determine the probability of returns for the bank.

Since Basel III is on a implementation phase, the focus here is on the use of rating under Basel II and methods used by banks(ABI, 2010) in this period: The standard one, and the IRB one.

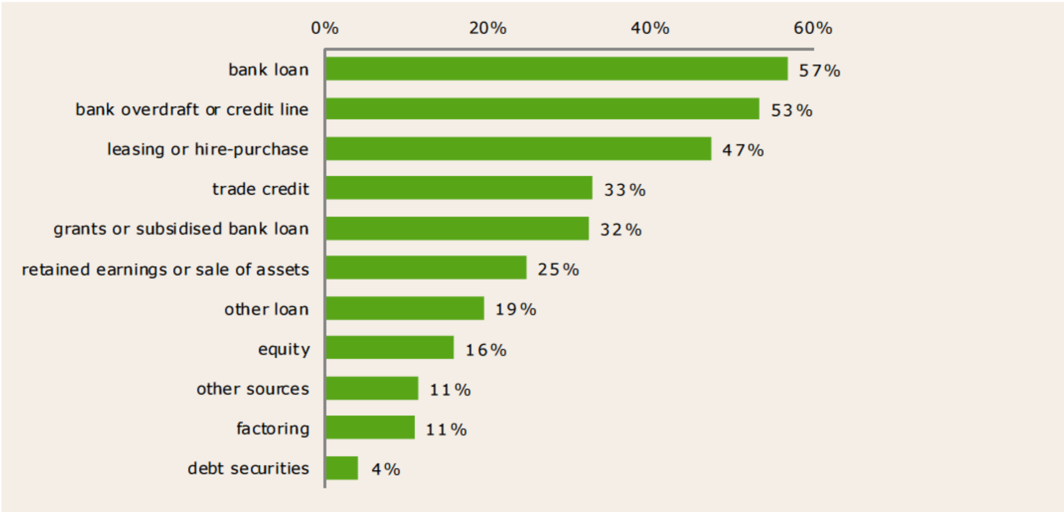
The first, standard method, was a simple way to define a situation where banks uses external rating, made by acknowledged agency, to classify firms, for the ones not rated it would be used the Basel I method (8% on capital shelved) but differentiated by typology of enterprises: corporate or retail.

The IRB methodology (Internal Rating Based) is a bank calculation of the capital coverage needed to satisfy credit demand based on risky factors of firms. The first is the probability of default (PD), that is named the probability of a negative event that lead firm to not be able to respect financial commitment. Second factor is loss given default (LGD), so the part of credit bank retain is like to lose in case of firm insolvency. Third factor is exposure at default (EAD), an estimation of bank exposure when firm became insolvent. Fourth and last factor is maturity (M), that indicates residual time life of the loan. There are 2 different version of this method, a base one and an advanced one, in the first case bank makes an estimation only about PD and takes the other factors from a vigilance authority (in Italy for example Banca d'Italia), in the second case bank calculates all the risky factors required.

1.6 Europe and Italy

In this paragraph the attention comes to firms, with the assistance of reports from European Commission and World Economic Forum we can draw the current situation of enterprises at a European level, always considering Italy in relation with the other countries. Survey on the access to finance of enterprises (SAFE) is an annual report written for the European Commission where are deeply analyzed the answers given by firms (of EU-28) to a questionnaire asking about external financing. From the Analytical report 2014 it is clear how much bank-firm relationship it is a core issue for the persistence of SMEs, figure 1 shows the relevance attributed to external finance sources, for the 57% of the European firms bank loans is a relevant source of financing, and considering the 3 major answers, they are all related to banks and financial institutions.

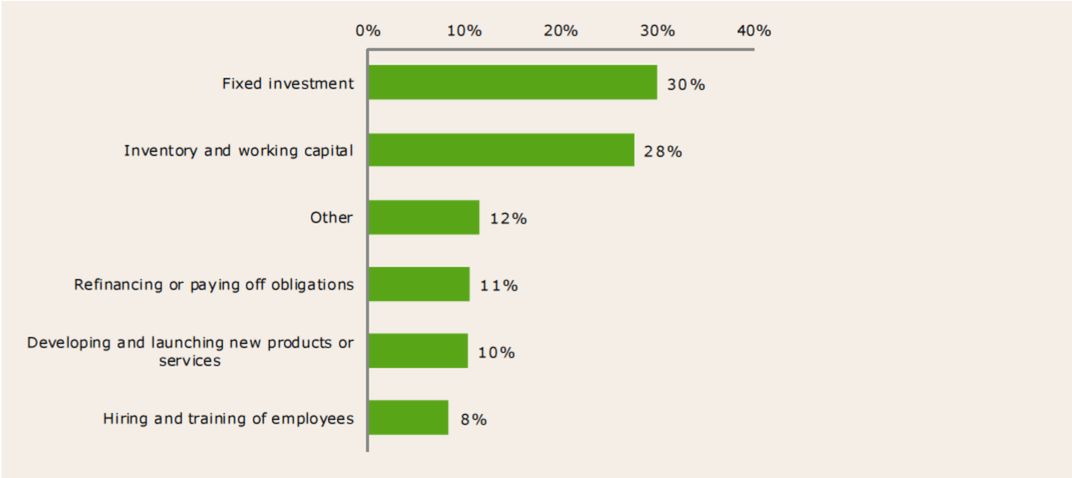
Figure 1 - Relevance of financial types for SMEs in EU-28 in 2014.



Source: SAFE 2014.

These resources are used basically for the core business, figure 2 (SAFE, 2014) shows firm's purposes last time they required an external financing, and more than 50 % of the sample had used these resources for fixed investments, inventory and working capital. Parallel to this, access to finance is also a problem, considering SMEs from EU-28 (SAFE, 2014) it's considered the fifth most pressing problem, and for 14% of the interviewed it is the most pressing one, but moving to a different point of view, micro enterprises and SMEs working in construction retain access to finance as their worst problem, and generally innovative enterprises have more difficult than the less innovative one. Italy stands near the average, 14% of SMEs consider access to finance the most important problem, 15% finding customers, 8% finding skilled staff or experienced managers, 16% regulation, 15% competition, 20% costs of production or cost of labor, 12% other problems (SAFE,2014). There's a sort of equilibrium among the preference of enterprises, it could be interpreted in different ways, however there is an objective fact: Italian SMEs are facing many difficulties.

Figure 2 - Purpose for which external financing has been used by SMEs in EU 28 in 2014.



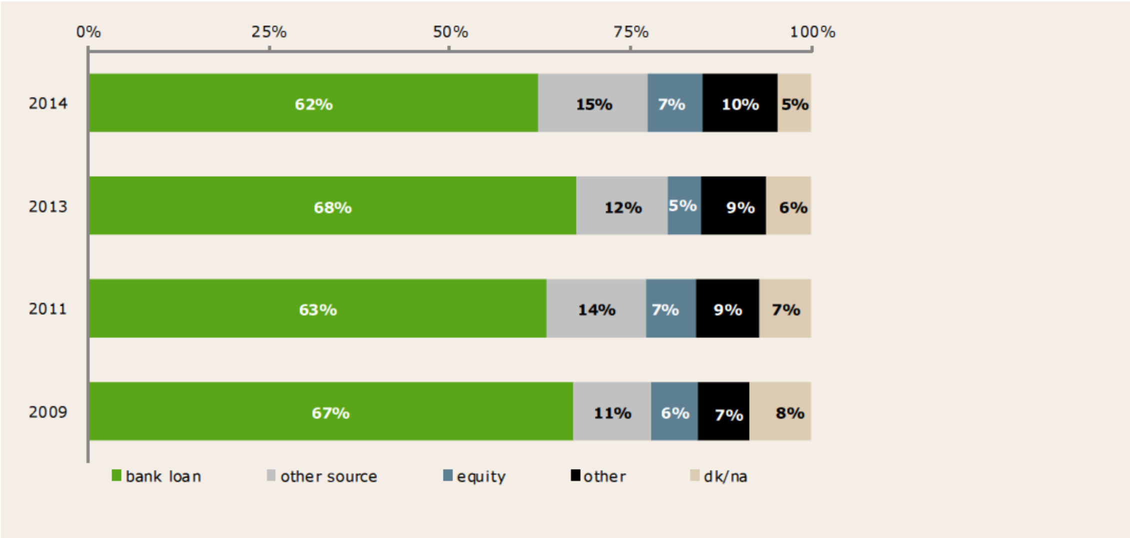
Source: Safe 2014.

Taking in consideration different set of data, World Economic Forum, in its "The Executive Opinion Survey: The Voice of the Business community" collected interviews to business leaders and NGO around the world about topics not having a complete pool of data or not having it at all.

Among these indicators there's "Ease of access to loans", it indicates in a scale from 1 to 7 how easy is to obtain a loan with only a good business plan and no collateral (World Economic Forum, 2014), Italy's value is 1.6, one of the worst, higher only than Libya, Mongolia and Myanmar. Another interesting indicator is the "venture capital availability" that measures how easy is for entrepreneurs to find venture capital with innovative and risky projects, here value for Italy is 2.0, considering European Union only Greece has been rated worse. Despite the qualitative nature of information collected, this indicator shows Italy is not one of the best country for doing business.

Giving a glance to future expectations of European SMEs (SAFE,2014), the scenario is quite positive, 12% of firms expect to grow substantially considering their turnover over the next 2 or 3 years, 49% expects to grow moderately, 27% to remain at the same size, 10% to became smaller and a 3% did not answer. Italy is in line with European average but with a major percentage (37%) of firms retaining they would remain at the same size, 13% expects to grow substantially, 35% to grow moderately and a 10% to became smaller. As written before and shown in figure 3, firms prefer to ask for a loan for their growth ambitions (62%), in Italy this percentage grows (66%), this explain one more time the fundamental role banks have for the real economy, firms deeply rely on them for external financing even if obtaining capital it's not easy.

Figure 3 - The type of financing EU-28 prefer to realize their growth ambitions, for the period 2009-2014.



Source: SAFE 2014.

1.7 Conclusions

The literature review has revealed a business landscape characterized by small and medium enterprises heavily dependent on external source of finance and above all on capital obtained by banks. On the other side there are these financial institutions that are in the middle of a renovation, global crisis has shown weakness and bad practices of the banking system and what can they cause, the need of a more solid capitalization and of a buffer of liquidity are obstacles for recovering from the credit crunch, international banking regulation understand these problematics and has acted to favour a slow but save way to solve the situation in a long term conception.

Italy is not one of the best placed countries in Europe, access to credit for SMEs is a relevant problem, but not the only one, but there are signs of optimism, perceptions of a growth for firms. This context analysis is a good benchmark for the empirical analysis, from understanding the current economic and banking situation there are some expectations about the data collected, however they will not show at all the context described, motivation of this phenomenon will be reported in conclusions of Third Chapter.

Chapter 2
Related researches

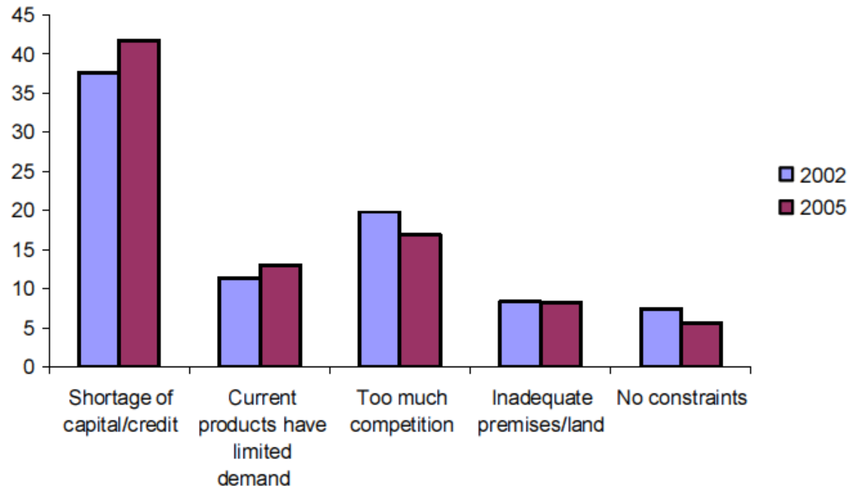
2.1 Introduction

Second chapter represents a bridge between the literature review presented in Chapter One and the empirical analysis of Chapter Three , there will be shown other researches concerning access to credit issue. The approach will be the same of Chapter One: step by step to Italy. Studies taken in consideration are about Vietnam, United Kingdom, Ireland and Italy. This in order to observe the situation of an extra UE country, with a very different economic and banking environment, a European country outside the Eurozone, a EU state inside Eurozone and the country considered in this thesis. Different approaches and different conclusions are useful to look differently to data collected for our empirical analysis, to find correlation or differences with the phenomena seen in different context.

2.2 Vietnam

First research taken in consideration analyzes access to credit for SMEs issues in Vietnam, a country deeply different from Italy from a cultural point of view but similar for the role of banks. Financial institution in fact are the main provider of capital in Vietnam and firms heavily rely on these resources for their growth and innovation ambitions (Rand, Tarp, Coung, Tam, 2009). Vietnam has a banking system almost for entire composed by state owned commercial banks (SOBCs), financial institution working for low profits respect to their market share, this situation has lead the sector to not innovate financial and credit technologies. The study regards findings in access to credit for SMEs between 2002 and 2005 and aims to find if the Vietnamese banking system promote access to capital or not. It is a period of time before the global crisis and or analysis however Vietnamese firms experienced a similar situation in a similar context of bank firm relationship. Figure 4 explain how much capital is a key question for Vietnamese enterprises and how much the problem increased in the period considered.

Figure 4 - Most important constraint to growth as perceived by enterprises.



Source: Rand J., Tarp F., Coung T.T., Tam N.T. (2009), SME Access to Credit.

Rand et al. (2009) show, through an empirical analysis, a rise in credit availability in Vietnam. In the considered period (2002-2005) fewer firms were rejected credit, and demand for credit has increased, especially for medium enterprises. However these data are consequences of a diversification in credit market, firms having project for investments tend to rely on informal credit, since the high rate or rejection of the formal credit. Informal credit are loans obtained from friends or relatives and are characterized by lower size and interest rates, moreover they usually not require collateral, they are so an easier and less committed source of capital for enterprises (Rand, Tarp, Coung, Tam, 2009).

2.3 United Kingdom

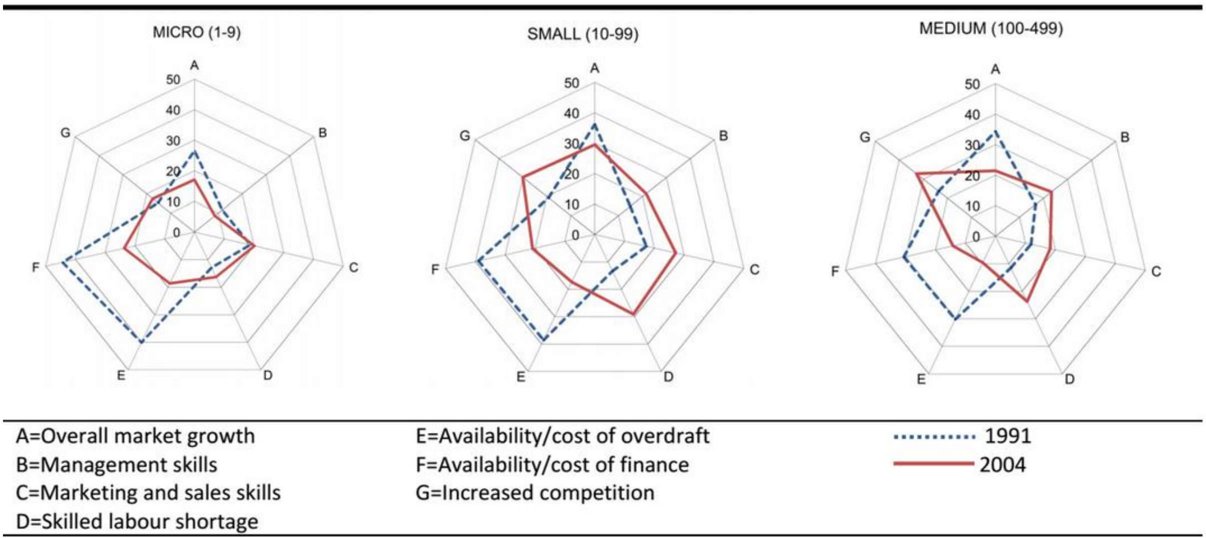
The research conducted by Cosh, Hughes, Bullock and Milner (2009) is the most complex and complete one because they take in consideration data from a wide spread time range making possible to draw an evolution of finance for UK SMEs. First of all a preamble is needed because taxonomy we use to define small and medium enterprises is not the same in this research: in UK microenterprises are from 1 to 9 employees, small enterprises are from 10 to 99 employees and medium enterprises are from 100 to 499 employees.

Survey was carried out interviewing the same 800 enterprises in 2004 and 2008, a highly relevant work because it was clearer to find the effects of global financial crisis. Results are interesting, UK firms in general did not report increasing problematics in obtaining finance in the period considered, however major difficulties was reported in loan and mortgage applications and cost of finance rose. Percentage of obtained finance decreased from 78% to 55% leading to a decline in growth ambition of small and medium enterprises (Cosh, Hughes, Bullock, Milner, 2009).

A second part of this study is related to a comparison between the current economic crisis and the recession of 1991.

Concerns about finance are so different between the 2 situations (figure 5), exceptionally high interest rates and a less rapid decline of 1991 led to a major warning to financial issue and a different set of monetary policies was set. Business landscape has changed from that recession leading to a more resilient situation confirmed by a greater share of firms expecting to grow in 2004.

Figure 5 - Factors limiting ability to grow for micro, small and medium sized firms 1991-2004



Source: Cash A.D. and Huges A. British Enterprise: thriving or surviving? 2007

2.4 Ireland

The third study taken in consideration is about a European country: Ireland.

The document aims to find causes of credit reduction, because it has been observed that credit crunch in Ireland was among the worst cases in Europe (Lawless, McCann, 2011). In 2011 there was a great debate in this country on credit reduction and it was no clear if that situation was caused by a rationing made by banks or a reduction in demand. First side carried out surveys like the one from CPA (Institute of Certified Public Accountants in Ireland) dated July 2011, where 87% of interview believed banks were "not open for business" (CPA, 2011), Irish Small and Medium Enterprise Association (ISME) reported that in second quarter of 2011 30% of their associated asked for finance, 54% of the requests were denied (ISME, 2011).

The other side stated banks were willing to lend but demand decreased more than the tightening in credit standards since the crisis began.

The research went into this issue using data from Central Statistics Office (CSO) and European commission (SAFE). From the first set of data they find a moderate decrease of credit application, but a great increase in credit rejection rates, the following step was understanding if rejection rate increase due to a lower quality of borrowers. They expected to find firm accepted are the better performing, however evidences showed there is no separating equilibrium (Lawless, McCann, 2011) because there are not qualitative differences between firm accepted and rejected ones.

Second set of data, derived from SAFE survey (see paragraph 1.6) was used to compare Ireland to the other countries in Eurozone, results are impressive (figure 6) because they find Irish firms have a greater probability of rejection of credit, statistics confirming the existence of a credit rationing in Ireland.

Ireland situation is important for the relevance it had on media, it become a benchmark situation for all the other counties in European union, because it was considered the worst case. Moreover happened in a country that was living an incredible credit boom in the years before 2008

Figure 6 - Differences from 2007 to 2010 breakdown across UE.

	Accept	Partial	Reject
Finland	98.1	1.9	0
Ireland	red96.9	2.1	1
France	94.5	3.6	2
Malta	94.3	5.7	0
Cyprus	93.2	6.8	0
Belgium	92.4	5.4	2.2
Poland	91.9	4.3	3.7
Denmark	91.8	4.5	3.7
Slovakia	89.3	7	3.7
Lithuania	89.2	9	1.8
Latvia	89	6.7	4.3
United Kingdom	88.4	6.1	5.6
Greece	87.6	11.7	0.7
Spain	87.3	9.7	3
Bulgaria	87	9.9	3.1
Italy	86.6	12.2	1.2
Germany	85.3	8	6.7
Netherlands	84.3	8.9	6.8
Sweden	84.2	7	8.7
Luxembourg	78.8	15.2	6

	Accept	Partial	Reject
Finland	95.9	3.9	0.2
Malta	91.3	6.5	2.2
Poland	85.4	10.3	4.3
France	83.3	9.7	7
Belgium	83.1	11.2	5.7
Sweden	79.7	14.1	6.1
Italy	78.4	16.7	4.9
Cyprus	76.7	19.1	4.2
Slovakia	76.1	14.7	9.2
Germany	75.9	15.9	8.2
Luxembourg	68.4	20.9	10.7
United Kingdom	64.6	14.7	20.8
Latvia	63.5	10.1	26.4
Netherlands	61.3	16.2	22.5
Denmark	59.8	21.7	18.5
Greece	59.6	29.6	10.8
Spain	59.1	27.8	13.2
Lithuania	58.4	20.4	21.2
Ireland	red53.2	20.2	26.6
Bulgaria	42.5	22	35.5

Source: Eurostat access to finance survey

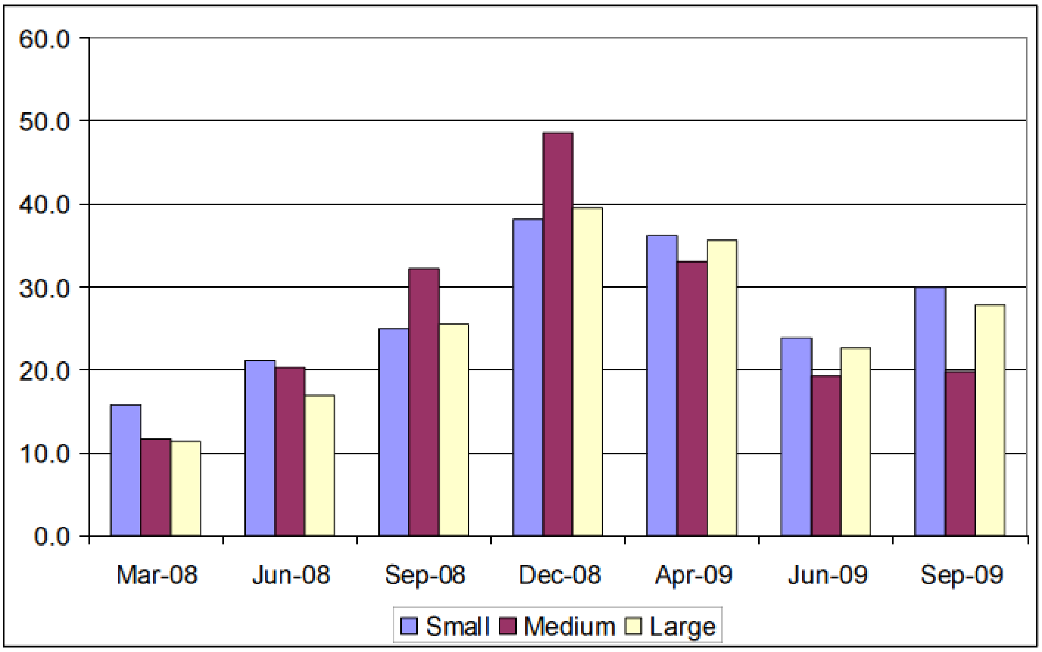
2.5 Italy

Research considered is about the first phase of economic crisis, 2008 and 2009, it aims to prove the credit tightening showing the existence of credit crunch symptoms(Costa, Magnani, 2009).

The initial focus is about credit crunch and its realization and quoting the work of Domaç and Ferri (2002) explained what happens during this situation. During Asian crisis of 1997-1998 were noticed nine phenomena: an enormous drop in loans to SMEs, an increase of the rejection rate of loan applications, a decrease in loan growth rate, flight to quality by depositors, flight to quality by banks, increase of real interest rate, shortening maturity of loans, a rising spread loan rate versus risk free rate and a drop in "pre committed" credit lines.

Costa and Margani in this research wanted to find evidence of the first two factors and using ISAE survey on access to credit condition they discovered a worsening in credit conditions for manufacturing firms (figure 7). Percentage are clear, there was a passage from 20.7% to a 40.1%. In addition to this they observed a drop in loans to SMEs accompanied with an increase in rejection rate of loan application confirming the presence of a credit crunch. Research also shows a size effect of the credit crunch, Small and medium enterprises had been more affected than large enterprises.

Figure 7 - Net percentage of firms whose credit access conditions worsened, by firm size (percentage point).



Source: "Credit crunch in Italy: evidence on new ISAE survey data"

2.6 Conclusions

Second chapter goes through other studies on credit access to offer a base on which start and confront our empirical analysis. The path starts with an Asian country, Vietnam, where SMEs heavily rely on external capital for their growth ambitions, and a banking system that cannot satisfy their request and consequently a creation a secondary informal credit market. Second stop was in United Kingdom where the situation is slightly different from the other European countries, despite a decrease in growth ambitions UK firms seem to be less worried about current financial crisis, this probably due to the bad experience of 1991 recession and the policy introduced in those years.

Ireland experimented a so different situation from its neighbor, with a dramatic credit rationing and its consequences for firms.

Research in Italy show how much credit crunch is real and how it affects firms and especially SMEs, it will not be so much evident in our analysis, since a minority of the sample is experimenting continuous difficulties in accessing to credit, possible explanations will be shown paragraph 3.6.

Chapter 3
Access to credit: empirical analysis

3.1 Introduction

In Italy there are 4.351.018 firms (Istat, 2014), among these, only 3393 are considered Big Enterprises, so about 99.9% of Italian firms are small and medium, these firms has given work to 8.043.357 employees (72% of the total) and have contributed to create more than 400 million euros of added value (68% of the total). These numbers can easily show the great relevance SMEs have for Italy and how much is important to preserve this heritage and help them to develop and to deal with the current economic situation. The purpose of this research is to show the situation of firms, in relation to their financial side and find which problems they are facing in accessing to credit.

The analysis will be based on firm's answers given to a questionnaire (Annex 1) and interviews conducted in a direct and indirect modality. Direct interviews were realized when entrepreneur or a finance dedicate manager compiled questionnaire in our presence, during an appointment. Indirect interviews, the most used, happened when firm accepted to compile questionnaire but not immediately, in this case we left questionnaire to firm and proceeded with the withdrawal in a second moment. Indirect mode where the preferable one because permitted to collect much more questionnaires than using only direct one and to not hurry entrepreneurs and so obtain more useful data for the research.

From a statistical point of view the empirical analysis do not pretend to represent the entire population because it is a convenient sample, moreover number of firms interviewed is not enough to make statistical inference. The objective of the thesis is a preliminary exploration of the phenomenon in order to create a base for more detailed studies.

Third chapter will follow the structure proposed by the questionnaire and so approaching the issue starting with an exposition of general information about the firm that will also help to describe the interviewed sample. Second part is about business financing where the focus is about the financing request, if it happened or not, motivation behind a certain choice and problems occurred during this process. Third

part is about external financing from a general prospective and fourth and last part is about external financial providers and the relation firms have with them.
Questionnaire is structured, from the second part, in order to consider separately two different periods of time: first is from 2008 to 2012, the second is from 2013 until nowadays. 2013 is crucial year because, as written in the Introduction, it is considered as the ending point for the recession and confronting what happened before and after this year could confirm or not if this statement is valid for Italian SMEs.

3.2 Sample description

The sample interviewed is composed by 44 Micro, Small and Medium Enterprises working in Padua and Venice territory. The first two questions are useful to create a stratification of the sample, 11.36 % is the share of firms composed by only the entrepreneur and 50% the share of enterprises composed from 2 to 10 employees. Enterprises composed from 11 to 50 employees are 27.28% and ones with until 250 employees are 11.36%. From a turnover point of view 47.73% of interviewed has a turnover lower than 2 million euros, 38.64% has a turnover between 2 and 10 million euros and the 13.63% has an annual turnover between 10 and 50 million euros.
This data are useful to define our sample with the taxonomy seen in the Introduction , so 43.18% are micro enterprises, 40.91% are small enterprises and medium enterprises are 15.91% (figure 5).

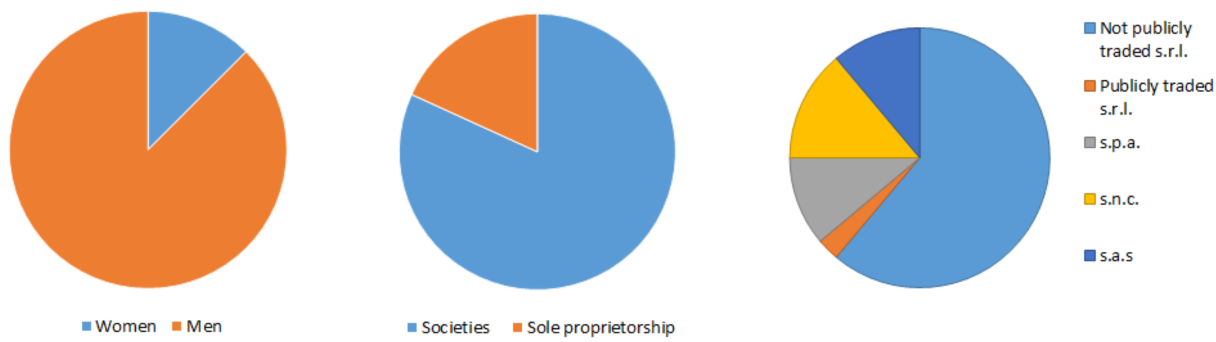
Figure 8 - Interviewed divided by category.

Going deeper, to the organizational structure of the business realities interviewed, 81.81% of enterprises are societies, 8.19% are sole proprietorship.

Among formers, we will name them with their Italian denomination since they are institutions of our country, 50% are "Società a responsabilità limitata non quotata", 2.26% are "Società a responsabilità limitata quotata", 9.09% are "Società per azioni", 11.36% are "Società in nome collettivo", 9.09% are "Società in accomandita semplice". Collecting by typology of society 20.45% are society of people and the remaining 79.55% are society of capitals.

For what concerning the sole proprietorship, 87.5% are business run by men and 12.5% are run by women.

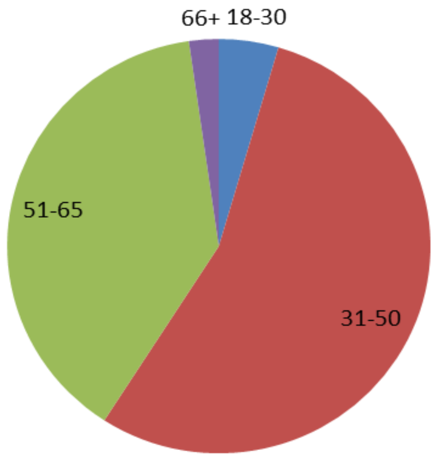
Figure 9 - Organizational structure of the sample



Talking about Age, the great majority of the sample is running business since more than 5 years(79.55%), 15.91% is in the market from 1 to 5 years and 4.54% of firms was born less than 12 months ago.

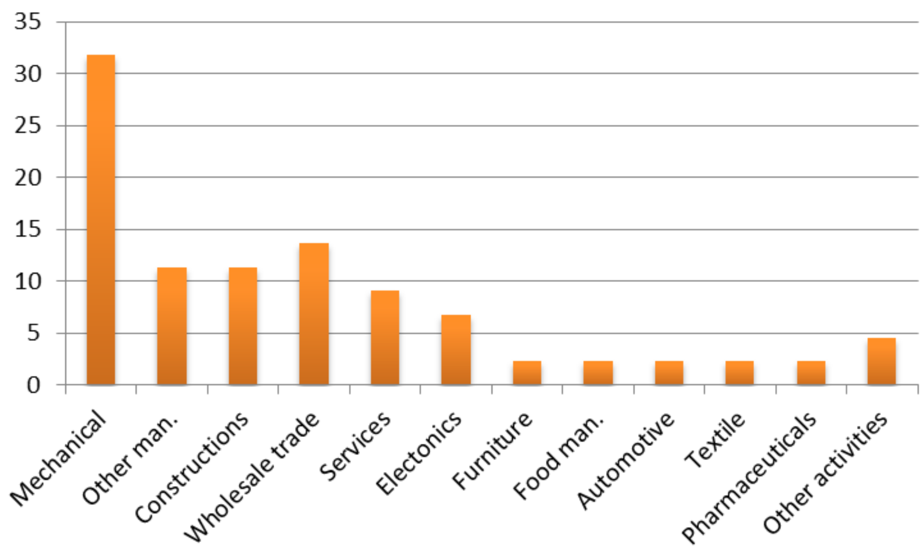
Regarding average age of top management, 4.55% of the sample it is from 18 to 30 years old, 54.55% is from 31 to 50 years old, 38.63% is between 51 and 65 years old and 2.27% is more than 66 years old. From these data we can recognize a sample divided by half. One younger side and one older with different approaches in the way they conduct business, this has relevance for a more accurate identification of firms interviewed.

Figure 10 - Average age of top management



The sample is composed by firms belonging to different business activities, this is a benefit for the research because it avoids a too biased view of the business landscape. Percentages are: 31.81% of firms work on mechanical engineering, 11.36% on other manufacturing activities and Constructions, 9.11% on services, , 13.64% on whole trade, 6.82% Electronics, 2.27% is the share of Furniture, Food Manufacturing, Pharmaceuticals , Automotive and Textile and Clothing, 4.55% are Other activities.

Figure 11 - Business activities of the sample

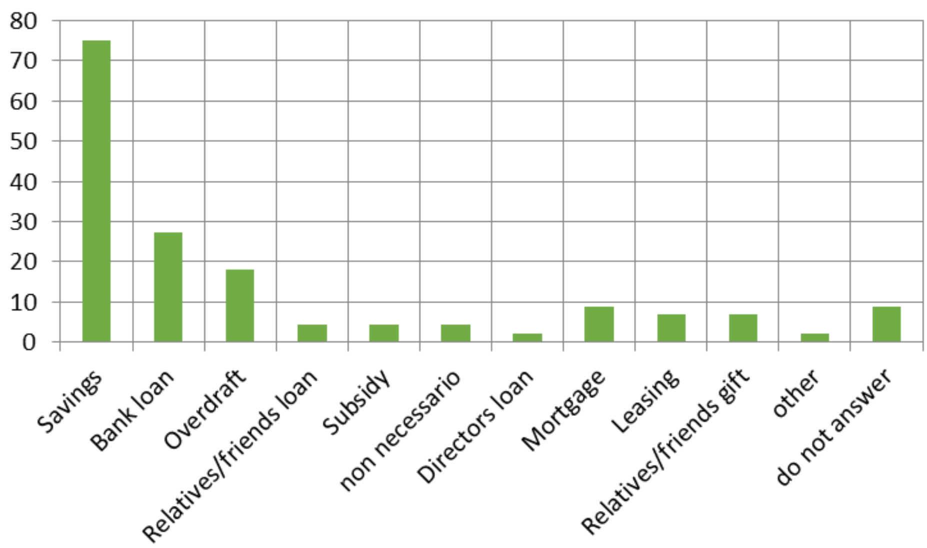


Last question of the first part was about the resources used to establish the business activity, there are more answers available, we collect all the preferences to create a score from the most to the least used.

Most used source are personal savings (75%) followed in order by: 27.27% Loan from bank/building society/finance company, 18.18% Overdraft, 6.82% Leasing/Hire Purchase and gift from friends/family, 9% Mortgage, 4.55% Loan from family/friends, subsidy and not necessary, 2.27% Directors loan and other, 9% Did not want to answer.

There is a clear trend in using personal savings in establish businesses, this could be explained by the great number of firms operating in the market from many years, they could be born from a sole proprietorship and in a second moment they have gradually grown to more structured firms.

Figure 12 - Source used to establish business



To summarize, the sample considered in our empirical research is composed by a majority of micro and small enterprises, there are much more societies than sole proprietorship, where female presence is only a minority share. Predominant sector of activity is mechanical engineering and business has been established with personal savings of the ownership. This can well identify the typical firm of the territory and, despite the convenient sample, having such a group could lead to a better representation of our business landscape.

3.3 Business financing

The second part investigates on firm's capital requests. From here there will be the division between the two periods explained in this Chapter's Introduction, in addition structure of the section is built with question for firms that asked for finance and for those who did not.

From 2008 to 2012 68.18% of firms tried to obtain finance and 63.64% from 2013, meanwhile 16.64% of sample did not ask for finance from 2008 to 2012 and 20.45% from 2013. Remaining interviewed, 15.18% for 2008-2012 and 15,91% for 2013, did not answer or was not on business in the period considered.

Focus now is on firms that did not try to obtain finance, they are a minority of the sample and many times they preferred to not answer to the questions, results shown are based on firms that gave an answer.

All firms, except one, answered that they did not apply for finance and they did not need it, the reasons are: unwillingness to take additional risks, wrong moment due to general economic conditions and incapacity to find the appropriate financial instrument.

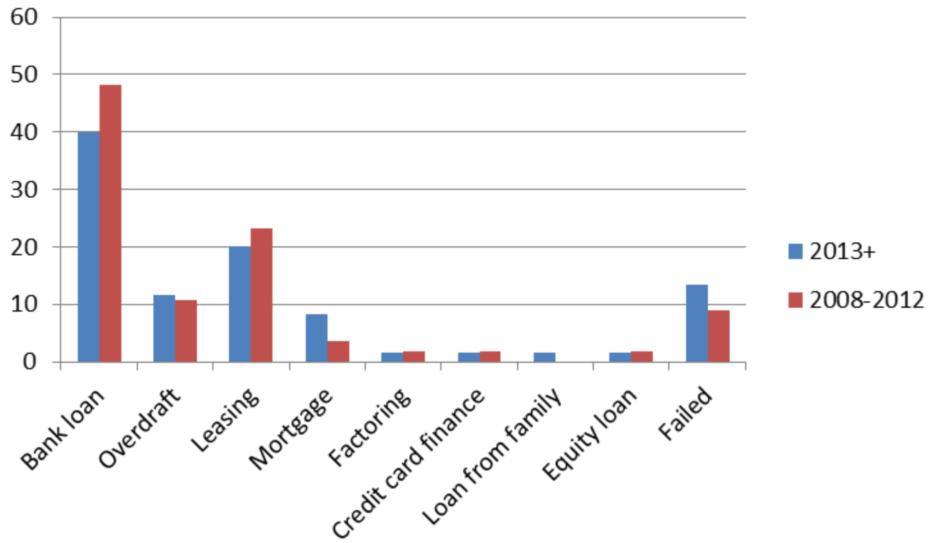
The financial resource sought would have been a bank loan to ask less than 60.239 €.

The majority of the sample asked to obtain financial resources and they mainly achieve the objective. Only 9% of the requests in 2008-2012 failed and since 2013 the percentage grows to 13.3%, a positive situation for the sample.

Considering period between 2008 and 2012 financial resources obtained are: 48.21% Bank loans, 10.71% Overdrafts, 23.21% Leasing/Hire Purchase, 3.57% Mortgages, 1.79% Factoring, Credit card finance and Equity loans.

In the period started from 2013 the composition of the asked resources do not change so much from the previous one: 40% of bank loans, 11.67% Overdrafts, 20% Leasing, 8.33 Mortgages, 1.67% of Factoring, credit card finance, Equity loans and Loans from family.

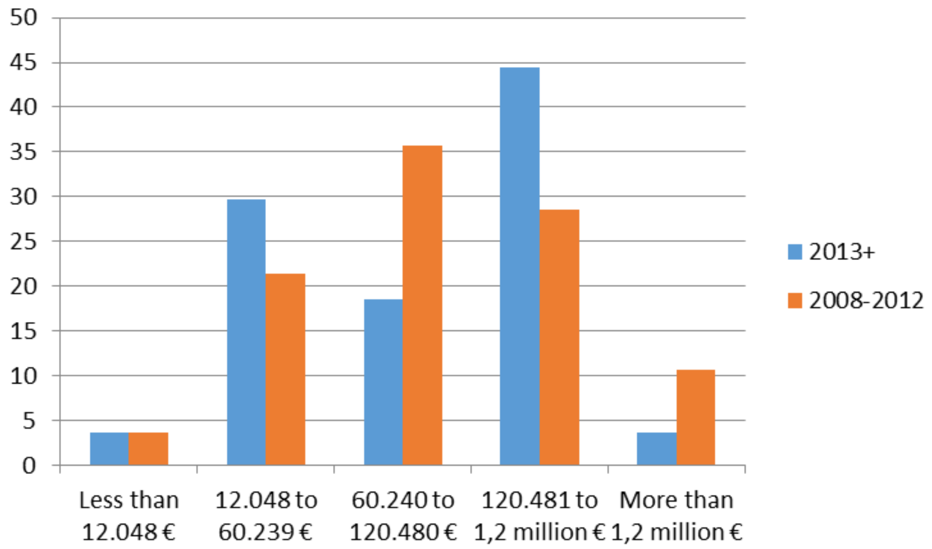
Figure 13 - Resources obtained and failed



Looking for the amounts requested, in 2008-2012 the distribution is: 3.57% asked for less than 12 048€, 21.43% from 12 048€ to 60 240€, 35.41% from 60 240€ to 120 480€, 28.57% from 120 481€ to 1,2 million € and 10.71% asked for more than 1,2 million €.

Considering the second period, from 2013: 3.70% asked for less than 12 048€, 29.63% from 12 048€ to 60 240€, 18.52% from 60 240€ to 120 480€, 44.44% from 120 481€ to 1,2 million € and 3.70% asked for more than 1,2 million €.

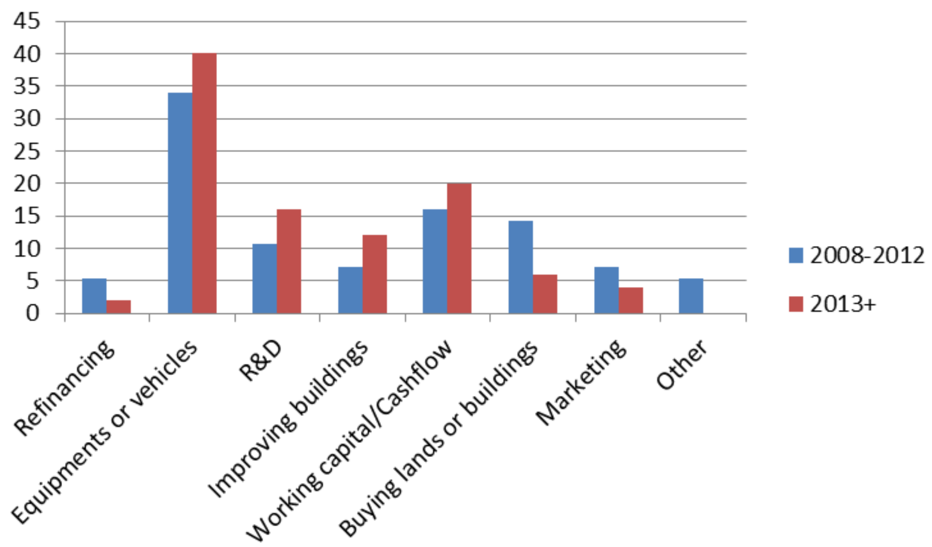
Figure 14 - Total amount of finance requested, divided by periods



Analyzing the motivation that led firms to ask for external finance: results do not show a clear diversification between the 2 periods, in both cases the main reason is to acquire capital equipment and vehicles (33.98% in 2008-2013 and 40% from 2013), other relevant motivation are: Research and development(10.71% in 2008-2013 and 16% from 2013), Improving buildings(7.14% in 2008-2013 and 12% from 2013), buying lands(14.29% in 2008-2013 and 6% from 2013) and buildings and working capital/cash flows (16.07% in 2008-2013 and 20% from 2013).

Minority relevance has Marketing (7.14% in 2008-2013 and 4% from 2013), Refinancing (5.38% in 2008-2013 and 2% from 2013) and Other motivations (5.38% in 2008-2013 and 0% from 2013).

Figure 15 - Motivation for the finance request



The options "working capital" and "refinancing" have a dedicated motivation question. For what concerning refinancing answers given regard research for a better deal and the end of the previous accord.

Looking to working capital/cash flows the reasons given in both periods are: to cover a short-term gap until funds were received from customers and to fund general growth. In only one case the answer was "to cover a short-term gap due to unexpected expense".

The investigation goes also into the reasons to choose a particular source of financing, answers are 72.23% Internal decision, 19.23% advice from consultant, 5.56% advice from financial institution and 2.78% other reasons.

The focus now goes to the situation where requests for finance failed or the case where firms had difficulties in obtaining the resources they needed. Among the sample 9% of the requests in 2008-2012 failed and since 2013 the percentage is 13,3%, reasons given by financial institutions to this failure are: Poor business credit history (a case of a startup), too risky sector and weak balance sheet, this was for firms operating in constructions.

Despite 74.29% of sample had not any difficult on obtaining finance, 20% obtained all the finance required but with some problems or different conditions and 5.71% did not obtain what they apply for.

Analyzing deeper these situation, motivation given by financial institution in 2008-2012 were: firms did not meet financial institution's criteria for lending, inadequate business plan, poor business or personal credit history, too many outstanding loans / mortgages and recession / credit crunch. From 2013 motivations remain the same, they increased in numbers as shown from number of rejects.

Interviewed shown they had difficulties in obtaining bank loans (57% of cases), moreover only in the 20% of firms experimenting these problems obtain finance from another source without ulterior problems.

2.4 External financing

Third section of questionnaire aims to understand general practices about firm's financing, this theme is important because many times SMEs are charged to not formulate strategy about financing, to not make evaluations for shot time and long run resources and so to not be prepared to face difficulties such the current crisis.

From data collected we find a sample divided in two parts, number of firms that plan their financing is almost equal to the other part.

67% of firms do not have a contingency plan to cover shortage in cash flows and 47.22% of the sample assess the need for external finance only whenever financial need arises.

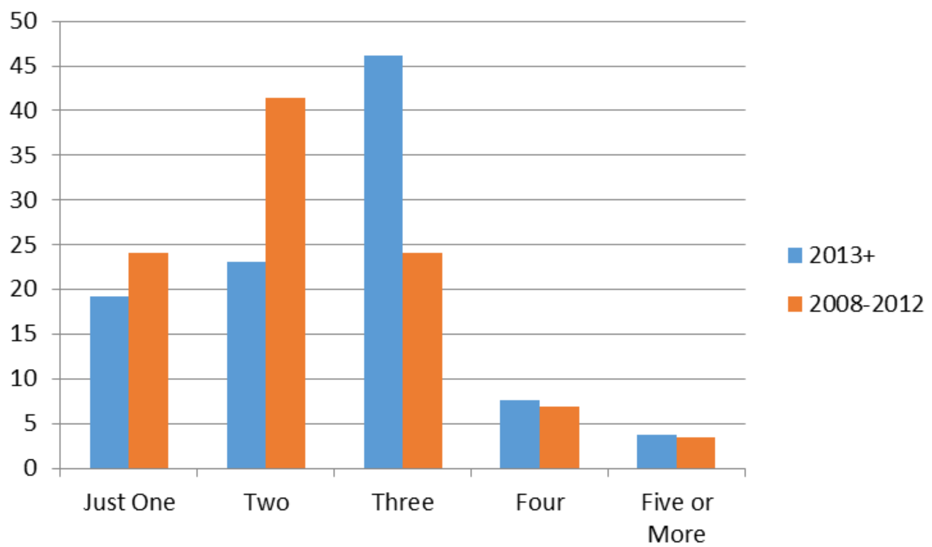
Firms using contingency plan rely on invoice finance and savings of the company.

Secondary to these aspects there is a measure of satisfaction of the financial instruments used, results show that the great majority of interviewed are fairly satisfied or neither satisfied nor dissatisfied, few opinions go to the extreme many times prejudiced by the results of their request, the most negative for example are due to not obtaining the resources.

3.5 Businesses and providers

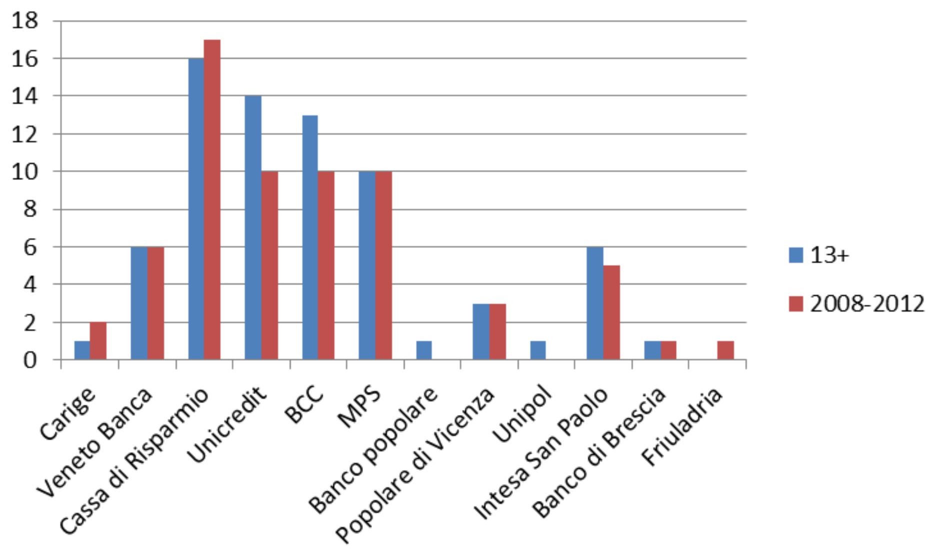
Last part of questionnaire focus on the relation between firms and provider of finance. Figure 16 is a graphical representation of a situation where 24.14% of sample in 2008-2012 and 19.23% from 2013 had relations with just one finance institution. The motivation given by these firms are: "first one gave me what I wanted", "longstanding relationship" and "need finance quickly". They are sort of exceptions to a scenario where on average firm have relationship with 2.24 providers in 2008-2012 and 2.54 from 2013.

Figure 16 – Financial institutions approached



This lead to a multi relational scheme for SMEs, where firms establish multiple contacts with financial institutions to find every time a solution for their financial needs. These relations seems not to be casual, created only for financing, but durable. 87.5% of sample contacts providers they already had a relationship with and figure 17 shows how little firms have changed their finance provider during the period considered. There is a clear preference for local banks more than national banks, data do not show preferences for international institutions. This trend could be explained by an entrepreneurial need to establish a relation with the banks (see paragraph 1.4) and a need to feel closer the financial institution in terms of distance.

Figure 17 –Banks used by firms



Last questions are dedicated to an evaluation of services offered by financial providers.
Starting from last question 68.57% of sample considers fairly good its relation with the financial provider and only 14.28% consider is as fairly or very poor. These results are coherent with the rejection rate expressed in paragraph 3.2 and they underline again a positive situation in the majority of cases.

Sample experienced availability, approachability and professionalism of staff, this is confirmed because 62% of enterprises have a dedicate manager. Other highly experienced and less desired characteristics are "technology capability" and "advisory services". There are then two characteristics very less experienced by highly desired: competitive, flexible and consistent pricing and innovative ideas. These could be intended as a perceived lack of the financial system.

Finally there are two as experienced as desired characteristics, response time and speed/efficiency of service. Since they regard time it is normal for firms even if they have already evaluate as good timing retain that faster, is always better.

3.6 Considerations and conclusions

From the results of questionnaire exposed in this Chapter we cannot state neither 2013 is the year where recession stops nor it is a year of change for firms interviewed. Analysis from paragraph 3.3 do not show a clear distinction between the two periods, this thesis could confirm the idea that in Italy recession is not yet over, but more likely there was a problem in sampling. Access to credit is not an issue SMEs want to talk about so easily, because they retain it a big problem to deal with, these conclusion are results of “qualitative data” observed during interviews and questionnaires delivering. For this reason the sample obtained draw a situation where in majority of cases enterprises do not experiment difficulties in obtaining finance and in very few cases they obtain nothing from the market. However from these results it is understandable how much there is a need for a more strategical thinking for enterprises. Paragraph 3.4 demonstrates how many firms do not plan how to face short run contingency and how much is rooted the mentality of asking for finance only when the need arises. Anyway this way of doing business is part of the Venetian culture and an entire generation of entrepreneurs has worked, mostly in micro and small realities, not thinking so much strategically. Global financial crisis, as written in the Introduction, has changed the rule of the game and firms are dealing with it, results has become positive, this document could be a starting point for a deeper research of business landscape but first trying to overcome firms’ distrust and collect information that can show more clear current situation of credit access.

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ANNEX 1 - Questionnaire

Access to credit for SMEs

Department of Management of Ca' Foscari University is running a survey which considers access to finance for small and medium-sized enterprises (SMEs). The main aim of conducting this survey is to gain a better understanding of access to credit by SMEs in our region and how the recent economic and financial crisis has affected their ability to access financial capital. Specifically, this research aims to identify the main difficulties faced by SMEs in our region when trying to raise credit and to understand if their financial resources are adequate. All information will be treated in the strictest confidence and all data will be anonymized fully.

Information on the company

How many people work in the business including both full and part-time workers (headcount)?

- ❍ Just yourself (no employees)
- ❍ 2-10
- ❍ 11-50
- ❍ 51-250
- ❍ 251 or more

If 251 or more Is Selected, Then Skip To End of Survey

In which of the following ranges is your firm's annual turnover (excluding VAT)?

- ❍ Less than £1.66 m (less than 2 m €)
- ❍ £1.66 - £8.23 m (2-10 m €)
- ❍ £8.23 - £41.13 m (10-50 m €)
- ❍ Over £41.14 m (over 50 m €)

If Over £41.14 m Is Selected, Then Skip To End of Survey

What is your company's post code?

When was your business first established?

- ❍ Up to 12 months ago
- ❍ Over one year, up to 5 years ago
- ❍ Over 5 years
- ❍ Don't know
- ❍ Unwilling to answer

What is the legal status of your organisation / business?

❍ Sole proprietorship	❍ Co-operative society
❍ Società a responsabilità limitata non quotata	❍ Società consortile
❍ Società a responsabilità limitata quotata in borsa	❍ Other (please specify) ______________
❍ Società in nome collettivo	❍ Don't know
❍ Società per azioni	❍ Unwilling to answer
❍ Società in accomandita semplice	❍

Answer If Q5 What is the legal status of your organisation / business? Sole proprietorship Is Selected

Is the owner of the business male or female?

- ❍ Male
- ❍ Female
- ❍ Don't know
- ❍ Unwilling to answer

Answer If Q5 What is the legal status of your organisation / business? Sole proprietorship Is Not Selected

Is more than 50% of your business owned by women?

- ❍ Yes
- ❍ No
- ❍ Don't know
- ❍ Unwilling to answer

Which of the following bands best describes the managing or leading partner's age?

- ❍ 18-30
- ❍ 31-50
- ❍ 51-65
- ❍ 66+
- ❍ Don't know
- ❍ Unwilling to answer

What is your main business activity?

- ❍ Automotive
- ❍ Food Manufacturing
- ❍ Textiles and Clothing
- ❍ Wood Product Manufacturing
- ❍ Mechanical engineering
- ❍ Chemical Manufacturing
- ❍ Other Manufacturing
- ❍ Utilities
- ❍ Construction (Building, Developing and General Contracting)
- ❍ Services
- ❍ Computer and Electronic Product
- ❍ Communications
- ❍ Pharmaceuticals
- ❍ Tourism
- ❍ Transport
- ❍ Wholesale trade
- ❍ Other (please specify) ____________________
- ❍ Don't know
- ❍ Unwilling to answer

What sources of finance were used to establish your business? Please mention all that apply.

- ❑ Personal savings
- ❑ Mortgage / re-mortgage on home
- ❑ Bank overdraft
- ❑ Credit card
- ❑ Crowdfunding
- ❑ Directors loan
- ❑ Family / friends - gift
- ❑ Family / friends - loan
- ❑ Family / friends - shares issued
- ❑ Grant / subsidy / loan from public authority
- ❑ Inheritance / redundancy / windfall
- ❑ Leasing / Hire purchase (HP)
- ❑ Loan from bank / building society / finance company
- ❑ Shares - to business angels
- ❑ Shares - to venture capitalists
- ❑ Shares - to other investors
- ❑ Other (please specify) ____________________
- ❑ None needed
- ❑ Don't know
- ❑ Unwilling to answer

Financing your business

Have you tried to obtain finance for your business...

	Since 2013 to today	Since 2008 to 2012
Yes	❑	❑
No	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

If No - Since 2013 to today Is Selected, Then Skip To Although you did not apply for it, ha...If No - Since 2008 to 2012 Is Selected, Then Skip To Although you did not apply for it, ha...If Yes - Since 2013 to today Is Selected, Then Skip To What did you try to obtain finance for?If Yes - Since 2008 to 2012 Is Selected, Then Skip To What did you try to obtain finance for?

Although you did not apply for it, have you had a need for financing your business?

	Since 2013 to today	Since 2008 to 2012
Yes	❑	❑
No	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

If Yes - Since 2013 to today Is Selected, Then Skip To A2.1 And which of these is the main r...If Yes - Since 2008 to 2012 Is Selected, Then Skip To A2.1 And which of these is the main r...If No - Since 2013 to today Is Selected, Then Skip To End of SurveyIf No - Since 2008 to 2012 Is Selected, Then Skip To End of Survey

And which of these is the main reason for not applying for finance?

	Since 2013 to today	Since 2008 to 2012
You thought your application would be rejected	❑	❑
You thought it would be too expensive	❑	❑
You don't want to take on additional risk	❑	❑
Now is not the right time because of economic conditions	❑	❑
You didn't know where to find the appropriate finance you needed	❑	❑
Other (please specify)	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

What type of finance would you have sought? Please mention all that apply.

	Since 2013 to today	Since 2008 to 2012
Bank loan	❑	❑
Bank overdraft	❑	❑
Credit card finance	❑	❑
Crowdfunding	❑	❑
Equity investment from business angel	❑	❑
Equity investment from venture capitalist (VC / private equity)	❑	❑
Equity investment from other shareholders	❑	❑
Factoring / invoice discounting (asset based finance)	❑	❑
Grant	❑	❑
Leasing or hire purchase	❑	❑
Loan from family / business partner / directors	❑	❑
Loan from peer to peer lending network	❑	❑
Mortgage for property purchase or improvement	❑	❑
Other (please specify)	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

How much finance would you have sought?

	Since 2013 to today	Since 2008 to 2012
Less than 12.048 €	❑	❑
12.048 to 60.239 €	❑	❑
60.240 to 120.480 €	❑	❑
120.481 to 1,2 million €	❑	❑
More than 1.2 million €	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

What did you try to obtain finance for?

	Since 2013 to today	Since 2008 to 2012
Refinancing	❑	❑
Working capital, cashflow	❑	❑
Buying land or buildings	❑	❑
Improving buildings	❑	❑
Acquiring capital equipment or vehicles	❑	❑
Research & Development	❑	❑
Acquiring intellectual property	❑	❑
Protecting intellectual property	❑	❑
Training / staff development	❑	❑
Buying another business	❑	❑
Marketing	❑	❑
Export	❑	❑
Other (please specify)	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

Answer If What did you try to obtain finance for? Working capital, cashflow - Since 2013 to today Is Selected Or What did you try to obtain finance for? Working capital, cashflow - Since 2008 to 2012 Is Selected

As you tried to obtain finance for working capital/cashflow, hat was this for?

	Since 2013 to today	Since 2008 to 2012
To cover a short-term gap until funds were received from customers	❑	❑
To cover a short-term gap due to unexpected expense e.g. late payment from a supplier	❑	❑
As a safety net	❑	❑
Working capital to fund general growth	❑	❑
Other (please specify)	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

Answer If What did you try to obtain finance for? Refinancing - Since 2013 to today Is Selected Or What did you try to obtain finance for? Refinancing - Since 2008 to 2012 Is Selected

Why were you refinancing?

	Since 2013 to today	Since 2008 to 2012
Looking for better deal	❑	❑
Finance deal came to an end	❑	❑
Unhappy with current supplier	❑	❑
Other (please specify)	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

Answer If Financing your business Have you tried to obtain finance for your business... Yes - Since 2013 to today Is Selected Or Financing your business Have you tried to obtain finance for your business... Yes - Since 2008 to 2012 Is Selected

What type of finance did you seek? Please include all types of finance including where you failed to obtain it.

	Since 2013 to today		Since 2008 to 2012	
	Obtained	Failed	Obtained	Failed
Bank loan	❍	❍	❍	❍
Bank overdraft	❍	❍	❍	❍
Credit card finance	❍	❍	❍	❍
Crowdfunding	❍	❍	❍	❍
Equity investment from business angel	❍	❍	❍	❍
Equity investment from venture capitalist (VC / private equity)	❍	❍	❍	❍
Equity investment from other shareholders	❍	❍	❍	❍
Factoring / invoice discounting (asset based finance)	❍	❍	❍	❍
Grant	❍	❍	❍	❍
Leasing or hire purchase	❍	❍	❍	❍
Loan from family / business partner / directors	❍	❍	❍	❍
Loan from peer to peer lending network	❍	❍	❍	❍
Mortgage for property purchase or improvement	❍	❍	❍	❍
Other (please specify)	❍	❍	❍	❍
Don't know	❍	❍	❍	❍
Unwilling to answer	❍	❍	❍	❍

Answer If Financing your business Have you tried to obtain finance for your business... Yes - Since 2013 to today Is Selected Or Financing your business Have you tried to obtain finance for your business... Yes - Since 2008 to 2012 Is Selected

What were the main reasons for choosing a particular type of finance?

- ❑ Advice from financial institution
- ❑ Internal decision
- ❑ Advice from trade body or association
- ❑ Advice from consultant
- ❑ Advice from business mentor
- ❑ Other (please specify) ____________________
- ❑ Don't know
- ❑ Unwilling to answer

Answer If What type of finance did you seek?   Please include all types of finance including where you failed to obtain it. - Since 2008 to 2012 - Failed Is Selected Or What type of finance did you seek?   Please include all types of finance including where you failed to obtain it. - Since 2008 to 2012 - Failed Is Selected

What reasons were given for turning down your application?

- ❑ No security
- ❑ Insufficient security
- ❑ Poor personal credit history
- ❑ Poor business credit history
- ❑ No credit history / not in business long enough
- ❑ Failed credit score
- ❑ Applied for too much
- ❑ Applied for too little
- ❑ Too much existing borrowing
- ❑ Needed more equity in the business
- ❑ Weak balance sheet
- ❑ Inadequate business plan
- ❑ Bank not satisfied with financial forecasts
- ❑ Concerns about the assessment process
- ❑ Concerns re. management / succession planning
- ❑ Industry too risky
- ❑ Trading environment too risky
- ❑ Other (please specify) ____________________
- ❑ Don't know
- ❑ Unwilling to answer

Answer If Financing your business Have you tried to obtain finance for your business... Yes - Since 2013 to today Is Selected Or Financing your business Have you tried to obtain finance for your business... Yes - Since 2008 to 2012 Is Selected

How much finance did you seek?

	Since 2013 to today	Since 2008 to 2012
Less than 12.048 €	❑	❑
12.048 to 60.239 €	❑	❑
60.240 to 120.480 €	❑	❑
120.481 to 1,2 million €	❑	❑
More than 1,2 million €	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

Answer If Financing your business Have you tried to obtain finance for your business... Yes - Since 2013 to today Is Selected Or Financing your business Have you tried to obtain finance for your business... Yes - Since 2008 to 2012 Is Selected

Did you have any difficulties in obtaining this finance from the first source you approached?

	Since 2013 to today	Since 2008 to 2012
Yes, was unable to obtain any finance	❑	❑
Yes, obtained some but not all of the finance required	❑	❑
Yes, obtained all the finance required but with some problems or different conditions	❑	❑
No, had no difficulties in obtaining finance	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

Answer If Did you have any difficulties in obtaining this finance from the first source you approached? Yes, was unable to obtain any finance Is Not Empty Or Did you have any difficulties in obtaining this finance from the first source you approached? Yes, obtained some but not all of the finance required Is Not Empty Or Did you have any difficulties in obtaining this finance from the first source you approached? Yes, obtained all the finance required but with some problems or different conditions Is Not Empty

If you had any difficulties in obtaining the finance, what reasons were given by the financial institution?

	Since 2013 to today	Since 2008 to 2012
Applied for too much	❑	❑
Did not meet financial institution's criteria for lending (e.g. bank credit score / business sector too risky)	❑	❑
Inadequate business plan	❑	❑
Poor business or personal credit history	❑	❑
No credit history / not in business long enough	❑	❑
No / insufficient security	❑	❑
Too many outstanding loans / mortgages	❑	❑
No reason given	❑	❑
Poor quality application	❑	❑
Recession / credit crunch	❑	❑
Respondent rejected terms and conditions of offer	❑	❑
Still pending	❑	❑
Other (please specify)	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

Answer If Did you have any difficulties in obtaining this finance from the first source you approached? Yes, was unable to obtain any finance Is Not Empty Or Did you have any difficulties in obtaining this finance from the first source you approached? Yes, obtained some but not all of the finance required Is Not Empty Or Did you have any difficulties in obtaining this finance from the first source you approached? Yes, obtained all the finance required but with some problems or different conditions Is Not Empty

Did the financial institution change the form of external finance? Please specify when.

	Since 2013 to today	Since 2008 to 2012
Yes	❑	❑
No	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

Answer If Did you have any difficulties in obtaining this finance from the first source you approached? Yes, was unable to obtain any finance Is Not Empty Or Did you have any difficulties in obtaining this finance from the first source you approached? Yes, obtained some but not all of the finance required Is Not Empty Or Did you have any difficulties in obtaining this finance from the first source you approached? Yes, obtained all the finance required but with some problems or different conditions Is Not Empty

If yes, what did the financial institution want to change about it?

	Since 2013 to today	Since 2008 to 2012
To reduce the amount	❑	❑
To increase the amount	❑	❑
To reduce the interest rate	❑	❑
To increase the interest rate	❑	❑
Asked for more security	❑	❑
To reduce the amount of security required	❑	❑
To impose more conditions such as providing regular financial information	❑	❑
To change to another form of borrowing	❑	❑
Other (please specify)	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

Answer If Did you have any difficulties in obtaining this finance from the first source you approached? Yes, was unable to obtain any finance Is Not Empty Or Did you have any difficulties in obtaining this finance from the first source you approached? Yes, was unable to obtain any finance Is Not Empty Or Did you have any difficulties in obtaining this finance from the first source you approached? Yes, obtained all the finance required but with some problems or different conditions Is Not Empty

Which type of finance did you have problems obtaining?

	Since 2013 to today	Since 2008 to 2012
Bank loan	❑	❑
Bank overdraft	❑	❑
Credit card finance	❑	❑
Crowdfunding	❑	❑
Equity investment from business angel	❑	❑
Equity investment from venture capitalist (VC / private equity)	❑	❑
Equity investment from other shareholders	❑	❑
Factoring / invoice discounting (asset based finance)	❑	❑
Grant	❑	❑
Leasing or hire purchase	❑	❑
Loan from family / business partner / directors	❑	❑
Loan from peer to peer lending network	❑	❑
Mortgage for property purchase or improvement	❑	❑
Other (please specify)	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

Answer If Did you have any difficulties in obtaining this finance from the first source you approached? Yes, was unable to obtain any finance Is Not Empty Or Did you have any difficulties in obtaining this finance from the first source you approached? Yes, obtained some but not all of the finance required Is Not Empty Or Did you have any difficulties in obtaining this finance from the first source you approached? Yes, obtained all the finance required but with some problems or different conditions Is Not Empty

Did you eventually go on to obtain the finance you needed for your business, for example, from another external source?

- No, was unable to obtain any finance
- Obtained some but not all of the finance required
- Obtained all the finance required but with some problems or different conditions
- Yes, had no difficulties in obtaining finance from other source
- Don't know
- Unwilling to answer

External finance

How regularly do you assess your need for external finance?

- Monthly or more often
- About every quarter
- About twice a year
- Annually
- Less often than annually
- Whenever finance needs arise
- Never
- Don't know
- Unwilling to answer

Do you have any contingency plans in place to cover shortages in cashflow? E.g. late payment or unexpected expense.

- Yes
- No
- Don't know
- Unwilling to answer

If No Is Selected, Then Skip To B4 Has the business used any of the f...If Don't know Is Selected, Then Skip To B4 Has the business used any of the f...If Unwilling to answer Is Selected, Then Skip To B4 Has the business used any of the f...

What contingency plans do you have in place?
Please select all that apply.

- ❑ Overdraft
- ❑ Savings or cash in company
- ❑ Invoice finance
- ❑ Credit cards
- ❑ Other (please specify) ____________________
- ❑ Don't know
- ❑ Unwilling to answer

Has the business used any of the following forms of external finance? And how satisfied or dissatisfied are you with this (if you used it)?

	Yes	No	Very satisfied	Fairly satisfied	Neither satisfied nor dissatisfied	Fairly dissatisfied	Very dissatisfied	Don't know / unwilling to answer
Bank loan or mortgage	❍	❍	❍	❍	❍	❍	❍	❍
Bank overdraft	❍	❍	❍	❍	❍	❍	❍	❍
Credit card finance	❍	❍	❍	❍	❍	❍	❍	❍
Crowd sourcing	❍	❍	❍	❍	❍	❍	❍	❍
Equity investment	❍	❍	❍	❍	❍	❍	❍	❍
Export / import finance e.g. document credits	❍	❍	❍	❍	❍	❍	❍	❍
Factoring / invoice discounting (asset based finance)	❍	❍	❍	❍	❍	❍	❍	❍
Grants	❍	❍	❍	❍	❍	❍	❍	❍
Leasing or hire purchase	❍	❍	❍	❍	❍	❍	❍	❍
Loan from family / business partner / directors	❍	❍	❍	❍	❍	❍	❍	❍
Mezzanine finance	❍	❍	❍	❍	❍	❍	❍	❍
Loan from a peer to peer lending network	❍	❍	❍	❍	❍	❍	❍	❍
Other	❍	❍	❍	❍	❍	❍	❍	❍

(please specify)								

Answer If Has the business used any of the following forms of external finance? And how satisfied or dissatisfied are you with this (if you used it)? Equity investment -   - Yes Is Selected

Who did you obtain your equity investment from?

❑ From a business angel
❑ From a venture capitalist / VC
❑ From any other third party organisation / another business
❑ From within your business
❑ From a member of your family or a friend
❑ From a crowd sourcing platform
❑ Other form of equity (please specify) ____________________
❑ Don't know
❑ Unwilling to answer

Businesses and Providers

On the last occasion you sought finance, how many different providers of finance did you contact in all?

	Since 2013 to today	Since 2008 to 2012
Just one	❑	❑
Two	❑	❑
Three	❑	❑
Four	❑	❑
Five or more	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

Answer If Businesses and Providers On the last occasion you sought finance, how many different providers of finance did you contact in all? Just one - Since 2013 to today Is Selected Or Businesses and Providers On the last occasion you sought finance, how many different providers of finance did you contact in all? Just one - Since 2008 to 2012 Is Selected

Why did you only approach one provider of finance? Please give the main reason only.

- ❍ Did not realise there were more providers
- ❍ Too much hassle
- ❍ First one gave / had what I wanted
- ❍ Too little time / needed finance quickly
- ❍ Longstanding relationship
- ❍ Other (please specify) ____________________
- ❍ Don't know
- ❍ Unwilling to answer

Which are the main banks or financial institutions used by your business?

	Since 2013	From 2008 to 2012
Banca Carige Italia Spa	❑	❑
Banca Carime SpA	❑	❑
Banca dell'Adriatico SpA	❑	❑
Banca delle Marche SpA	❑	❑
Banca Mediolanum	❑	❑
Banca Monte dei Paschi di Siena SpA	❑	❑
Banca Nazionale del Lavoro Spa	❑	❑
Banca Piccolo Credito Valtellinese, Soc. Coop.	❑	❑
Banca Popolare Commercio e Industria SpA	❑	❑
Banca Popolare Dell'Emilia Romagna - Soc. Coop.	❑	❑
Banca Popolare di Ancona SpA	❑	❑
Banca Popolare di Bergamo SpA	❑	❑
Banca Popolare di Milano Scarl	❑	❑
Banca Popolare di Sondrio SCpA	❑	❑
Banca Popolare di Vicenza SCpA	❑	❑
Banca Regionale Europea SpA	❑	❑
Banca Sella SpA	❑	❑
Banco di Brescia San Paolo Cab SpA	❑	❑
Banco di Napoli SpA	❑	❑
Banco di Sardegna SpA	❑	❑
Banco Popolare - Società Cooperativa	❑	❑
Cassa di Risparmio del Veneto SpA	❑	❑
Cassa di Risparmio di Firenze SpA	❑	❑
Cassa di Risparmio di Parma e Piacenza SpA	❑	❑

Credito Bergamasco SpA	❑	❑
Credito Emiliano SpA	❑	❑
Deutsche Bank SpA	❑	❑
Intesa Sanpaolo SpA	❑	❑
Unicredit	❑	❑
Unipol Banca Spa	❑	❑
Veneto Banca S.C.P.A.	❑	❑
Altro (specificare)	❑	❑
Non so	❑	❑
Preferisco non rispondere	❑	❑

Did you already have a relationship with the provider you approached (e.g. previously sought finance from them, or have an existing account with them)?

❍ Yes
❍ No
❍ Don't know
❍ Unwilling to answer

If No Is Selected, Then Skip To End of SurveyIf Don't know Is Selected, Then Skip To End of SurveyIf Unwilling to answer Is Selected, Then Skip To End of Survey

Which are the main features of the relationship with his provider?

❑ Dedicate manager
❑ Newsletters
❑ Outbound call centre
❑ Forms and literature from the provider clear and easy to understand
❑ Don't know
❑ Unwilling to answer

According to the experience of your business, which are the main characteristics of this provider? Which characteristics would you have liked them to have?

	Experienced	Desired
Availability, approachability and professionalism of staff	❑	❑
Response time	❑	❑
Speed and efficiency of service	❑	❑
Competitive, flexible and consistent pricing	❑	❑
Technology capability	❑	❑
Customised offering	❑	❑
Advisory services	❑	❑
Innovative ideas	❑	❑
Other (please specify)	❑	❑
Don't know	❑	❑
Unwilling to answer	❑	❑

How would you describe your business's relationship with this provider?

- ❍ Very poor
- ❍ Fairly poor
- ❍ Neither poor nor good
- ❍ Fairly good
- ❍ Very good
- ❍ Don't know
- ❍ Unwilling to answer

Please enter any comments you have on the issues raised in this questionnaire

If you wish to receive any information or to take part, either in this or in a similar study of SMEs, conducted by the Data Research Centre for Smart Analytics in Essex Business School please provide your details
Email
Telephone

Thank you for taking the time to complete this survey. All information will be treated in the strictest confidence and all data will be anonymised.
Please enter your e-mail if you wish to be included in the iPad Mini prize draw.
Email