



FINANCING SMEs AND ENTREPRENEURS 2024: AN OECD SCOREBOARD

Conference on Access to Finance for SMEs: Assessment and Perspectives
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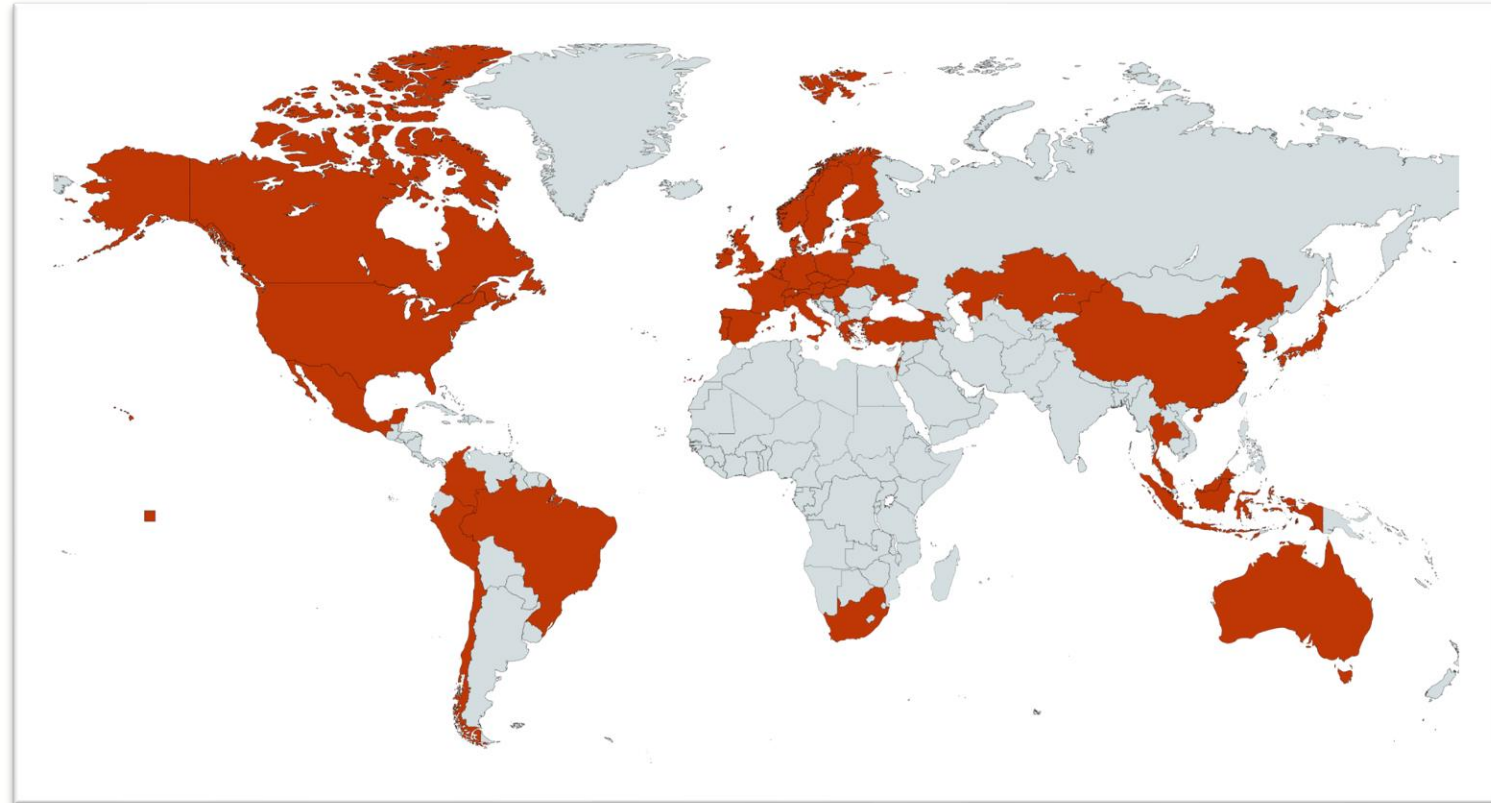


Financing SMEs and Entrepreneurs 2024: An OECD Scoreboard

The OECD Scoreboard on Financing SMEs and Entrepreneurs

- Biennial **flagship publication created in 2012**
- Provides **comparable data** on debt, credit costs and conditions, asset-based and equity financing, bankruptcies and late payments, as well as information on **policy developments**
- **Official data** from ministries, central banks, statistical offices, and sector organisations **from around 50 countries**
- Future developments aim at **greater country coverage, additional indicators** and **more granular data**

Countries participating in the Financing SMEs and Entrepreneurs Scoreboard

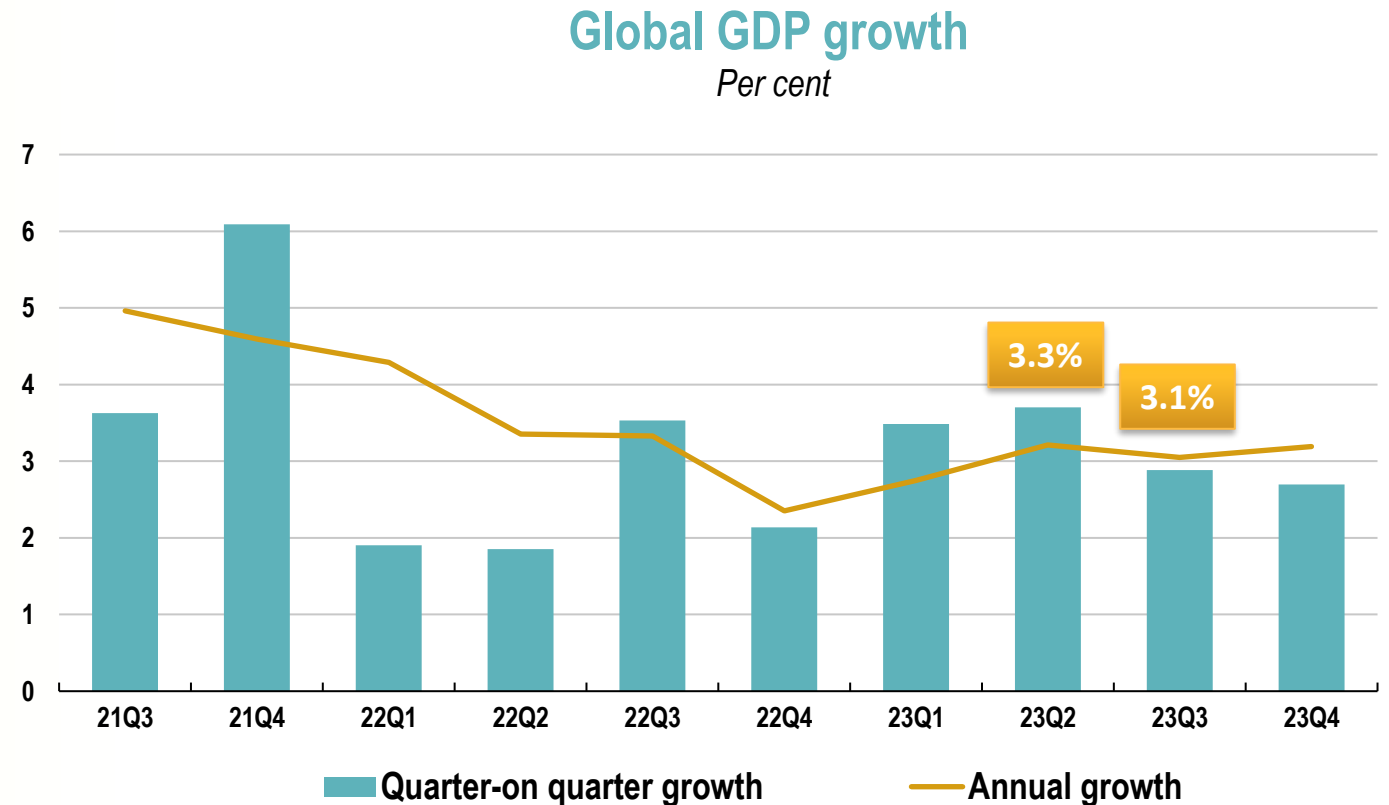




Global growth proved resilient in 2023

Global growth remained resilient at 3.1% in 2023, falling only slightly from 3.3% in 2022, and inflation declined more quickly than anticipated.

- **Outcomes diverged across countries**, with strong growth in the US and emerging economies offset by a slowdown in most European countries.



Source: [OECD Economic Outlook, Interim Report February 2024](#).



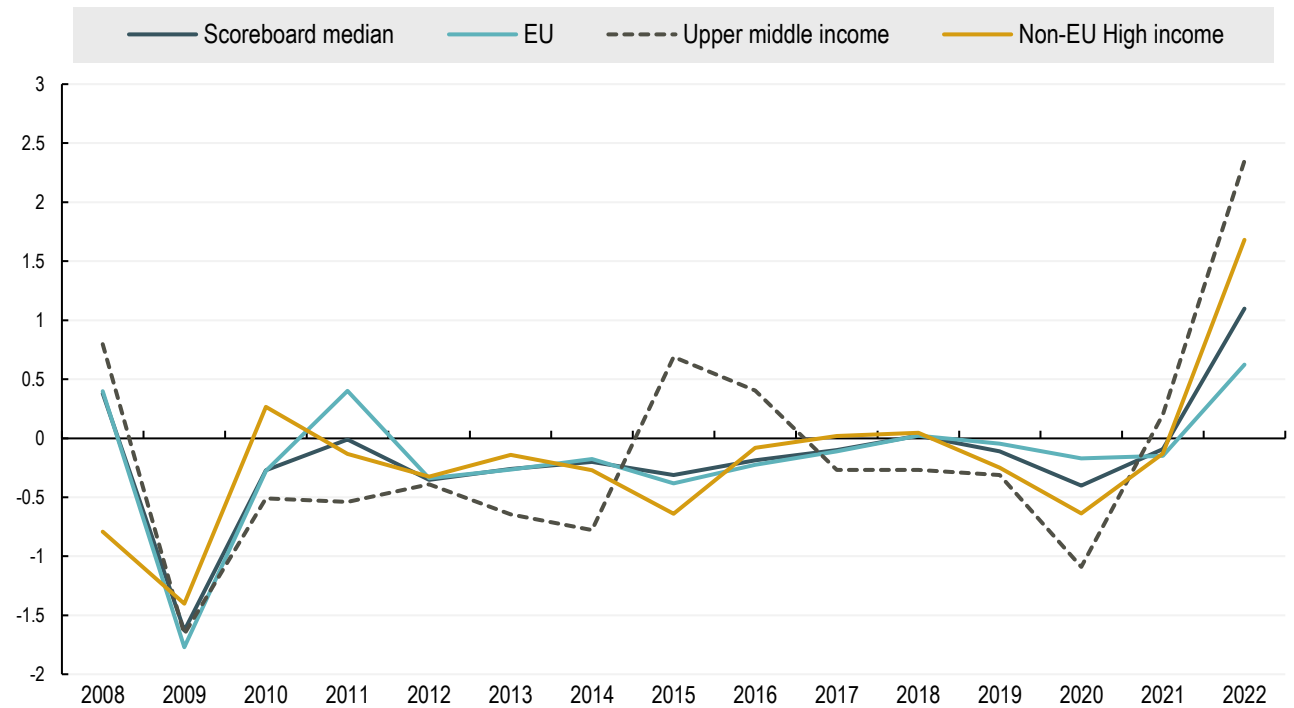
The **cost of finance** has spiked ...

In 2022, the cost of finance increased sharply as governments around the world tightened monetary policy.

- **The rise in policy interest rates quickly passed through to SME rates.** The Scoreboard median interest rate increased by 1.1 p.p, the steepest rise in the history of the Scoreboard.
- **The rise in borrowing costs is likely to weigh on SME recovery.** Studies show that a 1 p.p. increase in interest rates is associated with a 0.35 p.p. decline in SME profit margins.

Changes in SME interest rate by group of countries

2008 – 2022, nominal rates, percentage points



Source: Data compiled from the individual country Scoreboards.



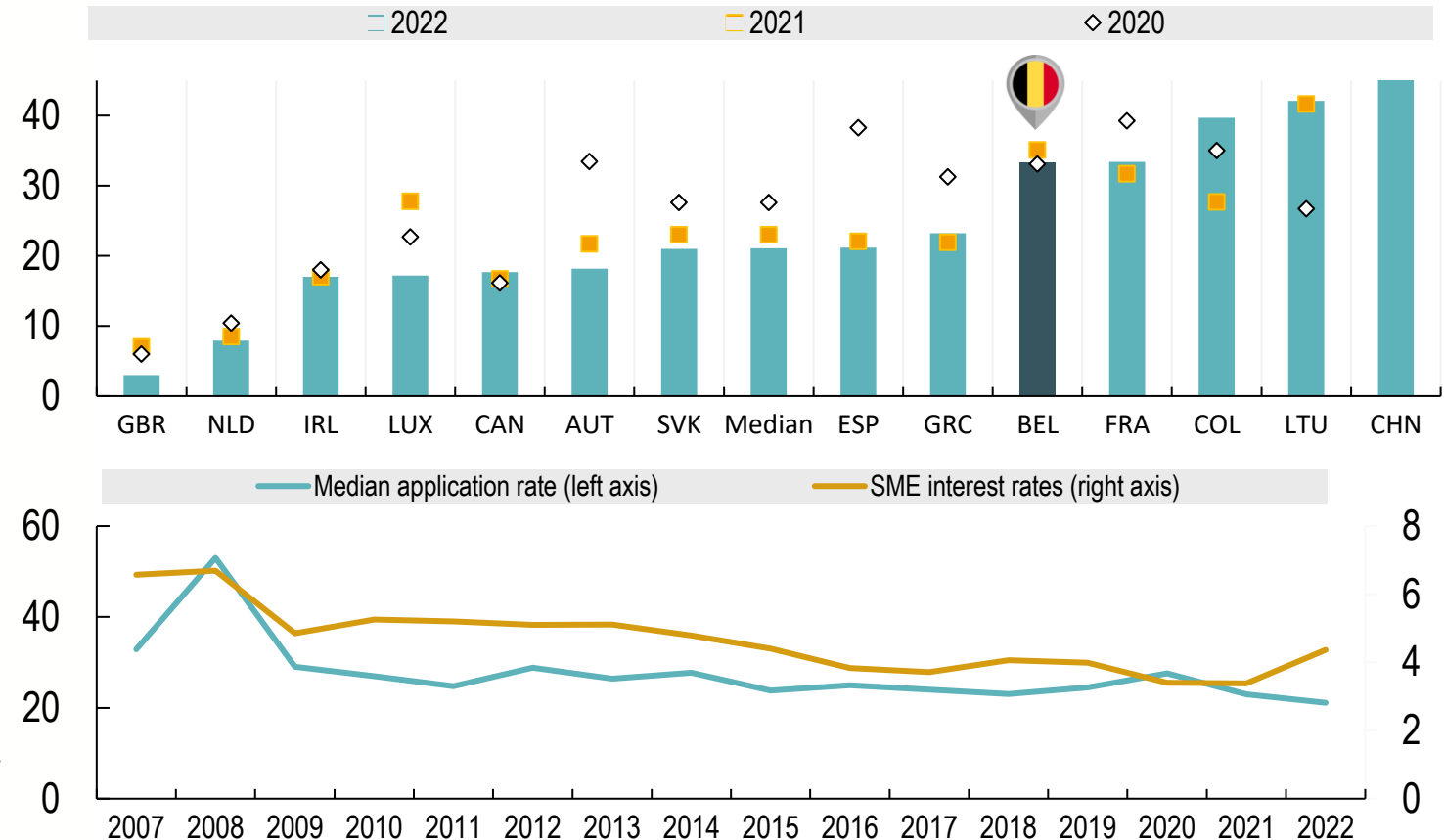
Loan application rates have declined as the cost of finance and collateral requirements increased

SME application rates, 2007-22

By country (left panel), SME application and interest rates (right panel), as a percent

Rising costs of finance have deterred SMEs from seeking debt finance.

- Between 2021 and 2022, SME loan applications declined by 2 p.p.
- The percentage of SMEs requiring collateral rose by 1.17 p.p.



Note: The figures show information for the 14 countries that provided data for this indicator
Source: Data compiled from the individual country Scoreboards.

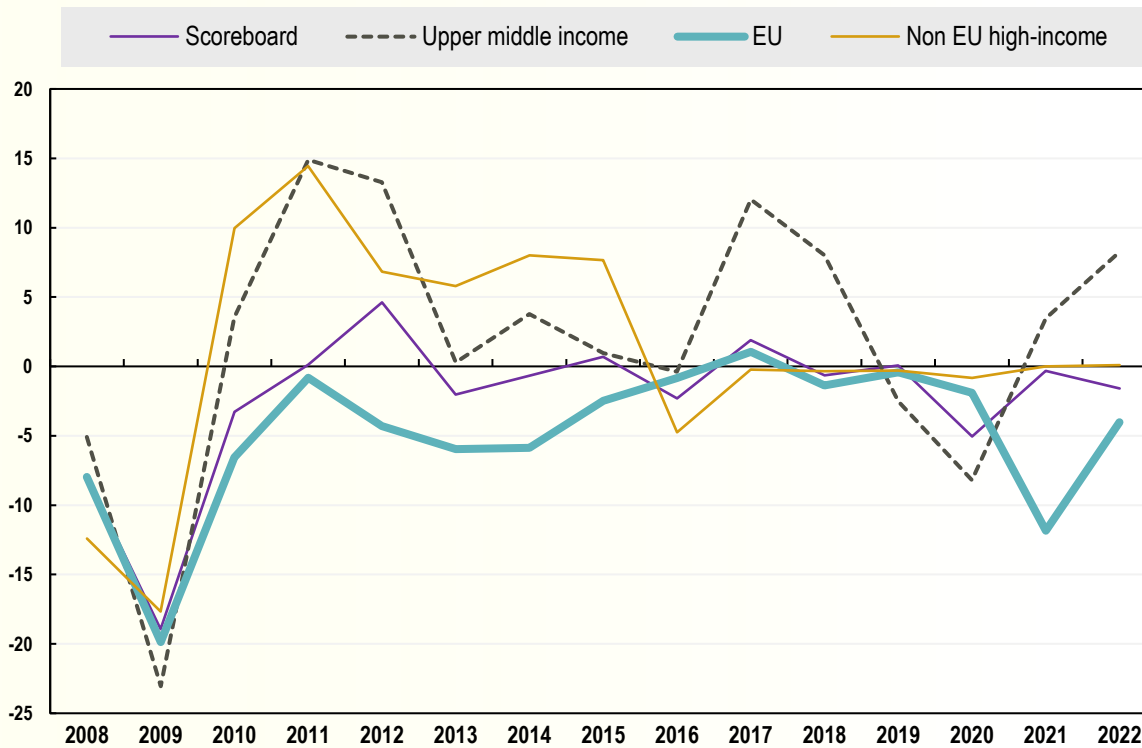


New lending to SMEs declined ...

... as did the outstanding stock of loans

Median growth rate in new SME loans by groups of countries

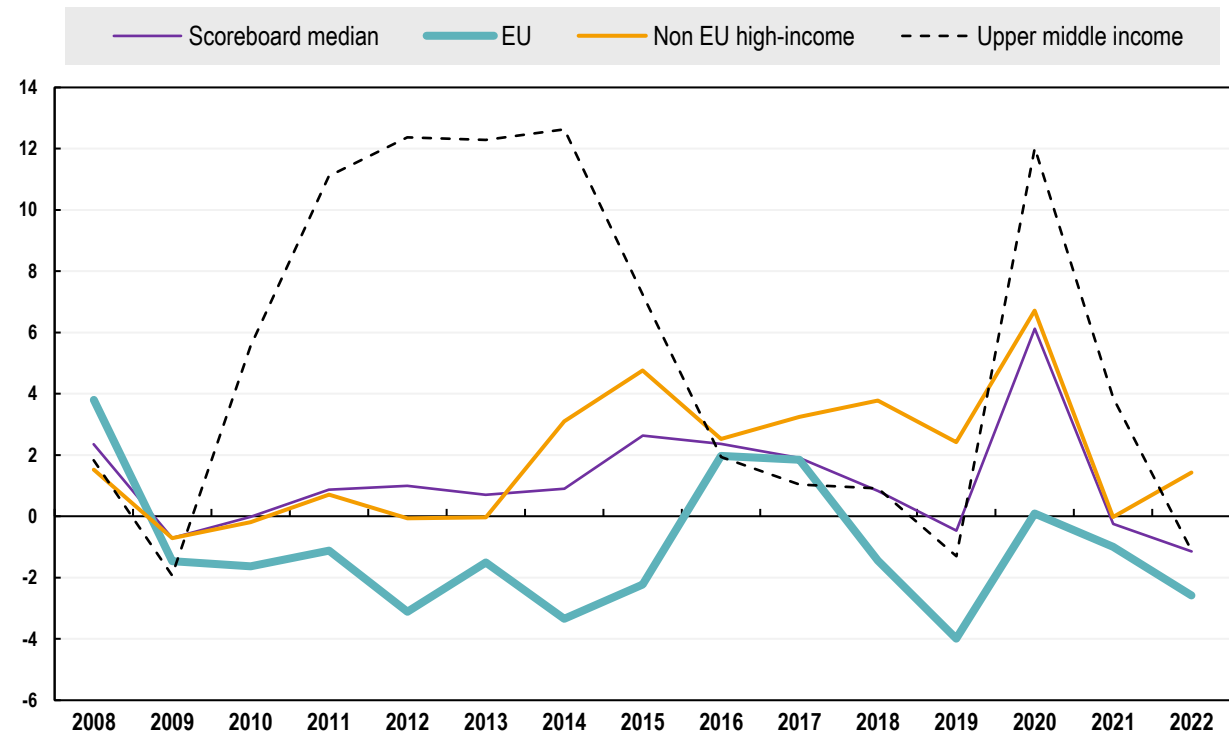
2008-2022, y-o-y growth, as a percentage



Source: Data compiled from the individual country Scoreboards.

Median growth rate of outstanding loans to SMEs by country group

2008-2022, year-on-year growth, in percentage



Source: Data compiled from the individual country Scoreboards.

Equity financing also suffered in 2022 and 2023

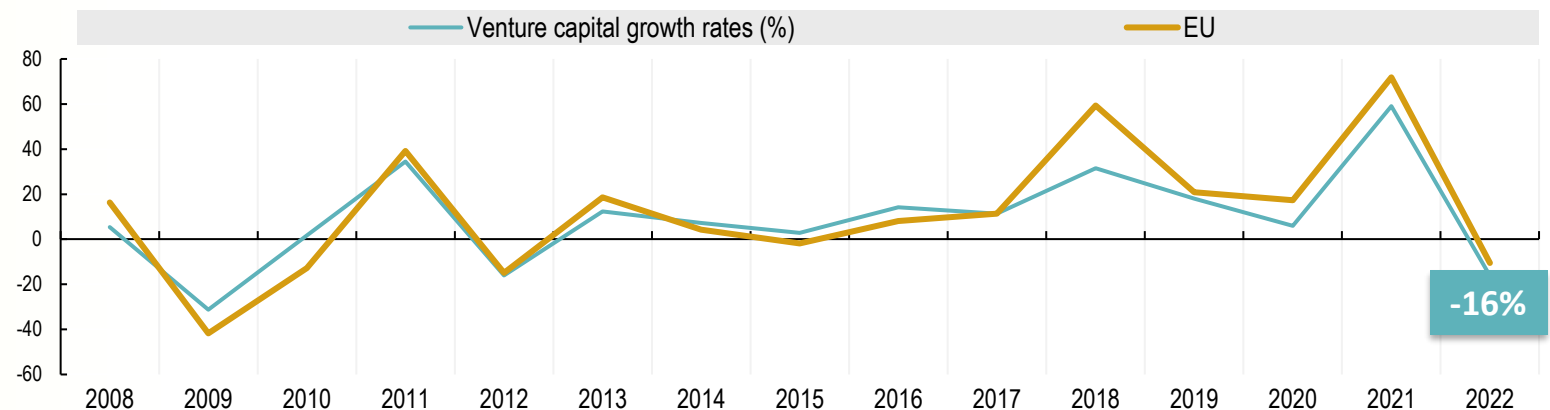
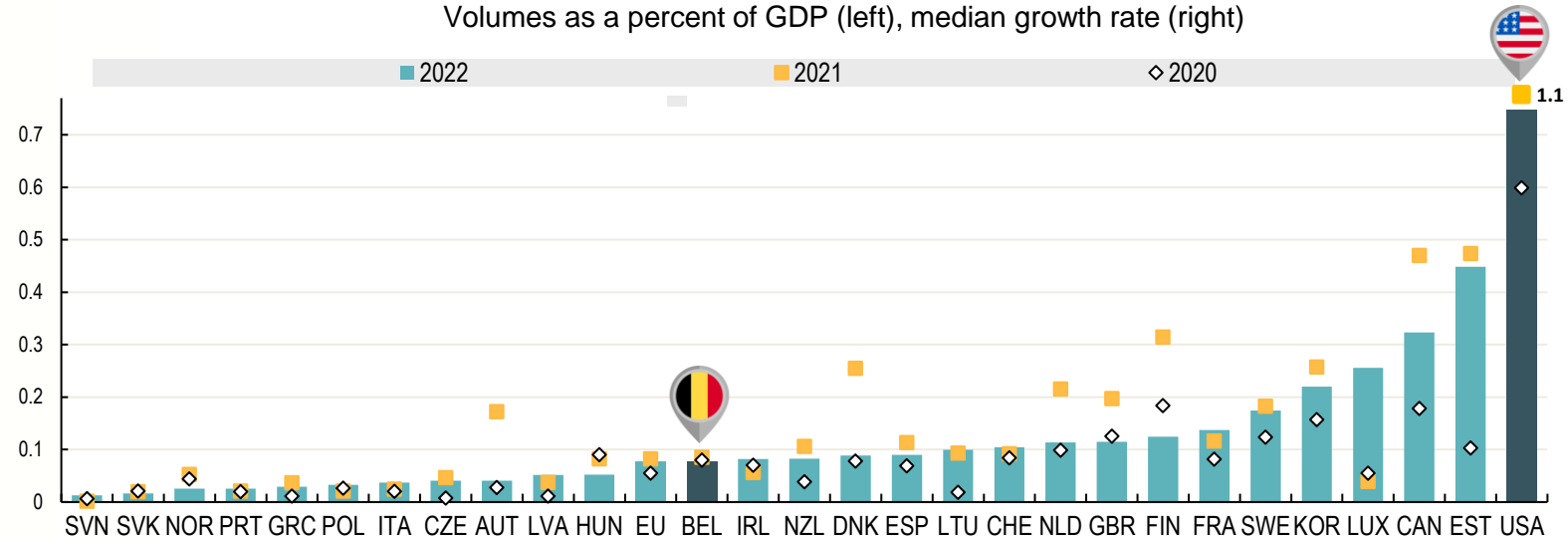
Venture capital investments declined by more than 16% in 2022, after growing 60% in 2021.

- 2023 also registered a sharp decline in VC investments mainly driven by a **slowdown in the US**.
- The decline in VC activities affected **women and minority businesses** in particular.

Note: As the volumes are expressed as a share of GDP, caution is needed in interpreting trends due to the impact of the COVID-19 crisis on GDP.

Venture Capital Investments by country

Volumes as a percent of GDP (left), median growth rate (right)

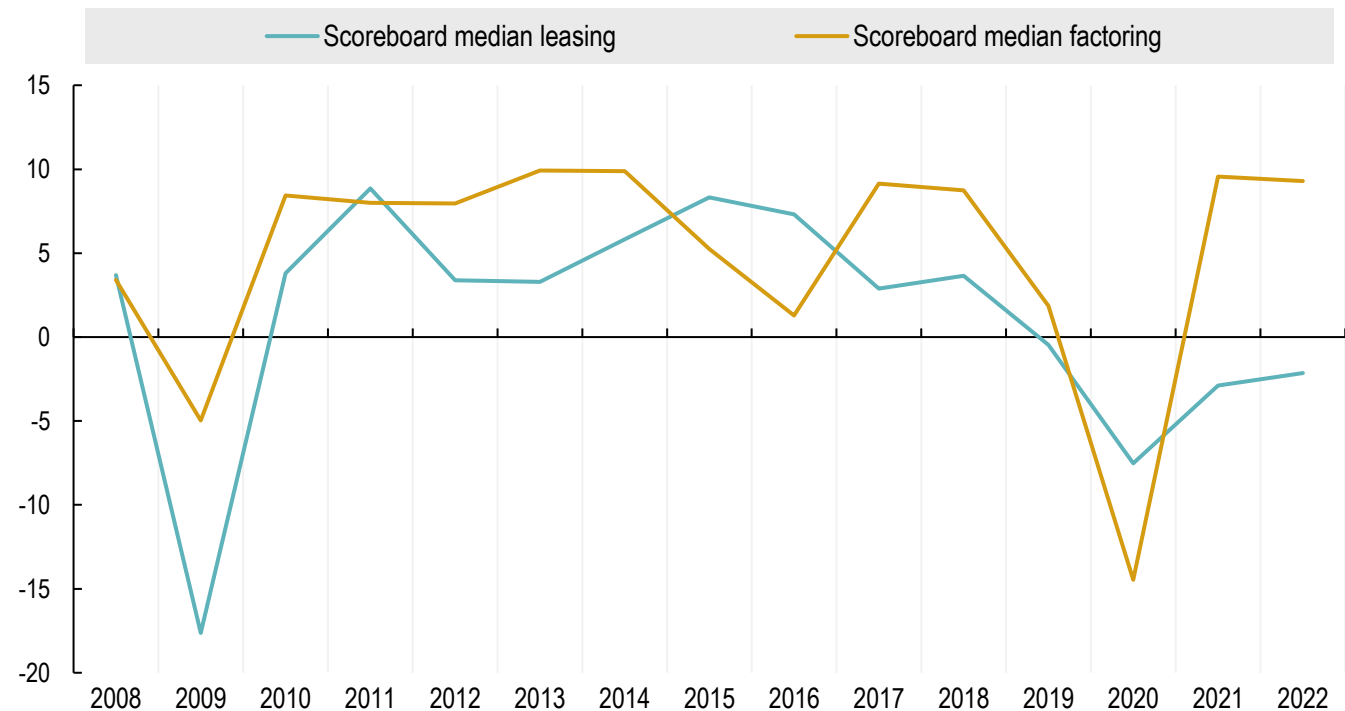




The decline in leasing is easing ... while factoring demonstrated continued strong growth

- **Leasing and hire purchases declined** by 2.15%, less sharply than in 2021 (-4%).
- On the other hand, **factoring maintained the pace of growth** registered in 2021 when it recovered strongly from the pandemic.

Median growth rate of asset-based finance
Y-o-y growth rate, as a percent



Source: Data compiled from the individual country Scoreboards.



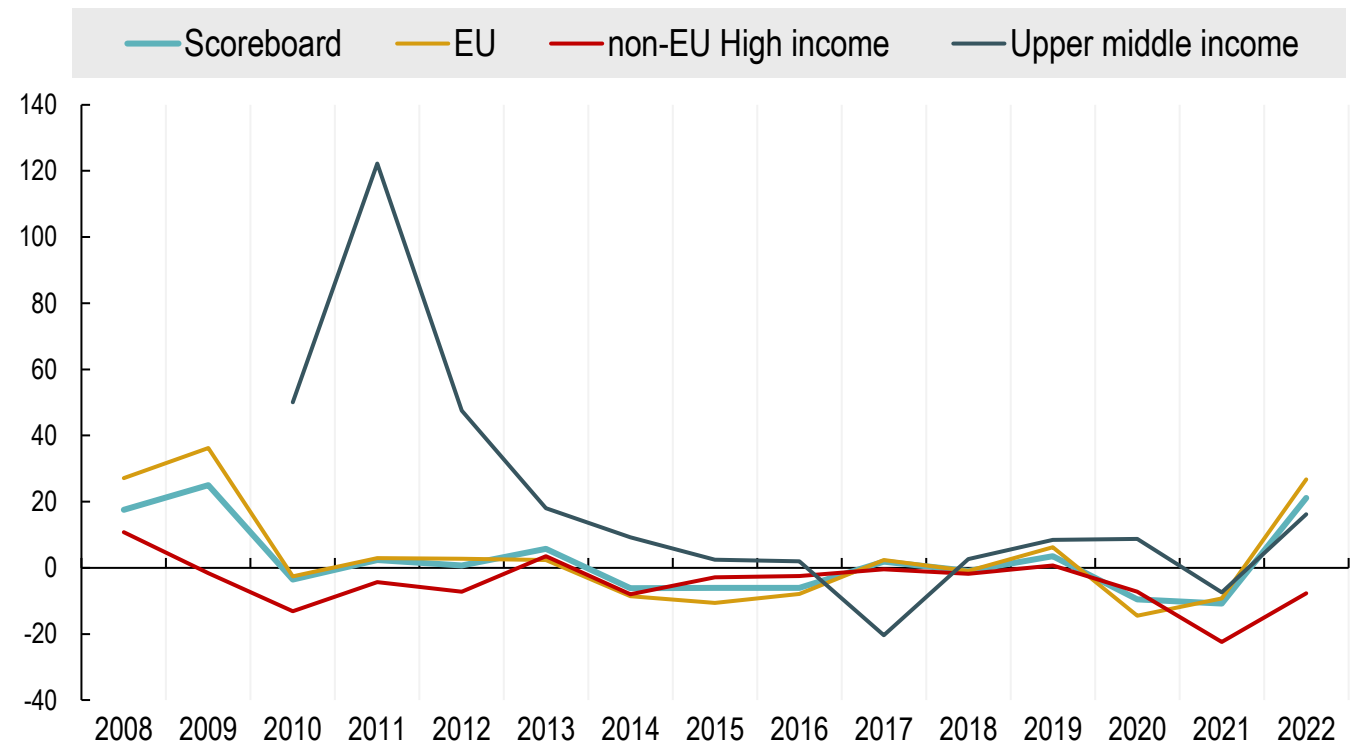
SME bankruptcy rates are on the rise

All country groups registered a marked increase in bankruptcies, with the Scoreboard median rising by 21%.

- The rise is driven in part by an adjustment after two years of changes in bankruptcy procedures and unprecedented financial support.
- Elevated borrowing and input costs coupled with lower consumer demand are also driving the increase in SME bankruptcies.

SME bankruptcies by group of countries

Median y-o-y growth rate, as a percentage



Source: Data compiled from the individual country Scoreboards.

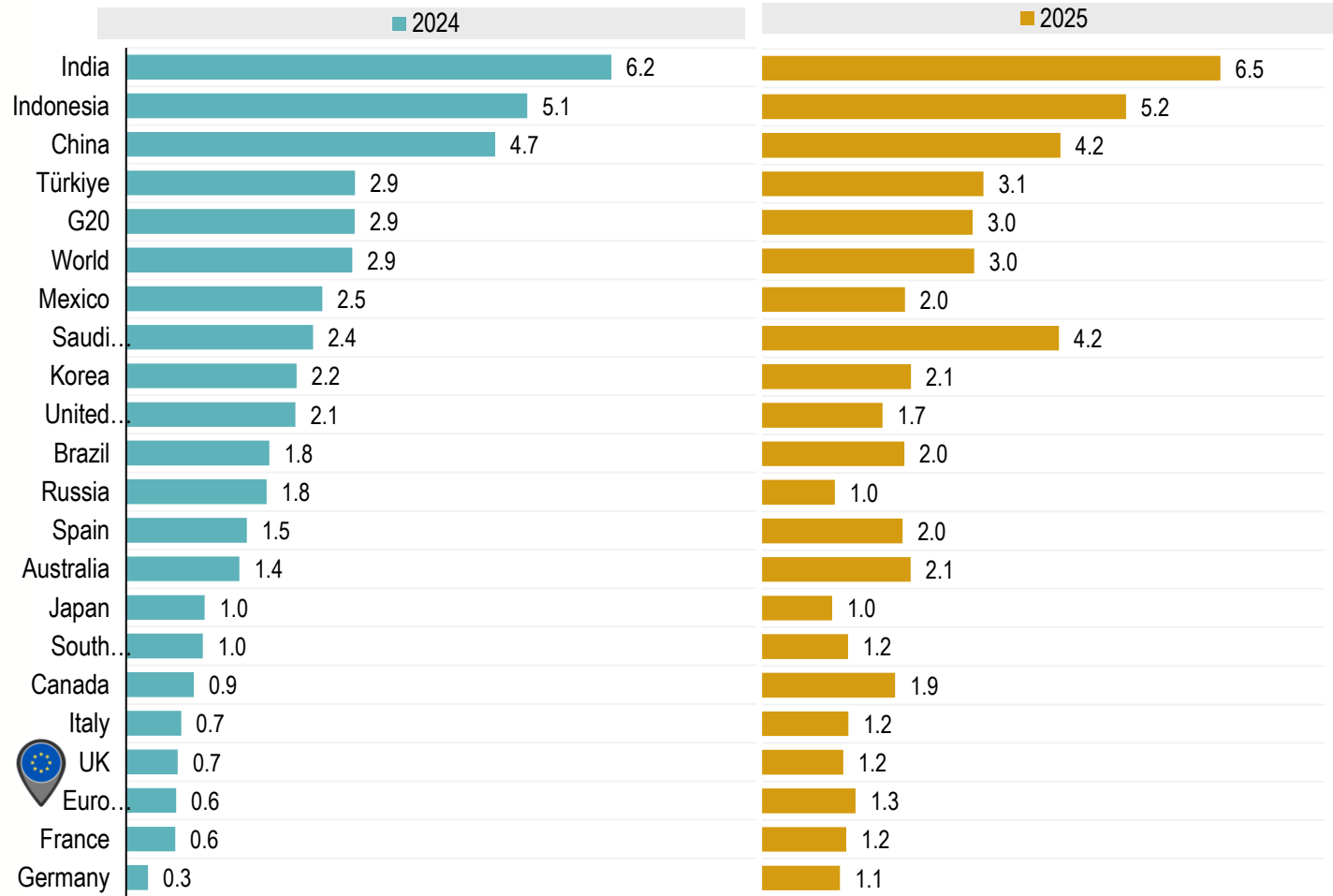


**Policy implications and
future outlook**

Growth is expected to moderate in 2024

GDP growth is projected to slow slightly to 2.9% in 2024 before increasing to 3% in 2025.

- **Tighter financial conditions** continue in credit and housing markets, and global trade remains subdued.
- **Attacks in the Red Sea** have raised shipping costs and delivery times.



Source: [OECD Economic Outlook, Interim Report February 2024.](#)



SME finance policies continue to focus on both short-term and long-term issues

Short-term measures:

- Financial support to help SMEs **navigate high energy costs** in regions and sectors heavily affected
- **Targeted government guarantees** to strengthen SME lending in light of tighter credit conditions
- Measures to **streamline payment processes** and reduce payment periods

Long-term structural support:

- Promotion of **alternative finance instruments** to sustain SME investments in green and digital
- Measures to **address the gender gap** in access to finance, including:
 - Government-backed funds focused on women-led-businesses
 - Initiatives to strengthen skills and networks
 - Greater transparency, including the collection of gender-disaggregated data on SME finance



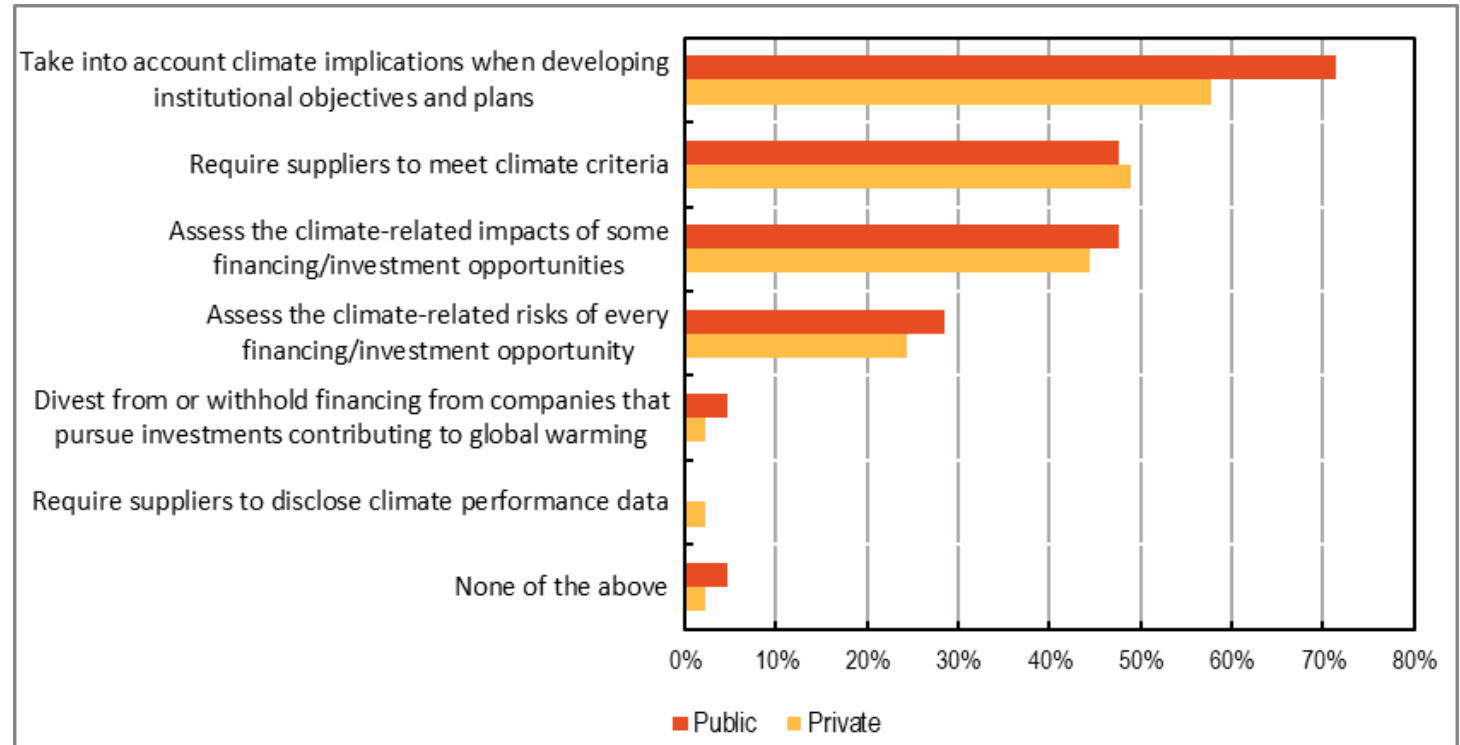
Sustainable finance is a growing share of the global pool of finance....

Sustainable finance is growing rapidly: ESG integration now accounts for over USD 40 trillion assets under management

Bank commitments to net zero are rising: 66% of financial institutions assess the climate impact of some or all financing decisions

Financial institutions consider climate in investment decisions

How (if at all) does your institution integrate climate considerations in its financing/investment decisions? (% of respondents, multiple answers possible)

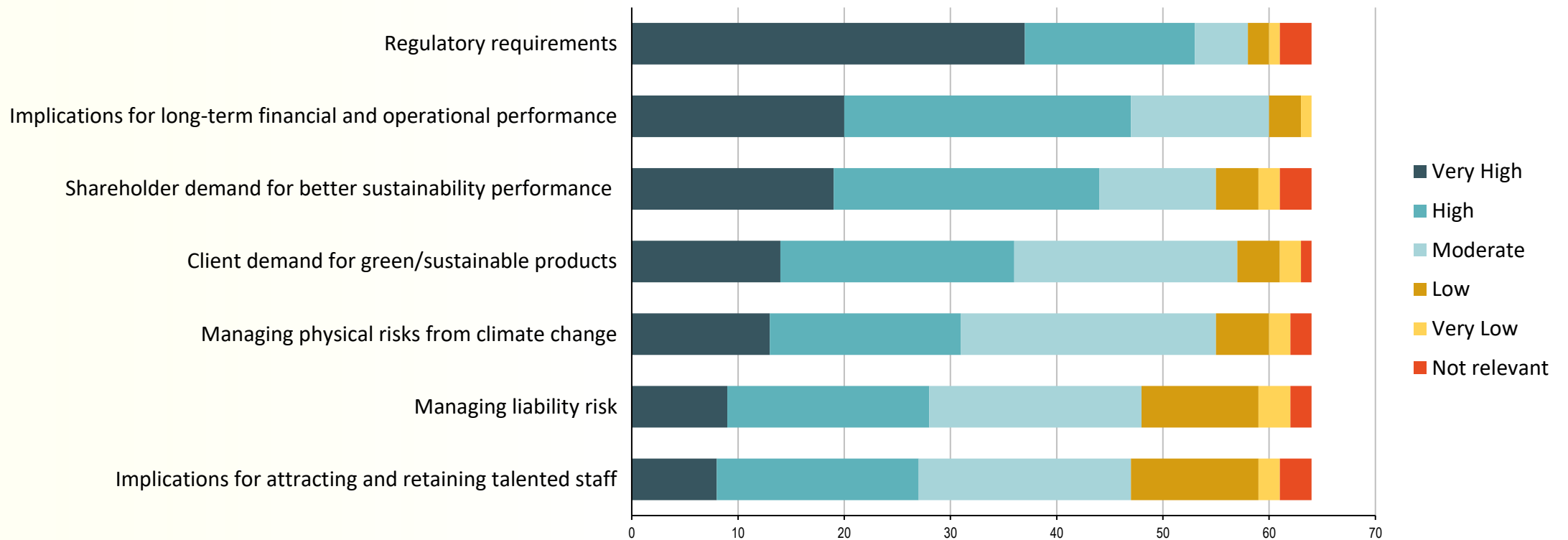


Source: *Financing SMEs for Sustainability - Financial institution strategies and approaches*, forthcoming.



New regulations, performance and broader stakeholder demand are the main drivers for banks to take action ...

Please rate the importance of the following factors in driving action on climate/net zero in your institution (% of all respondents)

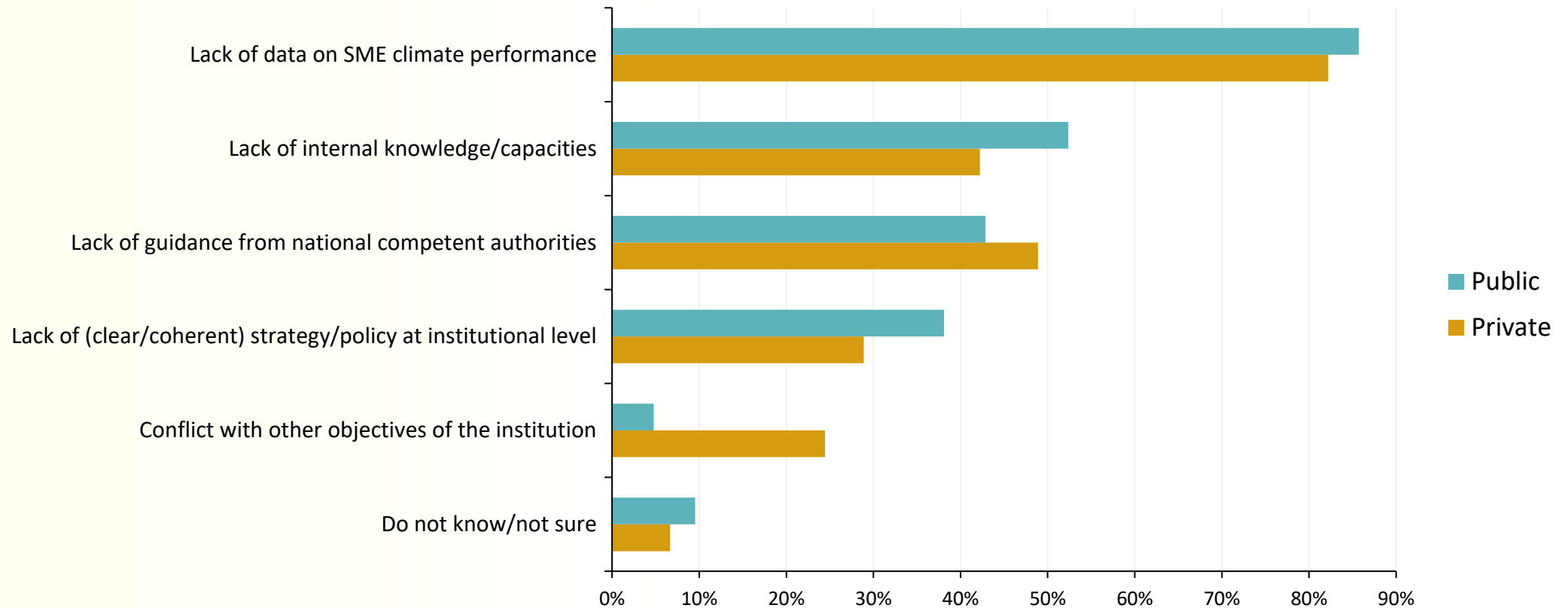


Source: *Financing SMEs for Sustainability - Financial institution strategies and approaches*, 2023.



... while **data barriers** are the largest obstacle

What are the key challenges you face in integrating climate change considerations in financing/investment decisions regarding SME clients? (% of respondents, multiple answers possible)



Source: *Financing SMEs for Sustainability - Financial institution strategies and approaches, 2023.*



Policy implications and the way forward



Low business confidence continues as a result of **restrictive financial conditions**.



Governments must ensure investment in growth and the digital and green transitions does not stall, by supporting **SME access to other sources of finance, beyond bank loans**.



SME debt levels and bankruptcy rates need to be closely monitored to ensure that systemic risks do not build.



Financial and non-financial support is critical to enable SMEs to take part in the green transition. Policy support to promote a greater range of financial instruments is needed to help SME achieve these goals.



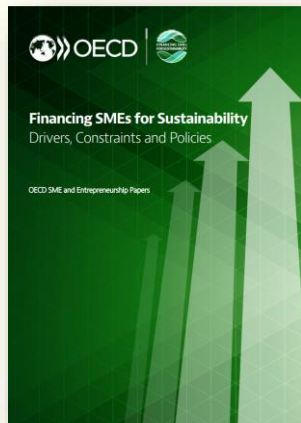
Related publications



Recommendation of the Council on SME Financing



Financing SMEs for sustainability – Financial Institutions strategies and approaches



Financing SMEs for sustainability: Drivers, Constraints and Policies



OECD Financing SMEs and Entrepreneurs Scoreboard: 2024 Highlights