Financing SMEs and Entrepreneurs: An OECD Scoreboard

Special edition: The impact of COVID-19

OECD SME and Entrepreneurship Papers

Financing SMEs and Entrepreneurs: An OECD Scoreboard. Special edition: The impact of COVID-19

November 2020

This report is a special edition of *Financing SMEs and Entrepreneurs: An OECD Scoreboard*, an OECD flagship publication. The report focuses on the impacts of COVID-19 on SME access to finance, along with government policy responses. It reveals that the pre-crisis financing environment was broadly favourable for SMEs and entrepreneurs, who benefited from low interest rates, loose credit standards and an increasingly diverse offer of financing instruments. The COVID-19 crisis has had a profound impact on SME access to finance. In particular, the sudden drop in revenues created acute liquidity shortages, threatening the survival of many viable businesses. The report documents an increase in demand for bank lending in the first half of 2020, and a steady supply of credit thanks to government interventions. On the other hand, other sources of finance declined, in particular early-stage equity. The report documents the unprecedented scope and scale of the policy responses undertaken by governments world-wide, and details their key characteristics. The report outlines the principal SME financing policy challenges for the next phases of the pandemic, including avoiding SME over-indebtedness, fostering a diverse range of financing instruments, stimulating business creation and strengthening SME resilience through structural measures.

JEL codes: G2, G38
Keywords: SMEs, Entrepreneurship, COVID-19, Finance, Government policies

OECD

ABOUT THE OECD

The OECD is a multi-disciplinary inter-governmental organisation of 37 member countries which engages in its work an increasing number of non-members from all regions of the world. The Organisation's core mission today is to help governments work together towards a stronger, cleaner, fairer global economy. Through its network of 250 specialised committees and working groups, the OECD provides a setting where governments compare policy experiences, seek answers to common problems, identify good practice, and co-ordinate domestic and international policies. More information available: www.oecd.org.

ABOUT THE SMEs AND ENTREPRENEURS PAPERS

The series provides comparative evidence and analysis on SME and entrepreneurship performance and trends and on a broad range of policy areas, including SME financing, innovation, productivity, skills, internationalisation, and others.

This paper is published under the responsibility of the Committee on Industry, Innovation and Entrepreneurship (CIIE) and the Working Party on SMEs and Entrepreneurship (WPSMEE) of the OECD. This study has been conducted by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) at the request of the Ministry of Economic Development of Italy.

OECD Working Papers should not be reported as representing the official views of the OECD or of its member countries. The opinions expressed and arguments employed are those of the authors.

This paper is authorised for publication by Lamia Kamal-Chaoui, Director, Centre for Entrepreneurship, SMEs, Regions and Cities, OECD.

This document, as well as any statistical data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law

© OECD (2020)

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgement of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org.

Acknowledgements

This report was produced by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE), led by Lamia Kamal-Chaoui, Director, as part of the programme of work of the OECD Working Party on SMEs and Entrepreneurship (WPSMEE). The development of this special interim edition of *Financing SMEs and Entrepreneurs: An OECD Scoreboard* on the impact of COVID-19 is possible thanks to the country experts from participating OECD member and non-member countries who provided information for the country profiles (see below).

The development of the Scoreboard benefited from the inputs of Delegates of the WPSMEE, chaired by Martin Godel (State Secretariat for Economic Affairs, Switzerland), and members of its Informal Steering Group on SME and Entrepreneurship Financing, chaired by Professor Salvatore Zecchini (Italy).

Inputs provided by Felix Haas Vinçon (European Association of Guarantee Institutions), Helmut Kraemer-Eis (European Investment Fund), Alfredo Gonçalves Nascimiento (Special Secretary of Small and Medium Enterprises of Brazil) and Sabrina Pastorelli (Banca d'Italia) are gratefully acknowledged.

This report was prepared by Kris Boschmans (Policy Analyst, CFE), under the supervision of Miriam Koreen (Senior Counsellor on SMEs, CFE). Maria Camila Jiménez (Trainee, CFE) contributed to the publication. Heather Mortimer-Charoy provided technical support.

COUNTRY EXPERT TEAM

Australia	Evan Holley	Department of Jobs and Small Business
Austria	Florian Eichberger	Federal Ministry of Science, Research and Economy
Belgium	Christophe Herinckx	Federal Ministry of Economy, SMEs, Self-employed and Energy
Brazil	Alfredo Gonçalves Nascimento	Special Secretary for Micro and Small Enterprises (SEMPE)
Canada	Patrice Rivard	Innovation Science and Economic Development Canada
Chile	Manuel López Bugueño	Ministry for the Economy, Development, and Tourism
China	Wu Bao	China Institute for Small and Medium-sized Enterprises
	Renyong Chi	China Institute for Small and Medium-sized Enterprises
	Chenfei Jin	China Institute for Small and Medium-sized Enterprises
Colombia	Jose David Quintero Nieto	Ministry of Commerce, Industry and Tourism
Czech Republic	Lukeš Zdenek	Ministry of Industry and Trade
Denmark	Rasmus Borup Nielsen	Ministry of Business and Growth
Estonia	Karel Lember	Ministry of Economic Affairs and Communications
Finland	Eeva Alho	Confederation of Finnish Industries
France	Jean-Pierre Villetelle	Banque de France
	Simon Verna	General Directorate for Competitiveness, Industry and Services
Georgia	Tinatin Khulordava	Enterprise Georgia
Greece	Timotheos Rekkas	Hellenic Ministry for Economy and Development
	Athanasios Argyriou	

© OECD NOVEMBER 2020

Hungary	Péter Pogácsás	Ministry for National Economy
Indonesia	Yonas Dian Hermanu	Ministry of Cooperative and SMEs
	Johnny W Situmorang	Ministry of Cooperative and SMEs
Ireland	Leona Cantillon	Department of Finance, Banking Policy Division
	Eric Gargan	Department of Finance, Banking Policy Division
Israel	Nir Ben-Aharon	Small and Medium Business Agency, Ministry of Economy
Italy	Sabrina Pastorelli	Bank of Italy
Japan	Megumi Daiki	Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry
Kazakhstan	Anuar Ospanov	Damu Entrepreneurship Fund
Korea	Meeroo Lee	Korea Development Institute
	Seungeun Lee	Korea Development Institute
Latvia	Liene Bergholde	Ministry of Economics
Lithuania	Paulius Morkūnas	Bank of Lithuania
Luxembourg	Cesare Riillo	National Institute for Statistics and Economic Studies
Mexico	Ivana Fernández Stohanzlova	PRONAFIM, Ministry of Economy
Malaysia	Farhana Sheikh Salim Alkhatib	SME Corporation Malaysia
	Suhailes Shamsuddin	SME Corporation Malaysia
Netherlands	Pawel Bonilla	Ministry of Economic Affairs
New Zealand	Saskia Berger	Ministry of Business, Innovation and Employment
Peru	Luis Antonio Casusol Ortega	Ministry of Production
Poland	Martyna Wieczorek	Ministry of Entrepreneurship and Technology
Portugal	António Almeida	Office of the Secretary of State of Economy and Regional Development
Russia	Natalia Lysko	Vnesheconombank
Serbia	Aleksandar Pinkulj	National Bank of Serbia
Slovak Republic	Jakub Lukáč	National Agency for SME Development
Slovenia	Tine Janžek	Bank of Slovenia
South Africa	Nontobeko Lubisi	National Treasury, Financial Sector Policy Unit
Spain	Víctor García-Vaquero	Bank of Spain
Sweden	Simon Falck	Swedish Agency for Growth Policy Analysis
Switzerland	Samuel Turcati	State Secretariat for Economic Affairs
Thailand	Tuncharoen Teerawat	Bank of Thailand
Turkey	Utku Macit	Ministry of Science, Industry and Technology
United Kingdom	Matt Adey	British Business Bank
	Anthony Gray	British Business Bank
United States	Ryan Sun	Small Business Administration

© OECD NOVEMBER 2020

Table of contents

ABOUT THE OECD 2
ABOUT THE SMEs AND ENTREPRENEURS PAPERS 2

Acknowledgements 3

1 Executive summary and Introduction 7

2 SME access to finance in the run-up to the COVID-19 crisis 9
Lending to SMEs weakened in 2019… 9
… despite favourable credit conditions 11
SME non-performing loans were relatively low in the run-up to the crisis 11
SME uptake of non-bank financing instruments continued to grow in 2019 12

3 The impact of COVID-19 on SME financing 15
The COVID-19 crisiscontinues to cause major disruptions and severe economic consequences for SMEs 15
Credit demand and availability for SMEs increased in the months following the COVID-19 outbreak, thanks to government support 16
The current crisis could reverse the recent trend of diversification of SME financing sources and instruments 19

4 SME financing policy responses to the COVID-19 crisis 23
Governments around the world have loosened monetary policy in response to the crisis 23
Governments took unprecedented measures to ease pressures on SME cash flow 24
Governments demonstrated substantial agility in their responses 28
The application process for support measures was often simplified and a large number of SMEs were eligible 29
Most measures have been channelled through traditional lenders, but financial innovators are demonstrating potential to play an important role going forward 29

5 SME finance policies in the next phases of the pandemic 30
Increasing attention is being paid to the implications of vast liquidity relief measures 30
The features of SME financing policy responses are evolving as new programmes are rolled out 34
The crisis offers an important opportunity to undertake more structural measures 36

6 Conclusions and the way forward 38

References 40

© OECD NOVEMBER 2020

Tables

Table 4.1. Discretionary 2020 fiscal measures adopted in response to the coronavirus, as of 3 September 2020 28

Figures

Figure 2.1. Median growth rate in the outstanding stock of SME lending in three groups of countries 10
Figure 2.2. New lending flows to SMEs 10
Figure 2.3. Changes in SME interest rates 11
Figure 2.4. Non-performing loans 12
Figure 2.5. Venture capital investments 13
Figure 4.1. Direction of monetary policy in 2020 24
Figure 4.2. The use of financial instruments and deferral measures as a response to the crisis across the globe 26

Boxes

Box 3.1. Banking system resilience in the COVID-19 crisis 17
Box 4.1. SME finance policy responses from international financial institutions 27

© OECD NOVEMBER 2020

1 Executive summary and Introduction

Financing SMEs and Entrepreneurs: An OECD Scoreboard is a flagship publication of the OECD Working Party on SMEs and Entrepreneurship (WPSMEE). It provides information on SME financing indicators and policies for 48 countries, with the aim of helping governments and financial institutions monitor SME access to finance and financing conditions, and build evidence-based policies for a diversified SME financing offer.

This interim special edition of the Scoreboard focuses on the impacts of the COVID-19 crisis on SME financing, and on policy responses by governments. It provides the latest official data on SME financing in 2019 in the run-up to the crisis, as well as information on how SME financing has been impacted by the major social and economic disruptions caused by the COVID-19 pandemic beginning in early 2020. It also outlines government policy responses to preserve SME access to finance during the pandemic, and sets out considerations for the policy response going forward.

It shows that the financing environment was generally favourable in the run-up to the pandemic, despite sluggish growth in SME lending, as SMEs increasingly turned to internal finance and alternative external instruments for their financing needs. However, the COVID-19 crisis hit SME revenues and profitability extremely hard, creating acute liquidity shortages for many firms.

Early evidence suggests that bank lending held up in the first half of 2020 in many areas of the world. In some cases, lending volumes even increased to meet rising demand from small businesses, as they sought to make up for revenue shortfalls by taking on more debt. Public policies aiming to alleviate liquidity constraints have played a crucial role in this regard.

On the other hand, alternative financing instruments are being impacted strongly by the crisis. In particular, there is concern that sources such as early-stage equity and trade finance may dry up as a consequence of the pandemic and related containment measures. Backsliding on the diversification of SME financing instruments, if it materialises, would reverse a positive trend towards achieving a better balance between bank lending and other financing instruments for SMEs.

Governments and central banks have taken monetary and fiscal policy initiatives on an unprecedented scale. Many of the measures have aimed to provide relief to viable, but illiquid companies to limit bankruptcies. These policies were typically delivered in a very short period of time and were open to a large number of beneficiaries. Given the unexpected nature of the crisis, policy makers have demonstrated flexibility and a willingness to adjust their approaches as implementation proceeded. This often included simplifying schemes and loosening eligibility criteria. Up to now, governments have partnered principally with banks to channel support to SMEs, leveraging their networks and reach.

It is becoming clear that the crisis is likely to be drawn out over time. Continued liquidity support on the current scale entails some risks, in particular for public finances and business dynamics. Policies going forward are likely to seek to mitigate these risks. While support programmes have been largely open to all SMEs affected by the crisis in its immediate aftermath, they may become more targeted to demonstrably viable firms in the next rounds of support. Support may also be made increasingly conditional on specific uses of funds, in order to contribute to medium- and long-term policy objectives.

© OECD NOVEMBER 2020

In addition, there is increasing awareness that the current liquidity crisis could lead to a solvency crisis, as many SMEs compensate declining revenues by taking on more debt, often with government support. While the level of insolvencies and bankruptcies in the first half of 2020 were kept in check, the number of bankruptcies is expected to spike by the end of 2020 and in 2021. This raises the question of how to adapt policy approaches to support SMEs in need of finance, while not overburdening them with debt. The report describes some emerging practices in this area.

Finally, policies in some countries are beginning to shift from liquidity support towards more structural measures to strengthen SME resilience and competitiveness. This includes measures to reverse the decline in start-up rates and to increase availability of early-stage equity finance, as well as a focus on the greening of the economy and other broad policy objectives. The crisis has also underlined the importance of SME digitalisation and prompted policy makers to place greater focus on actions to narrow the gap in the adoption of digital tools and technologies between small and large firms. Financing support can also be aimed at SME reskilling and the identification of new markets for SMEs. National recovery plans being rolled out are increasingly seeking to improve framework conditions, through both supply- and demand-side measures.

Through *Financing SMEs and Entrepreneurs: An OECD Scoreboard*, the OECD will continue to monitor developments and build the evidence base to support governments in developing appropriate policies to foster access to finance for SMEs and entrepreneurs, through this crisis and beyond.

© OECD NOVEMBER 2020

2 SME access to finance in the run-up to the COVID-19 crisis

This section provides a snapshot of SME finance trends in the period prior to the COVID-19 crisis, especially in 2019, based on country data provided through the OECD SME financing Scoreboard.[1]

Data show that credit conditions were generally favourable before the crisis hit, and interest rates low. Nonetheless, the growth in the uptake of credit was weak or even negative in many countries in 2019, continuing a recent trend first documented in 2018. This was in part due to weak demand for bank credit by many SMEs. By contrast, the use of sources of finance other than straight debt, such as leasing and hire purchases and online alternative finance instruments (P2P and crowdlending), were generally up in 2019, often substantially. Finally, SME non-performing loans remained at relatively low levels, suggesting a relatively healthy loan portfolio prior to the COVID-19 crisis.

As documented in previous editions of the Scoreboard publication, credit conditions have been favourable for the since 2016, and interest rates in general decline over the 2014-19 period. Survey data illustrate, for instance, that relatively few SMEs operating in the EU 28 considered access to finance as their most pressing problem. Importantly, self-financing opportunities also appeared to improve in the years leading up to the COVID-19 crisis.

Lending to SMEs weakened in 2019…

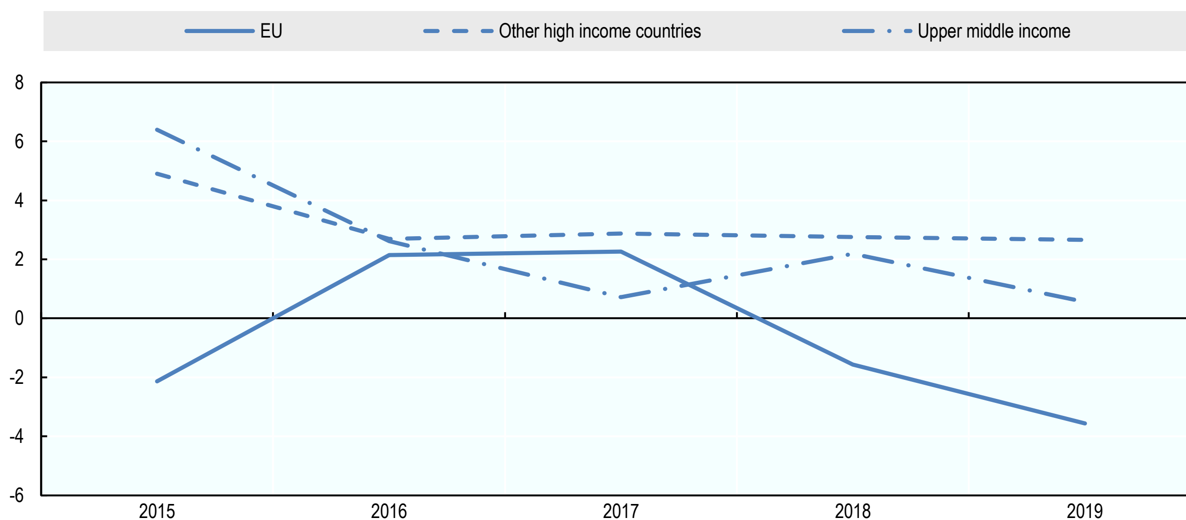
Figure 2.1 depicts the median value of the outstanding stock of SME loans in three groups of Scoreboard countries. It shows that, compared to 2018, SME loan growth weakened in 2019 (or grew increasingly negative). In EU 28 countries, the median value declined by 3.56%. In other high-income countries, growth remained positive and at similar levels as in 2017 and 2018. Growth rates in mid-income countries, which expanded rapidly in the 2010-16 period, declined to less than one percent as a median value in 2019.

[1] This section summarises data from Australia, Austria, Belarus, Belgium, Brazil, Canada, Chile, the People's Republic of China, Colombia, the Czech Republic, Denmark, Estonia, Finland, France, Georgia, Greece, Hungary, Indonesia, Ireland, Israel, Italy, Japan, Kazakhstan, Korea, Latvia, Lithuania, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Peru, Poland, Portugal, the Russian Federation, Serbia, the Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, the United Kingdom and the United States.

© OECD NOVEMBER 2020

Figure 2.1. Median growth rate in the outstanding stock of SME lending in three groups of countries

Year on year growth, 2015-2019, as a percentage

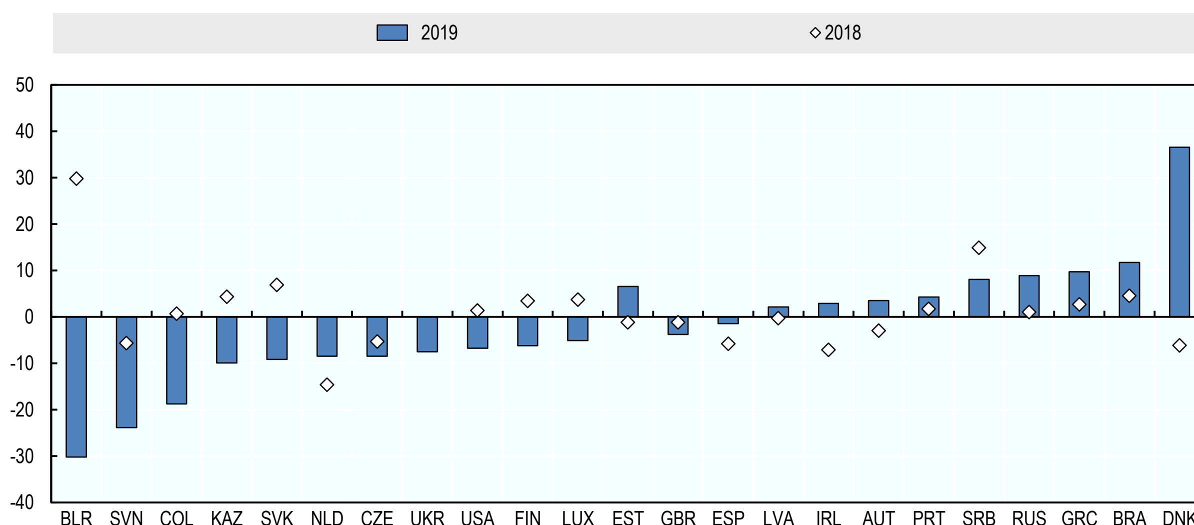


Note: The other high-income country category in this sample are Canada, Chile, Japan, New Zealand, Switzerland, and the United States
Source: Data compiled from information received from individual country Scoreboards.

These trends are confirmed by new lending figures, which declined in exactly half of 22 countries for which comparable data are available (see Figure 2.2).

Figure 2.2. New lending flows to SMEs

Year on year changes, as a percentage



Source: Data compiled from individual country Scoreboards

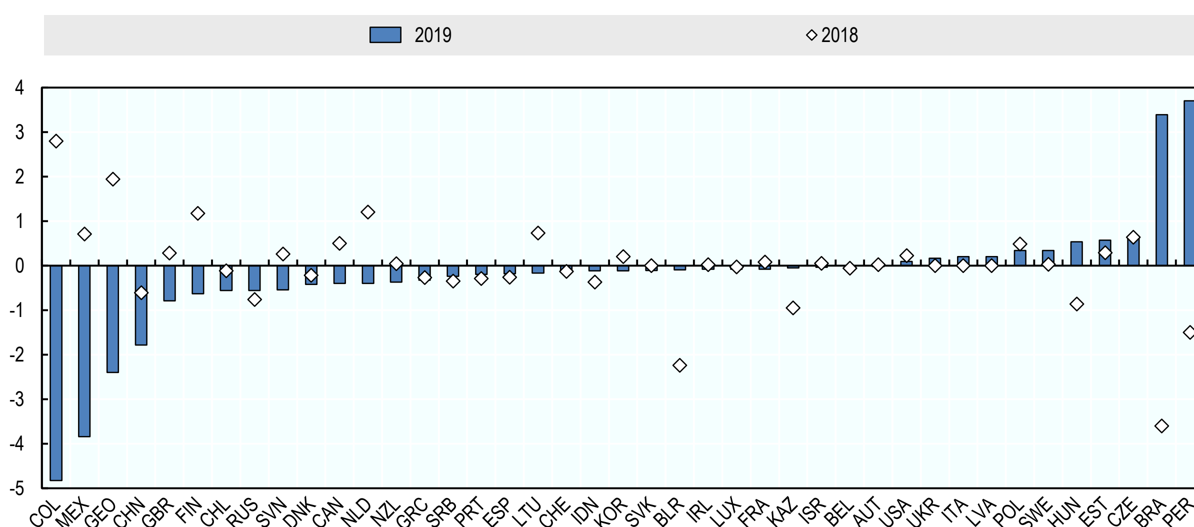
© OECD NOVEMBER 2020

… despite favourable credit conditions

In 2019, interest rates declined in 22 out of 41 for which comparable data are available. The decrease is strongest in middle-income economies such as Colombia (4.83%) Mexico (3.84%), Georgia (2.40%) and China (1.78), with Brazil and Peru bucking this downward trend (see Figure 2.3). Aside from a very small uptick in interest rates in 2018, SME interest rates have been declining in recent years and were at historic lows in many countries at the start of the COVID-19 crisis.

Figure 2.3. Changes in SME interest rates

In basis points



Source: Data compiled from individual country Scoreboards

Survey data[2] indicate that credit conditions in Canada, the euro zone, United Kingdom and United States remained broadly stable and generally loose in historical context. These surveys also indicate a decline in the demand for credit from SMEs in these three regions in 2019. This suggests that the aforementioned drop in the take-up of credit is largely due to demand-side factors, as opposed to the unavailability of bank loans. In Japan, the outstanding stock of SME loans increased by just 1% year-on-year in 2019 (adjusted for inflation), while the lending attitude of financial institutions improved significantly.[3]

SME non-performing loans were relatively low in the run-up to the crisis

Figure 2.4 illustrates that SME non-performing loans were relatively low in the run-up to the COVID-19 crisis and declining in a majority of countries.

---

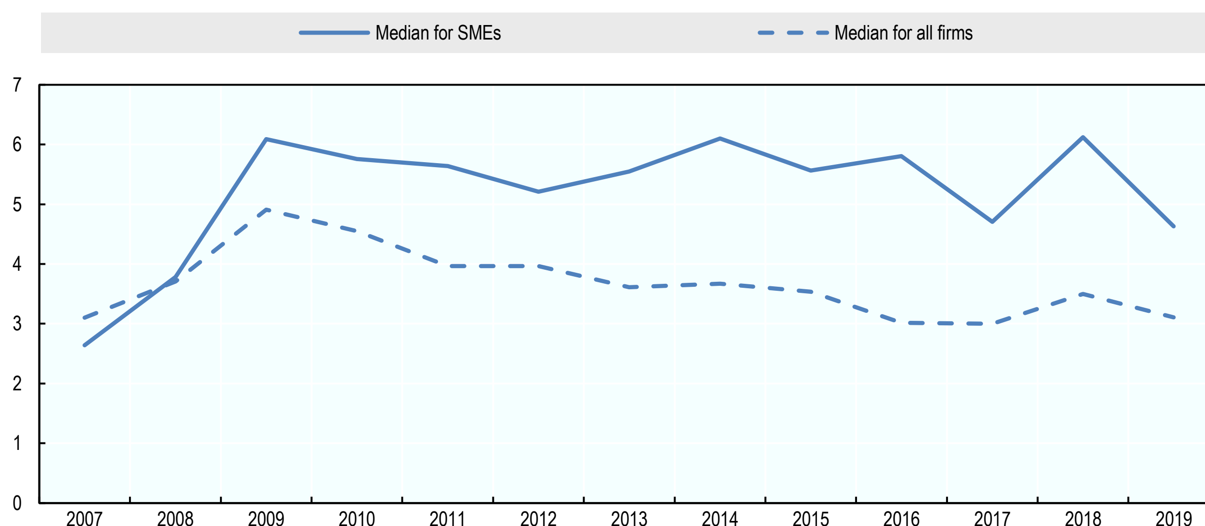
[2] This refers to the Canadian Small Business Credit Condition Trends 2009–2019, SAFE survey (conducted between 16 September and 25 October 2019) and Bank Lending survey of 2019 for the euro zone, the 2019 Senior Loan Officer Opinion Survey on Bank lending practices in the United States and the Credit Conditions Survey 2019 in the United Kingdom.

[3] As reported by the TANKAN survey by the Bank of Japan: https://www.boj.or.jp/en/statistics/tk/index.htm/.

© OECD NOVEMBER 2020

Figure 2.4. Non-performing loans

Median value for participating countries, as a percentage of all SME and firm loans



Note: Data for the Czech Republic, Malaysia and Russia are not included in the indicator for all firms due to differences in the definition of non-performing loans
Source: Data compiled from individual country Scoreboards.

SME uptake of non-bank financing instruments continued to grow in 2019

Previous scoreboard publications documented the strong growth in the uptake of alternative financing instruments by SMEs, in line with the G20/OECD High-Level Principles on SME Financing. This trend broadly continued in 2019.

Venture capital investments

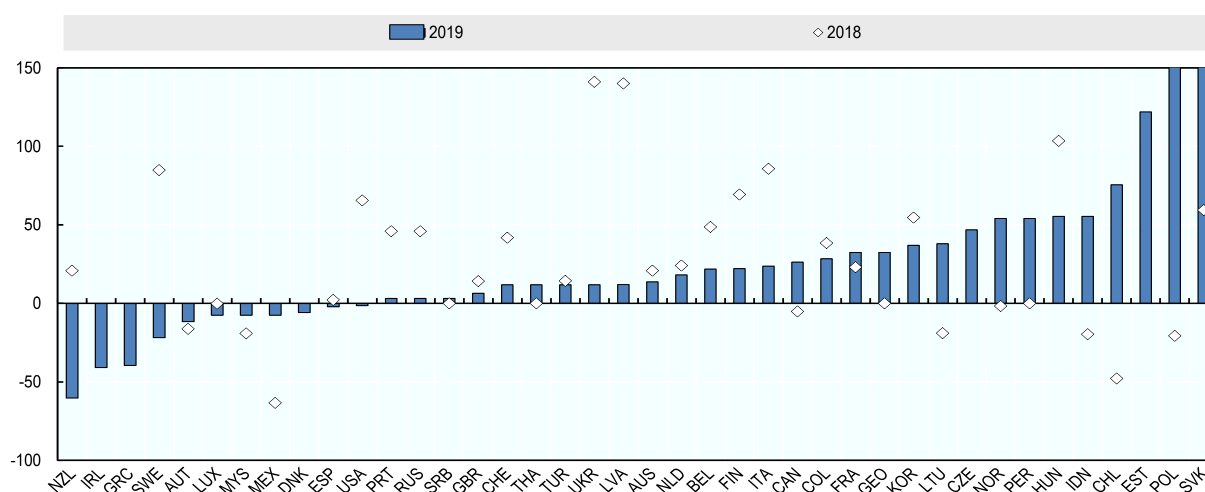
Figure 2.5 shows an expanding VC market in 2019, with positive growth in 29 out of 40 countries for which data are available. This follows an upward trend observed in 2018. Growth was strongest in Central and Eastern European countries such as the Slovak Republic (255.43%), Poland (154.35%) and Estonia (121.87%).

This data is corroborated by other studies. According to Crunchbase global data, USD 294.8 billion was invested in nearly 32 800 deals around the world in 2019, marking it as the second most active year on record. Seed and angel stage activities in particular were up. In fact, Q4 of 2019 set a new record high deal volume world-wide for these stages, with 20 343 deals taking place with a value of USD 15.7 billion, up 5.5% from the previous year, with “supergiant seed rounds” becoming more prevalent. Crunchbase documented 374 seed rounds of values of USD 5 million and above in 2019 world-wide.

© OECD NOVEMBER 2020

Figure 2.5. Venture capital investments

Year to year change as a percentage



Source: Data compiled from individual country Scoreboards

Online alternative finance

While comprehensive data on the online alternative finance market in 2019 is not yet available, preliminary data indicate a strong increase in activities in most markets in 2019, with the exception of China. These developments indicate that online alternative finance was becoming an increasingly viable financing option for SMEs in the run-up to the COVID-19 outbreak.

Activities in continental Europe, for instance, experienced strong growth in 2019, although from a low base in most countries. Peer to peer lending registered a growth of 92% in total transacted value between 2018 and 2019, from EUR 2.5 billion to EUR 4.8 billion (Altfi, 2020[1]). In France, equity crowdfunding volumes grew by 72% between 2018 and 2019, crowdlending by 15% and donations by 9%, buoyed by progressive regulations, namely the Covenant Act, which raised collection thresholds and enhanced credibility among investors (Crowdlending, 2020[2]).

In the United Kingdom and the United States, which have more established markets, activities expanded at a more moderate pace. Peer to peer lending and marketplace lending in the United Kingdom registered 10.7% annual growth in 2019, compared to 12% between 2017 and 2018, and 34% between 2017 and 2016 (Altfi, 2020[1]). Equity crowdfunding, registered a sharp decline of 40% in total transacted value in the first half of 2019 (Beauhurst, 2019[3]), possibly as a result of uncertainty related to Brexit. The United States experienced modest growth in total transacted value in crowdlending at 3.4% in 2019, compared to 2.9% in 2018 (Statista, 2020[4]).

In most emerging markets, online alternative finance activities remain very modest, but country examples illustrate the potential for fast growth and the importance of an appropriate regulatory and supervisory framework. In Brazil, for example, equity crowdfunding total transacted value jumped from BRL 8.4 million in 2016 to BLR 79 million in 2019 (Latin America Business Stories, 2020[5]). This increase can be attributed to the introduction of crowdfunding regulation in 2018 which increased the number of new investors as well as the volumes raised. Similarly, in Indonesia, the main crowdfunding platforms have seen large increases in number of investors and volumes raised, following the issuing of guidelines by the Financial Service Authority in 2018 to define operational boundaries and transacted thresholds (KrAsia, 2020[6]).

© OECD NOVEMBER 2020

China is an exception to this upward trend as a consequence of a regulatory crackdown on the industry. Following China's Internet Financial Risk Rectification Office notification of a ceiling to peer to peer credit, total volume of peer loans declined significantly, from CHN 1 trillion in mid-2018 to CHN 492 billion by the end of 2019 (Wall Street Journal, 2020[7]). Credit value decreased by CHN 50 billion and all ten leading P2P platforms lost a significant proportion of their credit (Statista, 2020[8]). Many smaller platforms exited the market altogether, as the number of platforms fell to only 400 in 2019, from 3500 lenders in 2018 (Wall Street Journal, 2020[7]).

Leasing and hire purchases

Data on leasing activity during H1 2019 indicate an increase in leasing of 3.4% compared to the same period in 2018 in European countries, according to Leaseurope. Total leasing volumes in the first half of 2019 stood at EUR 183.1 billion. The largest increase was real state leasing, reporting an increase of 21.5% in new business volumes in the first half of 2019 and vehicle and equipment observing an expansion of 4.3% and 3.1% respectively. It is worth noting that leasing volumes outpaced equipment investment significantly in recent years. Although these numbers are not specific to SMEs, research suggests that a clear majority of these volumes flow to SMEs (Leaseurope, 2015[9]).

Factoring

Factoring globally registered a high degree of activity with volumes increasing by 5% on average between 2018 and 2019. Global factoring volumes stood at a record EUR 2 923 billion, compared to EUR 2 767 billion in 2018. The growth was most pronounced in Europe. In the United States, by contrast, factoring volumes declined by close to 4%, mostly for international operations. This can be explained in part by reduced trade between the United States and China (FCI, 2020[10]).

© OECD NOVEMBER 2020

3 The impact of COVID-19 on SME financing

The COVID-19 crisis continues to cause major disruptions and severe economic consequences for SMEs

The COVID-19 pandemic and related containment measures are taking an extremely heavy toll on economies across the world. Global GDP is projected to decline by 4.5% in 2020, and to pick up by 5% in 2021 with a highly uncertain outlook, dependent on the spread of the virus and possible medical breakthroughs. In the pessimistic scenario, global economic growth would be reduced by 2 to 3 percentage points in 2021, global unemployment would increase further and corporate invest remain very weak (OECD, 2020[11]).

The crisis represents the worst recession since the Second World War. In addition, the economic contraction is almost uniform across the world with economic growth in decline in a majority of emerging and developing markets, the first instance of negative growth in at least 60 years for these countries as a group (World Bank, 2020[12]).

The business sector has been extremely hard hit by the crisis. Government-enforced lockdowns, disruptions to supply chains, and a slump in demand are expected to lead to sharp rises in corporate insolvencies and bankruptcies, albeit with large variations across sectors and countries (OECD, 2020[11]).

SMEs have often been more affected and more vulnerable than large firms. The crisis has caused a major shock and up-ended the outlook for SMEs in the near term. The sections below describe the impacts of the crisis on SME access to finance, based on the latest available information and data.

SME revenues have been hit hard, causing severe liquidity shortages. In the wake of the crisis, access to finance once again has become a major concern for enterprises around the world. In the short term, many companies faced acute liquidity shortages as revenues plummeted. Evidence indicates that operating expenses are often fixed and typically fall by only 6% on average when revenues drop by 10%. While there are variations across countries and sectors, small firms are generally not able to cut operating expenses in proportion with their loss in revenues, creating pressure on their cash flow (Bank for International Settlements, 2020[13]).

In addition, many small firms have limited cash reserves, often covering two to three weeks of outflows. Simulations based of firm-level data from European firms, for example, indicate that in the absence of government intervention, 20% of firms would exhaust their liquidity after one month, 30% after two months, and close to 40% after three months. It should be noted that the clear majority of firms under study were profitable and viable at the start of the crisis (OECD, 2020[14]). Data from the United States show that 86% of small businesses would need to take action to supplement funding or cut expenses when faced with a two-month revenue loss (Federal Reserve Bank of New York, 2020[15]).

Compared to large enterprises, SMEs' cash flow positions are likely to be affected more severely for the following reasons:

© OECD NOVEMBER 2020

- First, SMEs are overrepresented in the sectors most affected by the crisis, in particular in wholesale and retail trade, air transport, accommodation and food services, real estate, professional services, and other personal services. In these sectors, the share of SMEs in employment is 75% on average across OECD countries, compared to just more than half for the economy as a whole. There are cross-country variations in this respect. In Greece and Italy, for instance, nearly 90% of the companies in the affected sectors are SMEs, compared to the United Kingdom, where the number is closer to 50% (OECD, 2020[16]).
- Second, smaller firms are typically more financially fragile and have smaller cash buffers than their larger counterparts. This makes them less resilient to crisis. In the United States, for instance, half of SMEs operate with less than 15 days of cash reserves and only one in five enough to cover two months of missed revenue (Federal Reserve Bank of New York, 2020[17]).
- Third, large companies generally find it easier to tap into different sources of finance, including from the market. In contrast, smaller firms are often very reliant on retained earnings and traditional bank debt.
- Fourth, small companies have less bargaining power to enforce attractive payment conditions, and generally have weaker supply chain finance capabilities than their larger counterparts. A large-scale survey among European SMEs revealed that 51% of respondents reported that late payments squeezed their liquidity during the COVID-19 crisis, compared to 39% in 2019. In addition, there was a noticeable increase in the percentage of SMEs that had to accept longer payment terms than they are comfortable with (Intrum, 2020[18]).
- Finally, established small firms often struggle to adapt their business operations to the current situation, compared to large firms (and start-ups). For example, they may lack the financial skills and vision to improve their cash flow situation as required by the crisis. Likewise, smaller companies lag behind in terms of teleworking capabilities and the uptake of digital tools and technologies (OECD, 2020[16]).

Credit demand and availability for SMEs increased in the months following the COVID-19 outbreak, thanks to government support

There are indications that bank finance instruments remained relatively affordable and available in the immediate aftermath of the COVID-19 crisis, in large part because of the swift and forceful response from monetary and fiscal policies, as well as from public development banks, guarantee institutions and similar organisations.

In fact, most preliminary data indicate an increase in loan volumes in the first half of 2020, following an uptick in SME demand. As profits have taken a strong hit, SMEs around the globe appear to be taking on more debt to substitute the drop in internally generated revenue. Survey data from the United States, for instance, reveal that among firms that applied for financing in the prior 12 months, 46% would plan to take out additional debt to cover the finance gap left by the COVID-19 crisis (Federal Reserve Bank of New York, 2020[15]).

In addition, and in contrast to the 2008-09 global financial crisis, banks are generally better capitalised and resilient, allowing them to keep credit flowing under current circumstances (see Box 3.1).

© OECD NOVEMBER 2020

Box 3.1. Banking system resilience in the COVID-19 crisis

In the aftermath of the 2008 Global Financial Crisis, regulatory and supervisory frameworks were updated in many countries with a view to strengthen banks' capitalisation and resilience to future crisis. In particular, Basel 3 set standards concerning bank capital adequacy, stress testing, and market liquidity risk.

This development leaves the financial sector better placed to sustain losses on their portfolio stemming from the COVID-19 crisis, while providing sufficient financing to the real economy. The European Central Bank (ECB), for instance, published the aggregate results of its vulnerability analysis of banks in July 2020. It shows that, under the baseline scenario, the financial soundness of banks active in the euro area would be impacted only modestly by the crisis and they would be able to continue fulfilling their role of lending to the economy. In a more pessimistic scenario, several banks would need to take action to maintain compliance with their minimum capital requirements, but risks to financial stability would remain modest (European Central Bank, 2020[19]).

While is too early to fully assess if the above predictions will play out in practice, some factors play a key role in determining how much individual banks will be impacted by the crisis (Financial Stability Board, 2020[20]):

- The existence and size of capital buffers, which can help absorb losses;
- The general financial soundness of financial institutions to mitigate credit risk (e.g. greater supervisory scrutiny on credit risk management, government credit guarantees and equity support);
- The allocation of credit to viable firms rather than unproductive ones;
- Support measures by monetary and fiscal policy makers;
- Regulatory and supervisory measures (whereby "regulatory arbitration" can lead to the suboptimal allocation of funds);
- The effectiveness in which banks can rebuild their capital buffers. This in turn is influenced by their policies related to dividends pay-outs, the introduction of compensation caps, credit policies, their non-core activities such as investment banking or trading activities, cost-cutting programmes and so on (Mckinsey, 2020[21]).

Source: (European Central Bank, 2020[19]), (Financial Stability Board, 2020[20]), (Mckinsey, 2020[21]).

Euro area

The most recent SAFE data (Survey on the Access to Finance of Enterprises), conducted by the European Commission and European Central Bank between 2 March and 8 April 2020, provides insights about the initial impact on SME access to finance and expectations for the rest of 2020. It shows that concerns over access to finance are mounting substantially among surveyed enterprises.

Internal finance sources have suffered most so far and are expected to plummet in the second and third quarter of 2020. The expected deterioration in the availability of internal funds is much more pronounced than the lowest point indicated during the sovereign debt crisis in 2009. In addition, the availability of trade credit (both for domestic and international transactions) is expected to decline by 20%. Surveyed companies expect the availability of bank products to drop as well, to a lesser extent (European Central Bank, 2020[22]).

© OECD NOVEMBER 2020

The July 2020 bank lending survey of the European Central Bank (ECB) provides information about developments in the second quarter of 2020 from the perspective of senior bank officials. It shows a marked uptick of the demand for loans from SMEs, mainly to cover emergency liquidity needs. In contrast to developments in the immediate aftermath of the 2008 financial crisis, and to developments in North America, credit standards did not change significantly in the first half of 2020 according to this survey. This is likely due to monetary policy of the ECB, policy actions to stimulate bank lending, in particular the expansion of credit guarantee schemes, and the comparatively strong capital base of banks active in the euro area (European Central Bank, 2020[23]). This is confirmed by data about the growth of credit to firms between February and April 2020, which rose sharply. This reflects (i) drawdowns of credit lines, (ii) rising demand for new loans to cover ongoing payment obligations in a period of declining revenues, (iii) precautionary borrowing and (iv) fiscal policy (European Central Bank, 2020[22]).

North America

Canada conducted its Business Outlook Survey between mid-May and early June. It shows that credit conditions have tightened significantly, despite a notable offsetting impact of government programmes, Bank of Canada facilities, and loan payment deferrals (Bank of Canada, 2020[24]). Nonetheless, other survey data by the Federation of Independent Business (CFIB) shows that, on average, small businesses have taken up CAD 150 000 in debt due to the crisis (CFIB, 2020[25]).

In the United States, survey data from the Small Businesses Lending Survey on a sample of 113 respondents conducted in March 2020 revealed that outstanding commercial and industrial loan balances increased year-on-year by 4.4% for small businesses. The flow of credit for SMEs also increased in 2020 by 1.6% compared with the first quarter of 2019. This development is due to the expansionary monetary and fiscal policies that were introduced during that period, including a large decline in central bank interest rates, especially in March, and the introduction of multiple lending schemes to incentivise lending activities to small businesses (Federal Reserve Bank of Kansas City, 2020[26])

Survey data from The Senior Loan Officer Survey corroborates this information. The survey captures the opinion of senior bank officials and shows that in April 2020, banks indicate a strong uptick in the demand for corporate loans, despite a significant tightening of standards on corporate loans for all firm sizes and the increased use of interest rate floors, collateralisation requirements, loan covenants, and premiums charged on riskier loans (Federal Reserve Bank, 2020[27]).

Mexico’s monetary policy also loosened as a response to the COVID-19 pandemic. In March, the Mexican Central Bank reduced interest rates to 6.75%, and later to 4.5%, and introduced credit schemes to increase liquidity to businesses, especially SMEs. One such scheme, open only to SMEs, has an overall budget of MXN 20 billion (Forbes, 2020[28]).

Bank officials who responded to the “General Conditions and Standards in the Market of Credit survey” conducted in the first half of July 2020 expect an increase in Q3 of 2020 of the demand for credit from SMEs (and large businesses as a consequence). The same survey points to a decline of the demand in Q2 2020, largely because of a drop in corporate investments. Credit standards for SMEs have tightened in Q2 2020, and are expected to remain constant in Q3 (Banco de México, 2020[29]).

Japan

Corporate lending in Japan increased strongly in the first half of 2020, mostly for the benefit of SMEs. This development is driven largely by an expansionary monetary and fiscal policy, allowing firms to obtain loans at very low interest rates and attractive terms, often with a government guarantee. As a result of policy interventions, total lending to SMEs reached a record high in June and July with a growth of 6.2% and 6.3% respectively (Japan Times, 2020[30]).

© OECD NOVEMBER 2020

At the same time, survey data indicates that lending attitudes of financial institutions towards small businesses remain favourable. This coincides with a sharp decline of firm profitability. Small businesses in manufacturing industries indicate a decline of 43.3% of profits in 2020 compared to 2019, while medium-size businesses in the same sector indicate a decline of 22.7% (Bank of Japan, 2020[31]).[4]

United Kingdom

The Credit Conditions survey in the United Kingdom surveys the perspective of bank officials regarding capital availability for loans and is hence a relevant and timely source of information. The results show an increase in the availability of credit for all business sizes in Q2 of 2020. As in other countries and regions, this is explained to a significant extent by the various governmental schemes that target corporates. Banks also indicate an increase in demand for loans in the second quarter of 2020 by all firm sizes. This pattern contrasts with the third and fourth quarter of 2019, when the demand of credit from SMEs slumped. Indeed, the rapid increase in request for credit in 2020 reflects the liquidity needs triggered by the pandemic (Bank of England, 2020[32]).

The current crisis could reverse the recent trend of diversification of SME financing sources and instruments

This section examines the impact of the crisis on other sources of finance, in particular early stage equity financing, which proved especially pro-cyclical in the 2008-09 financial crisis (OECD, 2020[33]). Early evidence suggests that COVID-19 could reduce the availability of alternative sources of finance, thereby slowing or reversing the recent trend of SME diversification of financing sources.

In addition, the availability of internal funds has declined sharply in many SMEs as a consequence of the crisis and containment measures. Based on available information and data, there is some concern that the breakdown of supply chains may affect the price and availability of trade finance instruments[5] (International Chamber of Commerce, 2020[34]). In particular, past experience indicates that trade finance instruments tend to be highly vulnerable in times of economic downturns (OECD, 2020[35]).

Early stage equity finance

The global financial crisis in 2008-09 had a profound and long-lasting impact on the venture capital market. In many countries, VC investments declined between 2008 and 2015-16, with volumes only recovering in more recent years (OECD, 2020[33]).

Venture capital investments tend to lag the economic cycle, as deals, especially larger-scale ones, are often under preparation many months before the investment takes place and is reflected in the data. Nonetheless, early signs indicate that the sector may shrink again for an extended period in the absence of government intervention.

In particular, many VC funds and business angel investors are reporting that they are mainly concerned about keeping their portfolio afloat. As a result of the COVID-19 pandemic, many start-ups are experiencing a large demand shock that will decrease their profits and growth prospects. As a result, many companies require follow-up funding earlier than initially expected, crowding out investments of new projects. A related point of concern pertains to exit options, which are likely to diminish because of the crisis, in part because

---

[4] Figures represent the non-consolidated accounts of the responding enterprise.

[5] Trade finance products typically include intra-firm financing, inter-firm financing, or more dedicated tools such as letters of credit, advance payment guarantees, performance bonds, and export credits insurance or guarantees (OECD, 2020[35])

© OECD NOVEMBER 2020

of lower M&A activities. If returns on current investments cannot be realised, there will be a shortage of capital that can be invested in new projects. In addition, there is a risk that non-traditional investors in equity funds, such as family offices, investment banks or non-financial companies that have entered the market in recent years may withdraw their investments in the perspective of disappointing returns (Mason, 2020[36]). Moreover, there could be a drop in the demand for early-stage financing dependent on the impact of the crisis on the number of innovative start-ups.

In China, where the outbreak and containment measures preceded other countries, early stage equity investments in the first quarter of 2020 were down by more than half compared to the same period one year earlier, with seed investments especially in decline. Early-stage equity finance activities also declined in other Asian countries that were affected by the viral outbreak relatively early (Mason, 2020[36]).

In the United States, investments remained robust in the second quarter of 2020, much in line with volumes in the first quarter. This was, however, driven by an uptick of large-ticket VC investments of more than USD 100 million (which were likely agreed upon well in advance as explained above). By contrast, deals of less than USD 1 million, mostly consisting of seed capital and business angel investments, declined considerably in relative terms in Q2 2020. The overall number of investment rounds declined by 44% between Q2 2019 and Q2 2020. For seed-stage investments, the decline reached 57% (PitchBook-NVCA Venture Monitor and Crunchbase data, US VC investments data, 2020).

The situation is broadly similar in the euro zone where deal making was strong in Q1 2020, but is expected to drop off significantly in Q2 and Q3, especially for deals involving smaller companies and for the seed and early stage of firms' life cycle (Pitchbook, European private market activity). In the United Kingdom, only 95 deals were announced in March 2020, for a total amount of GBP 595 million (USD 782 million), compared to 174 deals in March 2019 worth GBP 1.46 billion (USD 2.16 billion). At the same time, there is an increased demand for equity financing among established firms, and Beauhurst, a data platform, expects a larger proportion of deals in 2020 to be follow-on rounds (to the detriment of new projects) (Beauhurst, 2020[37]).

Governments are increasingly supporting the market for early-stage equity financing through various initiatives, which aim to counter the potential decline in supply (OECD, 2020[16]).

Online alternative finance

The online alternative finance market, comprising peer to peer lending (P2P) activities, equity crowdfunding and invoice trading, has grown considerably in many countries in recent years. It should be noted that this growth started from a low base, and volumes in 2019 remain relatively modest in most countries, with more developed markets in China, the United Kingdom and the United States (OECD, 2020[33]). It is the first time the sector faces a crisis of this magnitude, and the impact is uncertain.

There are expectations that the sector may consolidate. A sharp drop in transactions is already hurting the sector, according to a report published in July 2020. Smaller players with weaker capital buffers are expected to leave the industry, leading to a more concentrated market, potentially reducing the access of online alternative finance to many smaller businesses and hence limiting progress in financial inclusion (IMF, 2020[38]). Funding may dry up as a consequence of the crisis, especially for more risky propositions. This may occur at the level of platforms, which often rely on risk capital for their operations, as well as for individual projects on crowdfunding platforms, given the recent influx of institutional investors and other non-retail investors (EIB, 2020[39]). Early evidence from European crowdfunding platforms suggest that there has been a pronounced impact on capital inflow from investors, in particular for new investments (Eurocrowd, 2020[40]). The main peer to peer lenders in the United Kingdom, for example, temporarily paused lending or altered their criteria, lowering loan-to-value or ceasing their lending to high risk borrowers, in order to protect investors (Altfi, 2020[1]).

© OECD NOVEMBER 2020

At the same time, the crisis also presents an opportunity for the industry, especially over the longer term. The current circumstances have increased the demand for alternative finance. The ongoing trend of increasing collaboration between Fintech companies, banks and other established financial institutions will also likely be strengthened given the growing importance for financial incumbents to provide online services (IMF, 2020[41]).

Governments are also increasingly working to support the development of a vibrant online alternative finance market. The crisis has spurred regulators across the world to accelerate existing regulatory innovation initiatives or introduce new legislation appropriate for the market (World Bank and CCAF, 2020[42]).

Despite the limited collaboration between non-traditional financiers (Fintech) and governments thus far, some experiences highlight the potential of innovation in financial services to ease SME access to finance during the COVID-19 crisis. For instance, in response to the crisis, Fintech firms have developed and circulated software to small lenders to simplify their processes and provide assistance rapidly. In the United States, a Fintech firm developed software to simplify the lending process for underserved small business through the Paycheck Protection Program (PPP)6 launched by the Small Business Administration (SBA). The firm provided the software to 4 200 banks in the country, of which half were small lenders, and it was used for 1.4 million SME applications to the PPP loans.

In other countries, online alternative finance platforms, such as P2P lenders, have created their own schemes. In Ireland a P2P lender, launched the Deferred Start Loans for companies affected by the pandemic. The scheme allows borrowing of up to EUR 100 000, with repayments due after the first three months, during which no interest or capital repayment is charged (Altfi, 2020).

Leasing and hire purchases

The profitability of the leasing and hire purchase sector is likely to take a hit as a consequence of the crisis, as more lessees will not be able to make the required lease payments as required. Indeed, BDO Global, an accounting company notes that "*the global pandemic has resulted in many different types of concessions being agreed between lessors and lessees, including rent deferrals, rent abatement/forgiveness and many other types of relief*" (BDO, 2020[43]).

Leaseurope, a sector organisation, tracks key performance indicators of a sample of 23 European lessors on a quarterly basis. Provisions rose significantly in the first and second quarter of 2020 (the most recent data available at the moment of writing), leading to a significant fall in operating income. New business volumes declined marginally in Q1 2020, and more severely in the second quarter of the year (Leaseurope, 2020[44]).

The impact of the COVID-19 crisis on the profitability of the leasing and hire purchase sector will likely lead to additional scrutiny on the supply side and hence to slower or even negative growth in new business volumes.

Factoring

In Europe, factoring volumes declined by around 6% in the first half of 2020, roughly mirroring the decline in GDP. This development likely reflects decreased client turnover (FCI, 2020[10]). The market is expected to rebound as economic growth picks up, and may gain traction over the medium term as factoring provides a relatively easy-to-use financial instrument without adding to the debt burden, diluting the equity structure of the firm, or collateralising capital assets.

[6] The Paycheck Protection Program, for instance, is a loan provided by the SBA that supports companies on the condition that they keep their workforce employed.

© OECD NOVEMBER 2020

In addition, some governments have injected liquidity in businesses through the factoring industry. For instance, Peru enacted decree No 040-2020 in April 2020, which gives credits and guarantees to factoring companies so they can provide better financing alternatives to SMEs. Factoring activities there are expected to increase by 25% by the end of 2020 to a total value of PEN 7 913 million (Gestión, 2020[45]).

Trade finance

The COVID-19 pandemic is significantly affecting exports and international trade; Global trade collapsed by more than 15% in the first half of 2020. In a pessimistic scenario with heightened uncertainty and a resurgence of the virus world-wide, trade is projected to decline by an additional 7% in 2021 (OECD, 2020[46]). As both domestic and international supply chains come under strain, trade finance instruments may come under increasing pressure, and face a possible drop in demand. The scope to rely more on inter-firm lending to cushion the blow of the economic impact is severely reduced in the current crisis, given its synchronised nature across countries and sectors (Boissay, Patel and Song Shin, 2020[47]).

The COVID-19 pandemic is also having significant implications for digitalisation and trade, with secondary effects on trade finance. The traditional reliance on paper-based processes represents a key weakness under current conditions. Banks, for instance, face mounting difficulties to process these transactions that typically require substantial in-person back office staffing. The current crisis may therefore push market actors to adopt more digital tools and techniques (ICC, 2020[48]). This development, if it materialises, would likely enable more SMEs to adopt trade finance instruments (OECD, Forthcoming[49]).

© OECD NOVEMBER 2020

4 SME financing policy responses to the COVID-19 crisis

Governments took rapid and unprecedented action to help businesses face the repercussions of the COVID-19 crisis, and many measures were devoted specifically to SMEs. This section provides an overview of monetary and fiscal policies that were introduced as a response to the COVID-19 crisis aimed at SMEs and entrepreneurs, focusing on public initiatives to ease their access to finance.

Governments around the world have loosened monetary policy in response to the crisis

Central banks around the world have taken action to loosen monetary policy. As central bank interest rates were already very low in most high-income countries, many unconventional measures were taken.

For instance, the ECB set up the European pandemic emergency purchase programme (PEPP) which buys up assets of private and public sector securities with an overall envelope of EUR 750 billion (USD 887 billion) and later enlarged to EUR 1 350 billion (USD 1 482 billion). The institution also eased collateral standards as well as capital requirements for financial institutions in operation in the euro area to keep credit flowing to households and corporates and provided cheap borrowing options for banks.

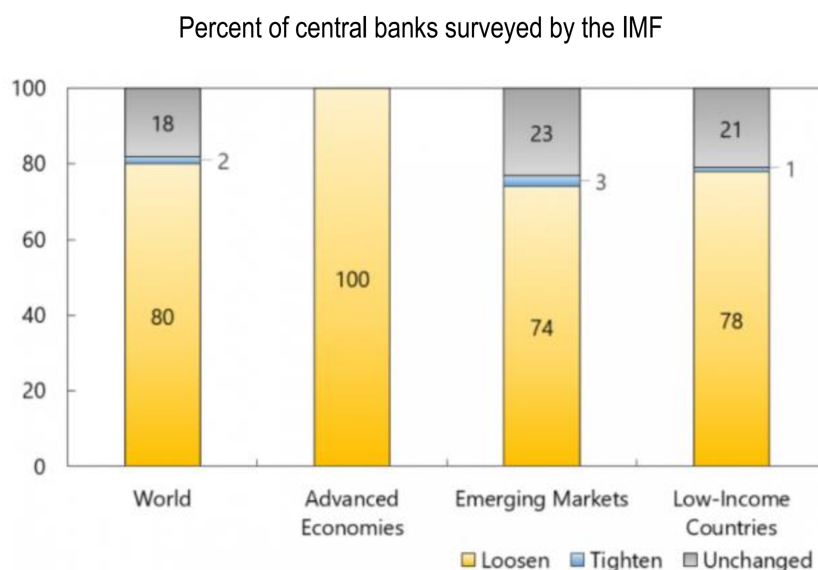
The Federal Reserve in the United States took broadly similar actions. Notably, the decrease of the federal fund rate to a range of 0.00% - 0.25%, and the purchase of billions worth of dollars in Treasury Securities and agency mortgage-backed securities (MBS) are unconventional measures not seen since the 2008 financial crisis. Furthermore, it established temporary US dollar liquidity swap lines and introduced several schemes to ensure credit availability. The Payment Protection Program Lending Facility (PPPLF) and the Main Street Lending Program ensure liquidity to SMEs. The former provides liquidity to banks to lend money to SMEs in particular, and the latter allows the purchase of up to USD 600 billion in SME loans, with the Fed purchasing a stake of 95% of each loan, and the remaining 5% held by the partnering bank.

Figure 4.1 shows that the clear majority of emerging markets and low-income countries also took action. Most mid-and low-income countries have lowered their policy rates, often by more than 50 basis points. In addition, many have also resorted to more unorthodox measures to add liquidity to the financial system, such as the direct purchase of corporate bonds, and easing regulatory restrictions for financial institutions on liquidity and macro-prudential measures (with China and Colombia as examples of the latter approach) (IMF, 2020[50]).

© OECD NOVEMBER 2020

Figure 4.1. Direction of monetary policy in 2020

Percent of central banks surveyed by the IMF



Source: (IMF, 2020[50]).

However, not all mid- and low-income countries loosened monetary policy as a response to the crisis. Countries with weaker monetary frameworks were often constrained, including by inflationary pressures, in their ability to cut interest rates or take other actions. With investors becoming more risk averse, some countries also faced capital outflows, upward pressure on the exchange rate, and price increases. A case in point is Argentina, where the central bank kept interest rates intact (Gelos, Rawat and Ye, 2020[51]).

Governments took unprecedented measures to ease pressures on SME cash flow

When the crisis hit, there was widespread concern that many viable, but illiquid, SMEs would go under in the absence of an appropriate policy response. In the United States, for example, a survey of close to 6 000 businesses indicates that fully 38% are likely to fail in 2020 without public support (Bartik et al., 2020[52]).

Governments took decisive action to address SME liquidity shortages. Based on an analysis of public measures undertaken across 60 countries, initiatives can be classified as follows (OECD, 2020[53]):

- **Measures related to working time shortening, temporary lay-off and sick leave, some targeted directly at SMEs**. Germany, for example, expanded access to short-term work arrangements (*Kurzarbeit*) in order to avert a sharp rise in unemployment. In practice, firms can apply for the funds when just 10% of their workers are affected by a work stoppage, compared to one-third previously. The provision of wage and income support for employees temporarily laid off, or for companies to safeguard employment. In many cases, countries have introduced measures in this area specifically focused on the self-employed. Canada introduced emergency support benefit for self-employed who do not qualify for employment insurance;
- **Measures for the deferral of tax, social security payments, debt payments and rent and utility payments**. In the United Kingdom, for instance, small businesses in certain sectors most hit by the pandemic are exempt from specific business taxes in 2020. In addition, VAT contributions can be deferred and late payments and interests can be waived for companies struggling to pay

© OECD NOVEMBER 2020

their taxes on time due to COVID-19. In some other cases, tax relief or a moratorium on debt repayments has been implemented. In Italy, following the model developed at the time of the 2008 financial crisis, the government introduced in March a new debt moratorium package, under the 'Cure Italy' decree law. This measure specifically targets SMEs with no debt that were affected by the crisis. So far, 1.2 million SMEs have applied (Banca d'Italia, 2020[54]). Also, some countries are taking measures regarding procedures for public procurement and late payments;

- **The introduction, extension or simplification of the provision of loan guarantees, to enable commercial banks to expand lending to SMEs**. Measures include the increase of the overall volumes of guaranteed loans or guarantee volume per beneficiary; a reduction or waiver of processing and guarantee fees; fast-track procedures with reduced documentation requirements; an extension of the repayment period of guaranteed loans and granting of an amortisation-free period; a relaxation of eligibility criteria; and the introduction of hotlines; FAQs and dedicated websites to give swift advice to companies under strain;

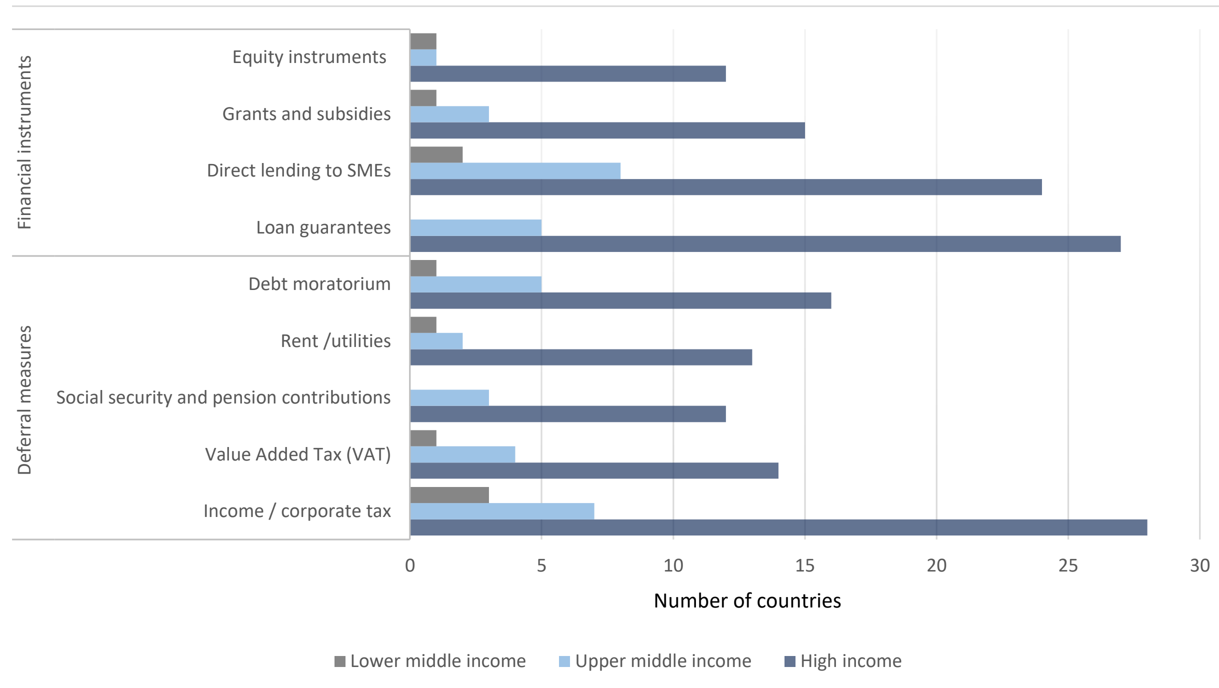
  In Singapore for example, the government's risk-share as part of the Enterprise Financing Scheme's Working Capital Loan was increased to 80% and the maximum loan amount was doubled to SGD 600 000 (USD 430 400) per annum. Brazil, also created the National Program to Support MSMEs as a response to the COVID-19 crisis, a credit line in the form of guarantees with a total budget of BRL 28 billion. In Europe, at least twelve guarantee institutions introduced fast-track procedures and at least six eased their documentation requirements in order to simplify the access to finance of small businesses in difficulties as a response to the crisis;
- **The expansion of direct lending to SMEs through public institutions**. India, for example, provided INR 3 trillion of collateral free loans to MSMEs with a tenure of four year with no payments due for one year. The government also allocates INR 20 trillion (USD 262.41 billion) for subordinate debt aimed at helping currently stressed MSMEs;
- **The provision of grants and subsidies to SMEs and other companies to bridge the drop in revenues**. Poland, for instance, provides zero-interest loans to struggling SMEs, which would be disbursed in the form of grants if beneficiaries do not lay off personnel;
- **Structural policies to help SMEs adopt new working methods and digital technologies and to find new markets and sales channels to continue operations under the prevailing containment measures**. These policies aim to address urgent short-term challenges, such as the introduction of teleworking, but also contribute to strengthening the resilience of SMEs in a more structural way and support their further growth. In Korea, for example, the emergency support programme included incentives for brick-and-mortar shops to open their business online;
- **Specific schemes to monitor the impact of the crisis on SMEs and enhance the governance of SME related policy responses**. Monitoring the impacts enables governments to design well adapted policies and make adjustments to support schemes as needed. In Austria, the Ministry of Economy and Digitalisation set up a task force to monitor the impact of the pandemic and related containment measures, on all firms active in the country. Governance efforts often centre around coordination, including at regional and local government levels. In France for example, regional task forces bringing together public development banks and other key stakeholders have been established to improve multi-level governance;
- **Measures to stimulate trade finance activities**. Even prior to the crisis, there were concerns about the "trade finance gap," estimated by the World Trade Organisation to amount to USD 1.5 trillion (WTO, 2020). Given the concern that this trade gap would widen due to the crisis, countries across the world have expanded the support of export credit agencies, expanded working capital programmes, introduced new facilities, and eased the modalities of existing support schemes (OECD, 2020[35]). Export Finance Australia, for instance, introduced a new capital facility in April 2020 to ease the pressure on internationally active companies hit by the COVID-19 crisis. Under

© OECD NOVEMBER 2020

the scheme, Australian companies that were exporting prior to the crisis can apply for loans of AUS 250 000 and AUS 50 million (USD 180 000 and USD 36.2 million respectively).

Figure 4.2. provides insights regarding the prevalence of financial instruments and deferral instruments implemented as a response to the crisis. It shows that loan guarantees are the most widely adopted instrument, while equity instruments are relatively less common.

Figure 4.2. The use of financial instruments and deferral measures as a response to the crisis



Note: The chart covers 39 high income countries, 12 upper middle income countries and 4 lower income countries.
Source: (OECD, 2020[16]), author's elaboration.

It should be noted that governments often launched various stimulus packages that include several of the aforementioned measures. For example, the government of Argentina announced direct loans at concessional conditions, expanded its credit programme for SMEs to cover employee wages, extended the maturity dates of SME debts, postponed or reduced social security contributions and payroll taxes under certain conditions, and reinforced its public guarantee scheme.

International bodies and financial institutions also took action to support SMEs facing liquidity shortages. Box 4.1. provides some examples.

© OECD NOVEMBER 2020

Box 4.1. SME finance policy responses from international financial institutions

Supranational government bodies and international financial institutions have often played an active role in supporting SME financing during the crisis. The European Investment Bank (EIB) Pan-European Guarantee Fund mobilised EUR 200 billion of additional financing to enable the EIB Group to scale up support for SMEs, mainly to companies that are viable in the long-term but are struggling with the current crisis (EIB, 2020[55]). In addition, the EIB is also expanding its use of existing financial instruments to support for SMEs, such as its COSME and Innovfin guarantee facilities that have been key to incentivise lending to riskier start-ups and innovative SMEs. Specifically, as a response of the COVID-19 pandemic, the EIB increased the cap-rate from 20% to 25% in the case of COSME (EIF, 2020[56])and increased the guarantee rate from 50% to 80% in the case of InnovFin (EIF, 2020[57]).

Another example is the EBRD Coronavirus Solidarity Package that will deploy EUR 21 billion between March 2020 and the end of 2021. One of the pillars of the package is the Resilience Framework that provides finance to meet short-term liquidity and working capital needs of EBRD partners that have outstanding loans or equity investment. Initially, EUR1 billion was reserved for this new programme, which was later increased to EUR 4 billion to meet strong demand. Existing programmes such as the Trade Facilitation Programme were also scaled up to help local banks of EBRD regions to address a widening gap in trade financing to entrepreneurs (EBRD, 2020[58])

The Interamerican Development Bank reserved USD 4.5 billion to support SMEs. This includes financing short-term liquidity guarantees, foreign-trade financing and guarantees, loan restructuring and supporting their integration into supply chains (IDB, 2020[59]). As another example, the Latin-American Development Bank (CAF) released the Regional Line of Credit of anticyclical support mobilising USD 2 500 million to support struggling companies (CAF, 2020[60]). Other development banks, such as the Asian Development Bank, are providing additional assistance on a case by case basis to member countries for programmes that ease SME access to finance, for instance USD 1.5 billion overall to each of the following countries: Indonesia, the Philippines and Thailand (ADB, 2020[61]).

Table 4.1 provides more insights about the scale of the fiscal policy interventions as a percentage of GDP. It shows an unprecedented policy response in three categories, the immediate fiscal impulse, deferral schemes and liquidity and guarantee schemes. While not all of these measures focus on SMEs, many of them do, especially in the third category on liquidity and guarantees.

McKinsey, a consultancy, estimates that more than 1 300 stimulus measures aimed at SMEs were introduced as a policy response to the COVID-19 crisis in 51 countries (mostly high-income), for a combined amount of USD 11 trillion (McKinsey, 2020[62]).

© OECD NOVEMBER 2020

Table 4.1. Discretionary 2020 fiscal measures adopted in response to the coronavirus, as of 3 September 2020

As a percentage of 2019 GDP

	Immediate fiscal impulse	Deferral	Other liquidity/guarantee
Belgium	1.4%	4.8%	21.9%
Denmark	5.5%	7.2%	4.1%
France	4.7%	8.7%	14.2%
Germany	8.3%	7.3%	24.3%
Greece	3.1%	1.2%	2.1%
Hungary	0.4%	8.3%	0.0%
Italy	3.4%	13.2%	32.1%
Netherlands	3.7%	7.9%	3.4%
Portugal	2.5%	11.1%	5.5%
Spain	3.7%	0.8%	9.2%
United Kingdom	8.0%	2.3%	15.4%
United States	9.1%	2.6%	2.6%

Source: (Bruegel, 2020[63]).

Governments demonstrated substantial agility in their responses

A striking feature of the response to the COVID-19 crisis has been the speed at which policy makers acted to expand current programmes and/or set up new schemes. This was deemed necessary to address acute the liquidity challenges many SMEs faced. This represented a learning experience for policy makers, and required a lot of flexibility on their part. Given the unprecedented scope and nature of the crisis, the policy approach had to be repeatedly adjusted to reach a large mass of SMEs (many of which never applied for policy support in the past) in a very short period of time in an appropriate manner.

This approach was labelled "launch first, refine later" by the British Business Bank, a key actor in the response in the United Kingdom. When the "Business Interruption Loan Scheme," introduced in March, did not have sufficient uptake, especially for very small and large SMEs, the government introduced a new scheme (the so-called Bounce Back Loans) better tailored to their needs. A crucial feature is that there is no requirement to pledge personal guarantees under the Bounce Back Loans. Moreover, the scheme is linked to a simplified online procedure, which allows SMEs to self-certify whether they are eligible for a Bounce Back Loan facility in a speedy process. This simplified and online procedure proved especially beneficial for very small enterprises that struggled with a more complex procedure. The modalities and implementation of the Bounce Back Loan scheme have in turn been improved over time.

The experience from New Zealand is also illustrative in this respect. The government set up a credit guarantee scheme, covering up to 80% of the loan value to combat the crisis (as there was not public guarantee scheme prior to the crisis). The take-up was below expectations, however, and relatively time-consuming. In particular, banks demanded personal guarantees and still implemented the same rigorous credit checks as they did previously. As a response, the New Zealand Government designed the Small Business Cashflow (loan) Scheme (SBCS). Under this arrangement, SMEs could borrow interest free without a personal guarantee with far fewer compliance requirements. There were 17 000 applicants in the first 24 hours (compared to around 1 000 for the credit guarantee scheme).

© OECD NOVEMBER 2020

The application process for support measures was often simplified and a large number of SMEs were eligible

The procedures to apply for government support, check eligibility and process applications were generally designed to be as simple as possible to save time. This was a leading principle of the French "PGE" public guaranteed loans scheme. In part because of the simplicity of the application process, the French Government was able to provide support to around 420 000 companies, mostly in the sectors hardest hit by the economic crisis, within the first two months of its existence.

The Swiss approach represents another example. The application process for its "bridging credit facilities" (a direct loan scheme) is fully online and as user-friendly as possible. As a result, loans can be provided in 30 minutes, and this contributed to very strong growth in uptake in the first weeks after the programme was introduced.

Most measures have been channelled through traditional lenders, but financial innovators are demonstrating potential to play an important role going forward

By and large, the policy response to provide liquidity relief has been channelled mainly through banks, including through credit guarantees. This enables policy makers to have access to a large network of SMEs. Often, beneficiaries of government support have pre-existing relationships with one or more banks, facilitating the distribution of support in a short period with limited background and eligibility checks. This proved especially pertinent as financial statements were of limited relevance to assess credit risks in this context.

On the other hand, collaboration between governments and non-bank financiers has been more limited, as these partnerships are less well established. This poses the risk of strengthening the traditionally dominant role of banks as providers of finance, and of reversing the positive trend of diversification of SME financial instruments witnessed in recent years.

Non-bank channels are increasingly being taken into account as new measures are rolled out. The solid digital infrastructure at the core of Fintech firms makes them well positioned to channel liquidity in very short periods as well as to serve excluded segments of SMEs. Machine learning algorithms, for instance, can not only assess creditworthiness and distribute loans rapidly by automating parts of due diligence procedures, but also can use alternative data for credit assessment. This is particularly relevant for small loan tickets (and hence small firms), for which transaction costs are relatively high, making them less attractive to financial incumbents.

In addition, P2P lenders and alternative lenders are becoming more involved in the delivery of state-backed financial support schemes. in the United Kingdom, for instance, a single P2P lender originated GBP 300 million of Coronavirus Business Interruption Loan Scheme (CBILS) as of June 2020, representing 16% of approved loans at the time (Altfi, 2020[1]). In the United States, Funding Circle, a P2P lender, was certified to provide Paycheck Protection Program loans, approving USD 1 billion in loans as of September 2020 (Reuters, 2020[64]). All in all, the US Small Business Administration partnered with 24 Fintech companies through this programme.[7] P2P lenders with operations in France, Italy, the Netherlands and Spain also provided loans backed by state guarantees (Altfi, 2020[1]).

Equity crowdfunding has also been used by some governments to provide support. In the United Kingdom, through the Future Fund scheme, the government matches 100% of the amount a business raises from investors, thereby doubling the amount of funding received by the business. The funding takes the form of convertible loan, and it is up to a maximum of GBP 5 million (Reffell, 2020).

---

[7] An overview of Fintech companies that work with the SBA through the Paycheck Protection Program is provided here: https://medium.com/@journey_finance/list-of-fintech-companies-helping-with-sba-ppp-paycheck-protection-program-ec14f80f60ec

© OECD NOVEMBER 2020

5 SME finance policies in the next phases of the pandemic

The unprecedented nature and speed of the crisis following the COVID-19 outbreak forced policy makers to act swiftly and boldly. Now that newly enacted or revised policies have been in place for several months, it is appropriate and timely to take into account the effectiveness and efficiency of support thus far when designing responses for next phases of the crisis. Although it will take time to conduct formal impact assessments, some lessons and trends can be discerned and are described below.

Increasing attention is being paid to the implications of vast liquidity relief measures

While there is broad agreement on the need for further stimulus measures, the sustainability of public finances is a concern…

Given the continued fragility of the world economy, and the health of many small businesses, care should be taken not to withdraw the support measures too abruptly (OECD, 2020[11]). At the same time, awareness is growing that current support measures are not sustainable indefinitely. Public debt is forecast to rise by more than 26% in high-income countries in 2020 and close to 7% in emerging markets, both because of so-called "economic stabilisers" as well as discretionary policy making. In the most likely economic scenario, public debt in advanced economies is expected to rise by an additional 15% of GDP in 2021, often to record levels (OECD, 2020[46]).

While the need for continued fiscal support is clear, the question of how countries can finance it without taking on unsustainable levels of debt is becoming more salient. While fiscal consolidation will be held off until the economy is on a more stable footing, the additional debt needs to be repaid eventually, through a combination of discretionary measures and higher economic growth (OECD, 2020[46]).

The cost of borrowing is crucial in this respect. While low in a historical context, the cost to service public debt can rise fast, potentially forcing governments to make painful adjustments. This is especially relevant for emerging markets (where interest rates on government debt is typically much higher than in high-income countries) and for economies that entered the crisis with high levels of public debt. Governments should ideally adopt a credible medium-term plan to put government expenditure on a more sustainable path once the economic climate improves (IMF, 2020[65]).

… along with the need to strengthen economic and business dynamism

In addition to the fiscal impact, supporting a very large number of companies without strong conditionality brings with it the risk of misallocating resources and keeping non-viable companies afloat, sapping economic dynamism and hindering competition. The risk may be especially pronounced in the current crisis given its impact on start-up rates. Policy makers thus have to strike a balance between avoiding bankruptcies of viable firms on the one hand, and supporting potentially non-viable firms by providing

© OECD NOVEMBER 2020

funding with few strings attached on the other. In some cases, through changes in insolvency and bankruptcy procedures may be warranted (OECD, 2020).

Loose monetary policies to ease the economic impact of the pandemic might also incentivise commercial banks to evergreen loans to firms with weak profitability, thereby keeping them afloat. Because the alternative to evergreening often involves a rise in nonperforming loans, banks with weak capital buffers are especially prone to "throw good money after bad" (Economist, 2020[66]).

Finally, there is increasing recognition that the current crisis will be transformational, with many activities hard hit for an extended period (for example in the hospitality or tourism sector), and others (such as digital services) in full expansion. Identifying viable firms with cash flow is challenging. Traditional indicators such as past profitability, other balance sheet data and recent credit history may provide poor guidance given the transformational nature of this crisis. As the impact of the crisis on the economy becomes clearer, policy makers and financial institutions should be in a better position to assess the viability of businesses in need of support.

There is considerable concern that the liquidity crisis may turn into a solvency crisis for SMEs

Many SMEs are facing reduced revenues for an extended period due to the COVID-19 crisis, coupled with an increased uptake of debt, often from public sources. While government support is helpful in reducing acute liquidity constraints, a large number of SMEs will likely struggle to repay their debts, especially if the economic recovery is weak and/or confinement measures are reintroduced.

Higher levels of debt lead to an increase in corporate leverage which is associated with a higher probability of default. This development could potentially impact financial stability through delinquent loans and may in turn increase sovereign exposures. Simulations by the Bank for International Settlements (BIS) suggest that if revenues fall by 25% in 2020, then closing the entire funding gap with debt would raise firm leverage by around 10 percentage points on average (Banerjee et al., 2020[67]).

As an illustration of the impact of the crisis on SME debt levels, a survey of more than 4 500 Canadian small business owners by the Canadian Federation of Independent Business[8] shows that three out of four respondents took on additional debt as a consequence of the crisis, for an average of CAD 135 000 (USD 102 000). 68% of them stated it will take more than a year to pay off (CFI, 2020[68]).

In France, corporate debt levels stood at 72% of GDP in 2019, but can be expected to rise significantly through COVID-19 support measures which contributed to a EUR 100 billion (USD 85 billion) increase in corporate debt, EUR 75 billion (USD 63 billion) going to SMEs (Reuters, 2020[69]).

In Italy, a three-month lockdown is found lead to an aggregate annual drop in profits of EUR 170 billion. This translates into an erosion of their equity base worth EUR 117 billion. This has a profound impact on firms leverage ratio, pushing more than 100 000 businesses into negative equity. Small businesses saw, on average, a stronger increase in their debt-to equity ratio than their larger counterparts (Carletti et al., 2020[70]).

Bankruptcies are expected to rise substantially by the end of 2020 and in 2021

The latest data show that bankruptcies were largely kept in check in the first three quarters of 2020, but are expected to increase in the coming months. While some countries have experienced an uptick in bankruptcies, the rise has generally been modest. In many other countries, bankruptcies declined in the

[8] This is the largest SME association active in the country with around 110 000 members

© OECD NOVEMBER 2020

first half of 2020 in particular. Various factors are play, but public support measures appear to have played a pivotal role.

For example, survey data from Switzerland show an uptick in corporate bankruptcies in June 2020, but not significantly above the long-term trend, largely thanks to public support measures that were enacted.[9] In the United Kingdom, the insolvency rate actually declined by 23% in Q2 2020 compared to Q1 of 2020 and by 33% when compared with the same quarter in the previous year. Again, this was partly due to policies to ease access to finance. In addition, the country introduced changes in the Corporate Insolvency and Governance Act. Statutory demands and certain windup petitions were temporarily prohibited, allowing fewer companies to file for liquidation (Assets Publishing Service UK Government, 2020[71]).

Further analysis confirms these examples are not outliers. While insolvencies are on the rise in some countries, they have often not increased as much as expected given the severity of the crisis. In other countries, especially in Europe, there was a decline in corporate insolvencies between March and May 2020. In the Netherlands, as another example, the number of bankruptcies in August was the lowest in 21 years, falling continuously for four months in a row (CBS, 2020[72]).

The impact on insolvencies appears to take time to materialise. Euler Hermes and Atradius, two credit insurance companies, expect a sharp rise in 2021. Insolvency and bankruptcy procedures take time, so these indicators tend to lag behind the economic cycle in general. In the current context, there are additional reasons for this lag:

- First, government interventions such as tax deferrals, debt service and interest moratoria, the expansion of the repayment period of public support, the reduction or waiver of processing and guarantee fees as well as interest rate subsidies, offered by guarantee institutions and other promotional institutions, prevented or delayed firms from going under. The number of insolvency procedures may rise once these schemes, and large amounts of liquidity injected by governments, wind down;
- Second, governments often implemented temporary changes in insolvency and bankruptcy regimes designed to provide more flexibility to companies facing temporary liquidity shortfalls. These measures include the raising of the threshold limit of unpaid debt to initiate a bankruptcy and the change of the conditions to file for bankruptcy;
- Third, lockdowns affected the functioning of business courts, especially when operations are not very digitalised. This often resulted in delays in the official registration of insolvencies (Euler Hermes, 2020[73]) (Atradius, 2020[74]).

Both companies expect a sharp increase in business insolvencies in 2021 as a result of the COVID-19 crisis across all regions of the world, however. Globally, bankruptcies are forecast to rise by 16% year-on-year between 2020 and 2021 according to one estimate (Euler Hermes, 2020[73]).

Policies are being adopted to provide further support to SMEs without increasing their debt burden

When the solvency of large enterprises is imperilled, governments can intervene in a relatively straightforward manner through capital markets. Smaller firms, however, typically do not have access to capital markets. Measures to inject equity in these firms are costly and involve large transaction costs (i.e. the costs to assess and follow up risks do not scale up linearly with the size of the firm). In addition, many small firms, especially if they are family-owned, resist a dilution of their ownership and the presence of an external investor with voting rights.

[9] The Corona crisis and corporate bankruptcies: Evidence from Switzerland, 31, August 2020.

© OECD NOVEMBER 2020

In practice, public equity support therefore often flows to medium-sized or large enterprises and to a relatively small number of start-ups with high growth potential, while most SMEs rely on debt support. However, an increasing number of governments have introduced measures to support SME liquidity with non–debt instruments. At the EU level, the Solvency Support Instrument is a temporary facility to recapitalise viable firms facing a solvency crisis due to COVID-19. It works via an EU guarantee provided to the European Investment Bank (EIB) Group under the European Fund for Strategic Investments (EFSI) and provides equity financing directly or through equity funds, special purpose vehicles, investment platforms or national promotional banks. A range of other avenues are being explored, such as:

- **Equity funds/convertible bonds:** While participation in firms' capital is usually reserved for somewhat larger firms and/or for innovative start-ups, some new schemes have been launched for SMEs, or existing schemes expanded. For example, BPIFrance launched its Strengthening Fund FDPME (for its acronym in French - *Fonds de reinforcement des PME*) with an endowment of close to EUR 100 million in March 2020. Firms with a turnover of at least EUR 5 million can get development capital under this scheme, mainly via bonds with share subscription warrants. In addition, the government established the French Tech Bridge, which provides convertible bonds to firms that were expected to raise funds through venture capital investments but were unable to because of the economic crisis. The scheme required co-investments from private actors and is aimed at high-potential start-ups, typically in the "high-tech" sector (Caisse des Dépots, 2020[75]). A new fund, Bpifrance Entreprises 1, was launched on 1 October, which enables non-professional investors to invest in a group of 1 500 SMEs and young firms for a period of six years and thus bring a new source of equity funding to these businesses.
- **Convertible loans:** A convertible loan allows a loan to be converted to equity if a borrower is unable to repay it. This type of instrument is beneficial for borrower SMEs as well as for lending banks. SMEs are able to have liquidity at zero interest, companies' growth potential is not impacted, and banks have the opportunity to recoup the capital in the medium and long term. The Future Fund in the United Kingdom has set up convertible loans from GBP 250 000 for SMEs. To be eligible, SMEs need to meet some conditions such as a minimum of GBP 250 000 previously raised in equity investment (British Business Bank, 2020[76]).
- **Grant support:** A key advantage of grant support is that a broad spectrum of firms can benefit, including micro-enterprises and SMEs with limited growth potential without adding to their debt. Ireland, for instance, has set up the Restart Grant Plus Scheme, which provides a one-off payment of between EUR 4 000 and EUR 25 000 to companies as they reopen or adjust their business. To be eligible, firms have to prove they suffered a turnover loss of at least 25% between 1 April and 30 June 2020 and must commit to reopening, and to hiring and sustaining employment (Silicon Republic, 2020[77]).

  In Chile, the government implemented the "Reactivate Plan", providing grants of CLP 3 000 000 for SMEs that have been affected by the pandemic. Through this plan, the government also incentivises SMEs to digitalise, by increasing the grant to CLP 4 000 000 if the company invests a minimum of 30% in digital solutions (Sercotec, 2020[78]). Sweden's Government also released grants of a total of 5 billion krona (USD 570 million) to SMEs to replace income lost during the pandemic (Reuters, 2020[79]).

  Some lending facilities convert loans to grants (i.e. the loan does not have to be repaid) under certain conditions, which is similar to the provision of a grant or subsidy. In the United States, the Paycheck Protection Program of the Small Business Administration (SBA) is a loan aiming to incentivise small businesses to retain personnel. If certain employee retention criteria are met, the loan is forgiven. As another example, Russia launched specific loans for SMEs that eliminate the 2% interest rate and the loan if the company retains 90% of its employees. The companies that retain 80% of employees will only repay half of the loan and the interest (Russian Small and Medium Business Corporation, 2020[80]).

© OECD NOVEMBER 2020

- **Equity crowdfunding:** Crowdfunding instruments could potentially address finance needs of a slightly larger segment of the SME population compared to capital market instruments, allowing them to raise capital by selling securities in the form of equity, revenue share, or convertible notes. In response to the need or raise capital and not debt, some governments have put in place new regulations to facilitate SMEs to tap into funds from retail investors. In the United States, the Securities and Exchange Commission (SEC) announced temporary rules that provide flexibility for issuers that meet specific eligibility criteria to accelerate the offering process and get faster access to funds as stated in the Regulation Crowdfunding. In addition, the rules also exempt issuers offering between USD 107 000 and USD 250 000 in securities, from specific financial statement review requirements (US Securities and Exchange Commission, 2020[81]).
- **Tax policies to strengthen SME equity:** A key mechanism that can enhance the ability of SMEs to preserve their cash flow is tax relief. An example of this is Canada, where the government allows corporates to defer payments and instalments owed between March and September 2020 without interest or penalties (Baker Mckenzie, 2020[82]).

  Governments can also incentivise private investment to SMEs through tax policies. In Belgium, tax incentives have been implemented to attract private investment for start-ups and SMEs affected by the COVID-19 pandemic. For instance, individuals can obtain a tax reduction in personal income tax of 20% if they acquire directly new shares of small companies based in the region of Flanders, whose turnover has decreased by at least 30% from March to April 2020 (Agentschap Innoveren & Ondernemen, 2020[83]). They may also benefit from an income tax reduction of 30% to 45% if they acquire new shares directly from a start-up or via crowdfunding (Agentschap Innoveren & Ondernemen, 2020[84]).

Despite an awareness of the need to limit the debt burden on SMEs, the instruments above often have limited take-up and/or are not widely adopted. Demand-side challenges include the reluctance of SME owners to weaken their ownership and give investors voting rights, the lack of familiarity of SME owners regarding equity instruments or high transaction costs.

There are also some underexplored or unconventional means to ease SMEs' cash constraints without adding to their debt burden that could be of interest to governments. Cash-against-tax-surcharge schemes, for instance, transfer cash to companies and in return, the recipient has to pay higher taxes on profits as soon as the company recovers. In contrast to a debt instrument, the transfer carries no unconditional repayment obligation and its repayment is dependent on the performance of the firm. In addition, the beneficiary could potentially opt out of the scheme prematurely, involving a "buy-out" option at a pre-set price by the firm and the investor. The structure of creating a trade-off between the annual charge and the exit cost incentivises highly successful firms to buy out early. Such a scheme is currently under study to be implemented at the EU level through the European Pandemic Equity Fund (EPEF) (Boot et al., 2020[85]). Other long-term hybrid schemes under development are investment funds which use flexible revenue sharing instruments, whereby revenues generated by the firm are used for repayment. This enables investors to provide quasi-equity funding to a relatively broad range of small firms, while making repayment contingent on the financial health of the investee enterprises.

The features of SME financing policy responses are evolving as new programmes are rolled out

As highlighted above, survey data across the globe illustrate the positive impact fiscal policies have had on SME access to finance. A sudden exit of support initiatives would pose significant financial challenges for many SMEs, and would force them to postpone investments even further. Even in the optimistic scenario of a V-shaped economic recovery, it would require some time for small businesses to regain their

© OECD NOVEMBER 2020

financial health. In the meantime, there is a general consensus that further support is needed, and many governments are undertaking a new wave of policy initiatives with adapted features.

Support is becoming more targeted to specific segments in the SME population

Designing large-scale initiatives quickly, with few conditions attached, and in a markedly uncertain economic climate has presented policy makers with considerable implementation challenges. There are risks that the public support may not flow to the right beneficiaries. In addition, governments need to be vigilant to avoid fraud and misappropriation of funds, and support should be able to be redirected or reduced as appropriate.

Furthermore, some segments of the SME population, such as very small, young or mid-sized companies, may be left out. In particular, it is proving challenging to provide relief to the self-employed, start-ups and informal ventures. To address this challenge, governments have introduced specific support programmes targeted to these populations. For instance, France created a solidarity fund for the self-employed of EUR 2 billion and provides a monthly compensation, which also include very small companies when their turnover is less than EUR 1 million and they experience 70% or more decline in their turnover.

Moreover, support is becoming more targeted towards sectors disproportionately hit by the crisis. In Colombia, for example, a new credit line was opened specifically for the tourism and aviation sectors. Brazil has opened a working capital loan line for SMEs in the tourism and service sectors and simplified the documentation for credit negotiation for such companies. In Malaysia, the government opened the tourism fund, to support MSMEs in the tourism sector to remain viable. In Europe, Austria introduced loans for hotels that suffer more than 15% losses in sales.

There is an increasing emphasis on providing equity support for start-ups, particularly innovative ones

Alongside established SMEs, the crisis has also impacted start-ups and innovative entrepreneurship negatively, with the number of new business entries declining substantially in many countries. Young firms account for around half of job growth and one fifth of overall employment in OECD countries. In addition, evidence indicates that a missing generation of new firms has a persistent negative effect on employment. This development could imperil countries' recovery and negatively impact business dynamism and innovation over the long term. [10]

A global survey of start-ups confirms they were also heavily impacted by the crisis. While a small minority of 12% actually saw an increase in revenues since the beginning of the crisis, almost 3 in 4 saw their revenues decline over the same period. As with established SMEs, liquidity challenges represent a major concern. 41% of surveyed start-ups reported needing to raise capital over the next three months to survive (Startup Genome, 2020[86]).Another survey highlights that innovative start-ups most often consider grants as the most useful policy instrument under current circumstances, followed by loans (World Economic Forum, 2020[87]). These finding are in line with the expected difficulties to attract early-stage finance described earlier.

The immediate public response came in the form of lending and debt instruments. Start-ups are often not profitable in the first years of their existence and typically do not qualify for such measures. As a response, other instruments such as early-stage equity and start-up support were added relatively quickly to the policy response to complement policies suitable for established enterprises and are being strengthened over time in many countries.

---

[10] See OECD (2020), "Start-ups in the time of COVID-19: Facing the challenges, seizing the opportunities", OECD Policy Responses to Coronavirus (COVID-19).

© OECD NOVEMBER 2020

For example, France and Germany included the establishment of a start-up fund of EUR 4 billion (USD 4.5 billion) and EUR 2 billion (USD 2.2 billion) (with additional resources from public venture capital investors) respectively as part of their policy responses. As part of its comprehensive *France Relance* plan, announced on 3 September, the French government took additional measures to support entrepreneurship, in particular in the area of R&D and innovation, equity capital and support measures for specific activities.

As another example, Hiventures, a state-owned venture capital fund in Hungary, set up the start-up rescue programme aims as a response to the crisis which aims to provide speedy investment in start-ups facing liquidity problems, with several sub-programmes according to the maturity of the start-up. It addresses an acute shortage of funds for many innovative and knowledge-intensive firms active in the country.

At the EU level, the European Scale-up Action for Risk capital (ESCALAR) is a pilot programme to tackle shortages in finance experienced by high-growth firms. Launched on 8 April 2020 and managed by the European Investment Fund (EIF), it provides equity investments of up to EUR 100 million in single fund commitments with an overall investment envelope of EUR 300 million (European Investment Fund, 2020[88]).

The crisis offers an important opportunity to undertake more structural measures

In some countries, especially those in which containment measures have been relaxed or lifted, policies are increasingly emphasising structural measures to enhance SME resilience and competitiveness, by improving framework conditions, and through both supply- and demand-side measures. Policy initiatives include:

- **Improvements in insolvency procedures**. There is a strong link between economic dynamism and the efficiency of corporate restructuring (Andrews, MacGowan and Millot, 2017[89]). Policies that reduce the time and cost of firm failure, while ensuring viable firms can restructure, are strategic under current circumstances and can promote competitiveness in a post-pandemic period. In addition, speedy procedures that recover a large proportion of firms' value also encourage second-chance entrepreneurship, which is especially relevant in a period where falling firm creations coincide with an expected rise in insolvencies.
- **Measures aimed at stimulating SME digitalisation**. COVID-19 containment measures have strengthened the case for providing support to SMEs to accelerate adoption of teleworking and digitalisation, which are increasingly regarded as key to boost their resilience. The government interventions in this area mainly focus on two areas: i) increasing the digital skills of entrepreneurs, business owners and their employees through business development services; and ii) expanding access to digital infrastructure, tools and techniques such as cloud infrastructure, teleconference facilities, e-commerce and so on.
- **The upskilling of SMEs**. The crisis may widen the gap between skills in high demand in the labour market and supply. For this reason, policymakers are increasingly focusing on programmes to ease labour disruption, including reskilling, upskilling and job matching. For example in Australia, as a response to COVID-19, the government has adjusted the national My Skills program that subsidises upskilling, reskilling and vocational training to meet firms needs during the pandemic (Australian Government, 2020[90]).
- **Policies to stimulate consumer spending**. Considering the effects of the crisis on the demand for goods and services, some recovery plans endeavour to stimulate consumption to the levels observed prior to the crisis. Measures to that aim include tax reliefs or vouchers for purchasing goods. In the case of South Korea, the government offered an income tax reduction of 80% to credit and debit card users to stimulate pre-payment and pre-purchasing (EBRD, 2020[91]). The German Government reduced the VAT by three points until the end of 2020 (Seibt, 2020[92]).

© OECD NOVEMBER 2020

- **The integration of SMEs in global value chains**. The crisis may have a long-lasting impact on global value chains, in particular by reinforcing relocation and reshoring trends, and the emergence of value chains that are more regional in nature rather than truly global (UNCTAD, 2020[93]). Because SMEs often have a limited number of suppliers and few connections and networks, they find it more difficult to adapt, for instance by replacing foreign suppliers or finding alternative ways of transportation as opposed to larger firms (OECD, 2020[16]). This may create an incentive for public bodies to design policies to support SMEs to find new alternative markets and allow opportunities for them to integrate in emerging regional value chains. Potential avenues for public action are i) providing companies with timely market information and intelligence that can help SMEs build extensive networks as well as diversify their supplier base; and ii) supporting SMEs in identifying, evaluating and managing risks by sharing information on potential concentration and bottlenecks upstream in supply chains (OECD, 2020[94]).

© OECD NOVEMBER 2020

6 Conclusions and the way forward

By tracking SME finance indicators and related policy initiatives, the OECD Scoreboard on *Financing SMEs and Entrepreneurs* provides a solid international evidence base to assess the financial needs of SMEs and entrepreneurs and help governments and financial institutions determine whether they are being met.

This special edition of the *Scoreboard* examines the impact of the economic crisis triggered by the COVID-19 outbreak on SME and entrepreneur access to finance. The crisis has been unprecedented in terms of its impact on firms' cash flow and liquidity, as well as in terms of the breadth and depth of policy responses by governments world-wide.

Based on new data, the report has documented that despite weak loan growth, SME finance developments were generally favourable in the run-up to the crisis, with low interest rates, accommodative conditions and strength growth in the uptake of sources of finance other than straight debt. However, these conditions were not sufficient to enable most SMEs to withstand the sudden and severe impacts of the crisis in the absence of broad government support. The pandemic and related containment measures often reduced SME revenues significantly. Because they were unable to fully compensate revenue losses by cutting costs, smaller businesses around the world faced severe cash flow constraints.

Governments and monetary authorities stepped in to provide liquidity relief on an unprecedented scale through various initiatives. Survey data indicate that, thanks in part to interventions such as credit guarantee schemes or monetary policy action to keep funding costs for banks very low, credit held up in many regions of the world in the first half of 2020, in some cases increasing to meet rising demand.

On the other hand, emerging evidence suggests that the take-up of alternative finance instruments by SMEs, in particular early-stage equity financing, has been impacted negatively as a result of the pandemic and related containment measures. In addition, liquidity support for SMEs affected by the COVID-19 crisis has been channelled mainly through banks thus far. It is important to mitigate the risk of reversing the progress made in recent years in the diversification of financing instruments for SMEs, as advocated by the G20/OECD High-Level Principles on SME Financing.

Evidence indicates that public interventions have been generally effective in cushioning the blow from the crisis, both for businesses and households. Going forward, however, governments are faced with exceptional challenges to restart growth and reduce inequalities in the next phases of the pandemic, and new support measures and recovery plans are seeking to address these issues.

First, the number of bankruptcies, while kept in check in the first half of 2020, is expected to rise substantially in 2021. Second, corporate debt-to-equity ratios are forecast to surge due to the crisis. In the years to come, many firms will struggle to repay their debt while also continuing to invest. Governments are therefore increasingly exploring interventions to ease the financial constraints of SMEs without adding to their debt burden.

Third, there is increasing attention to the need to design support measures to ease financing constraints in a way that does not keep structurally nonviable firms afloat. This is important for strengthening economic and business dynamism over the longer term. The transformational nature of the COVID-19 crisis makes it particularly difficult to identify and target viable firms facing temporary financial difficulties. This represents a key challenge for policy makers. It also raises the question of how and when to phase out

© OECD NOVEMBER 2020

parts of the vast relief measures in the first phase of the pandemic, also in light of their impact on public finances.

Fourth, liquidity support in the immediate aftermath of the COVID-19 crisis was generally delivered in a very speedy manner and with relatively few strings attached, to a very large number of beneficiaries. Moving forward, it may be expedient to make these policies tailored to segments of the enterprise population most in need of support, and devoted to investments that contribute to overarching government objectives, for example in the areas of digitalisation or environmental transition.

Fifth, governments are increasingly complementing liquidity relief measures with more structural policies, for example to raise demand for goods and services, enable SMEs to reap the full benefits of digitalisation, boost innovation and address skills shortages on the labour market.

Finally, given the unprecedented scale and nature of the crisis, it will be also be important to monitor and evaluate the impact of policies on SME financing. This is even more challenging given the rapid design and implementation of measures, and that the objectives and target groups are not always specified explicitly. Another challenge for policy evaluation is the lack of documentation regarding the expenditure of the support by SMEs and entrepreneurs, which makes it difficult to understand the real impact of the different types of support and to extrapolate the effect of future deployments. Furthermore, while the range of national and supra-national schemes, joint financing mechanisms and other initiatives implemented to ease access to crisis has served to strengthen support for SMEs, the interactions between various schemes also makes the evaluation of policy impacts of individual measures more complex.

The OECD Scoreboard on *Financing SMEs and Entrepreneurs* will continue to respond to new developments in the SME financing landscape, through the current crisis and beyond. It will also continue to pursue the priorities of expanding the range of financial instruments covered, and of providing more granular data on SME financing, which will enable governments to monitor access to finance for different segments of the SME population.

© OECD NOVEMBER 2020

References

ACCA (2020), *Sustainable public finances through COVID-19*, https://www.accaglobal.com/gb/en/professional-insights/global-profession/Sustainable_public_finances_Covid-19.html. [108]

ADB (2020), *ADB's rapid COVID-19 response in South East Asia*, https://www.adb.org/sites/default/files/publication/631981/adb-covid-19-response-southeast-asia.pdf. [61]

Agentschap Innoveren & Ondernemen (2020), *Tax Shelter COVID-19*, https://www.vlaio.be/nl/subsidies-financiering/subsidiedatabank/tax-shelter-covid-19. [83]

Agentschap Innoveren & Ondernemen (2020), *Tax Shelter for Start-ups*, https://www.vlaio.be/nl/subsidies-financiering/subsidiedatabank/tax-shelter-voor-startende-ondernemingen. [84]

ALA (2020), *Buscan revivir al leasing para financiar pymes*, https://www.ambito.com/economia/inversion/buscan-revivir-al-leasing-financiar-las-pymes-n5118968. [103]

Altfi (2020), *State of the market: Alternative Lending*, https://www.altfi.com/research/alternative-lending-state-of-the-market-report-2020. [1]

Andrews, D., A. MacGowan and V. Millot (2017), *Confronting the zombies: Policies for productivity revival*, OECD Economic Policy Papers, No. 21, OECD Publishing, Paris,. [89]

Assets Publishing Service UK Government (2020), *Company Insolvencies commentary Q2 2020*, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/905038/Company_Insolvencies_-_Commentary_-_Q2_2020_final.pdf. [71]

Atradius (2020), *2020 insolvencies forecast to jump due to Covid-19*, https://group.atradius.com/publications/economic-research/2020-insolvencies-forecast-to-jump-due-to-covid-19.html. [74]

Australian Government (2020), *International Freight Assistance Mechanism*, https://www.austrade.gov.au/news/news/international-freight-assistance-mechanism. [122]

Australian Government (2020), *Training and Development during COVID-19*, https://www.business.gov.au/risk-management/emergency-management/coronavirus-information-and-support-for-business/training-and-development-during-covid19. [90]

© OECD NOVEMBER 2020

Baker Mckenzie (2020), *COVID-19 Government Intervention Schemes*, https://www.bakermckenzie.com/-/media/files/insight/publications/2020/06/updated--government-intervention-schemes-guide-per-29-may.pdf. [82]

Banca d'Italia (2020), *Participation in debt moratoriums*, https://www.bancaditalia.it/focus/covid-19/Tabella-moratorie_EN.pdf?language_id=1. [54]

Banco de México (2020), *Encuesta sobre Condiciones Generales y/o Estándares en el Mercado de Crédito Bancario: Trimestre Abril – Junio de 2020*, https://www.banxico.org.mx/publicaciones-y-prensa/encuesta-sobre-condiciones-generales-y-estandares-/%7BE9B53F2E-282A-CEA6-5A8C-E541F17BB9ED%7D.pdf. [29]

Banerjee, R. et al. (2020), *Covid-19 and corporate sector liquidity*, https://www.bis.org/publ/bisbull10.pdf. [67]

Bank for International Settlements (2020), *Covid-19 and corporate sector liquidity*, https://www.bis.org/publ/bisbull10.pdf. [13]

Bank of Canada (2020), *Business Outlook Survey—Summer 2020*, https://www.bankofcanada.ca/2020/07/business-outlook-survey-summer-2020/. [24]

Bank of England (2020), *Credit Conditions Survey: Q2 2020*, https://www.bankofengland.co.uk/credit-conditions-survey/2020/2020-q2. [32]

Bank of Japan (2020), *Takan Survey*, https://www.boj.or.jp/en/statistics/tk/yoshi/tk2006.htm/. [31]

Bartik, A. et al. (2020), *The impact of COVID-19 on small business outcomes and expectations*, http://dx.doi.org/DOI: 10.1073/pnas.2006991117. [52]

BDO (2020), *Implications of COVID-19 on lessors (IFRS 16 leases):*, https://www.bdo.global/getmedia/48fe6a50-e9b6-4a79-a527-91fef743f439/IFRB-2020-12-Implications-of-COVID-19-for-lessors.aspx. [43]

Beauhurst (2020), *Effect of Coronavirus in UK investment Q1 2020*, https://www.beauhurst.com/blog/effect-of-coronavirus-uk-investment-q1-2020/). [37]

Beauhurst (2019), *The UK crowdlending funding landscape in 2019 so far*, https://www.beauhurst.com/blog/uk-crowd-funding-landscape-2019/. [3]

Boissay, F., N. Patel and H. Song Shin (2020), *Trade credit, trade finance, and the Covid-19 crisis*, https://www.bis.org/publ/bisbull24.pdf. [47]

Boot, A. et al. (2020), *Corona and Financial Stability 4.0: Implementing a European Pandemic Equity Fund*, https://voxeu.org/article/implementing-european-pandemic-equity-fund. [85]

British Business Bank (2020), *Coronavirus Business Interruption Loan Schemes and Future Fund*, https://www.british-business-bank.co.uk/finance-hub/coronavirus-financial-support-for-businesses/. [76]

Bruegel (2020), *The fiscal response to the economic fallout from the coronavirus*, https://www.bruegel.org/publications/datasets/covid-national-dataset/. [63]

© OECD NOVEMBER 2020

Business Journal (2020), *The rise of equity crowdfunding: Covid-19 is not the end for startups*, https://www.bizjournals.com/southflorida/news/2020/08/24/the-rise-of-equity-crowdfunding-for-startups.html#:~:text=What%20does%20the%20future%20hold,company%2C%20per%20calendar%20year).&text=If%20your%20startup%20needs%20capital,take%20the%20equity%20crow. [97]

BVA BRDC (2020), *SME Finance Monitor Q4 2019*, https://www.bva-bdrc.com/wp-content/uploads/2020/03/BVABDRC_SME_Finance_Monitor_Q4_2019_FINAL.pdf. [102]

CAF (2020), *Banco de Desarrollo de América Latina aprueba línea de crédito de USD 2,5000 para enfrentar COVID-19*, https://www.trt.net.tr/espanol/economia/2020/04/10/banco-de-desarrollo-de-america-latina-aprueba-linea-de-credito-de-usd-2-500-para-enfrentar-covid-19-1394659. [60]

Caisse des Dépots (2020), *Bpifrance: strengthening the equity capital of SMEs and start-ups in times of crisis*, https://www.caissedesdepots.fr/en/news/bpifrance-strengthening-equity-capital-smes-and-start-ups. [75]

Carletti, E. et al. (2020), *The equity shortfall of Italian firms in the COVID crisis: A first assessment*. [70]

CBS (2020), *Lowest number of bankruptcies in 21 years*, https://www.cbs.nl/nl-nl/nieuws/2020/37/laagste-aantal-faillissementen-in-21-jaar-tijd. [72]

CFI (2020), *Debt knell Small Business COVID-19 debt totals 117 billion*, https://www.cfib-fcei.ca/en/media/news-releases/debt-knell-small-business-covid-19-debt-totals-117-billion. [68]

CFIB (2020), *Small Business debt load tops 150,000 recovery will be impeded if more financing*, https://www.cfib-fcei.ca/en/media/news-releases/small-business-debt-load-tops-150000-recovery-will-be-impeded-if-more-financing. [25]

Crowdlending (2020), *Le marché du crowdfunding en France continue de progresser en 2019*, https://www.crowdlending.fr/le-marche-du-crowdfunding-en-france-continue-de-progresser-en-2019/. [2]

Crunchbase (2020), *New SEC Rules On Crowdfunding Would Be A Boost To Capital Raising For Startups*, https://news.crunchbase.com/news/new-sec-rules-on-crowdfunding-would-be-a-boost-to-capital-raising-for-startups/. [119]

EBRD (2020), *Support for SMEs in the COVID-19 crisis: the case of China*. [105]

EBRD (2020), *Support for SMEs in the Covid-19 crisis: the case of the Republic of Korea*. [91]

EBRD (2020), *The EBRD’s coronavirus Solidarity Package*, https://www.ebrd.com/what-we-do/coronavirus-solidarity. [58]

Economist (2020), *Why covid-19 will make killing zombie firms off harder*. [66]

EIB (2020), *Does This Change Everything? Private credit and coronavirus*, https://www.eib.org/en/stories/coronavirus-impact-private-credit. [39]

© OECD NOVEMBER 2020

EIB (2020), *EIB Board approves €25 billion Pan-European Guarantee Fund in response to COVID-19 crisis*, https://www.eib.org/en/press/all/2020-126-eib-board-approves-eur-25-billion-pan-european-guarantee-fund-to-respond-to-covid-19-crisis.htm. [55]

EIF (2020), *COSME - Loan Guarantee Facility (LGF)*, https://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/index.htm. [56]

EIF (2020), *InnovFin SME Guarantee Facility*, https://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/. [57]

Euler Hermes (2020), *Calm before the storm: Covid-19 and the business insolvency time bomb*, https://www.eulerhermes.com/en_global/news-insights/economic-insights/Calm-before-the-storm-Covid19-and-the-business-insolvency-time-bomb.html. [73]

Eurocrowd (2020), *Early Impact of CoVid19 on the European Crowdfunding sector*, https://eurocrowd.org/wp-content/blogs.dir/sites/85/2020/04/ECN_CoVid19_Survey_20200414.pdf. [40]

European Central Bank (2020), *Economic and monetary developments*, https://www.ecb.europa.eu/pub/economic-bulletin/html/eb202004.en.html#toc5. [22]

European Central Bank (2020), *Euro area banking sector resilient to stress caused by coronavirus*, https://www.ecb.europa.eu/pub/projections/html/ecb.projections202006_eurosystemstaff~7628a8cf43.en.html#toc1. [19]

European Central Bank (2020), *The euro area bank lending survey: Second quarter of 2020*, https://www.ecb.europa.eu/stats/ecb_surveys/bank_lending_survey/pdf/ecb.blssurvey2020q2~d8de5b89f0.en.pdf. [23]

European Commission (2020), *Assessment of public debt sustainability and COVID-related financing needs of euro*, https://ec.europa.eu/info/sites/info/files/economy-finance/annex_2_debt_sustainability.pdf. [118]

European Commission (2020), *Digital Innovation Hubs helping the Public Sector and SMEs dealing COVID-19 pandemic*, https://ec.europa.eu/digital-single-market/en/news/digital-innovation-hubs-helping-public-sector-and-smes-dealing-covid-19-pandemic. [96]

European Commission (2014), *Evaluation of SMEs Access to public procurement markets in the EU*, https://op.europa.eu/en/publication-detail/-/publication/3cfe7be5-0b1b-4452-81d6-3d578ffcca97/language-en/format-PDF/source-search. [110]

European Investment Fund (2020), *ESCALAR Programme*, https://www.eif.org/what_we_do/equity/escalar/index.htm. [88]

FCI (2020), *Press release: EU factoring turnover figures in the first half of 2020*, https://fci.nl/en/news/press-release-eu-factoring-turnover-figures-first-half-2020. [10]

Federal Reserve Bank (2020), *The April 2020 Senior Loan Officer Opinion Survey on Bank Lending Practices*, https://www.federalreserve.gov/data/sloos/sloos-202004.htm. [27]

© OECD NOVEMBER 2020

Federal Reserve Bank of Kansas City (2020), *Small Business Commercial & Industrial Loan Balances Increase Year-Over-Year*, https://www.kansascityfed.org/research/indicatorsdata/smallbusinesslendingsurvey/articles/2020/small-business-commercial-and-industrial-loan-balances-increase-year-over-year. [26]

Federal Reserve Bank of New York (2020), *Can small firms weather the economic effects of COVID-19?*, https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2020/covid-brief.pdf. [17]

Federal Reserve Bank of New York (2020), *Small Business Credit Survey 2020*. [15]

Financial Stability Board (2020), *COVID-19 Pandemic: Financial Stability Implications and Policy Measures Taken*, https://www.fsb.org/wp-content/uploads/P150720-2.pdf. [20]

Flanders Innovation & Entrepreneursip Agency (2020), *SME growth subsidy*, https://www.vlaio.be/nl/media/549. [114]

Forbes (2020), *Negocios PyMES Sofomes créditos coronavirus*, https://www.forbes.com.mx/negocios-pymes-sofomes-creditos-coronavirus/. [28]

Gelos, G., U. Rawat and H. Ye (2020), *COVID-19 in emerging markets: Escaping the monetary policy procyclicality trap*, https://voxeu.org/article/covid-19-emerging-markets-escaping-monetary-policy-procyclicality-trap. [51]

Gestión (2020), *Operaciones de factoring sumaron S/ 7,913 millones para uso de capital de trabajo*, https://gestion.pe/tu-dinero/operaciones-de-factoring-sumaron-s7913-millones-para-uso-de-capital-de-trabajo-informo-produce-noticia/. [45]

ICC (2020), *Ten ways for governments to use trade to save our SMEs*, https://iccwbo.org/content/uploads/sites/3/2020/05/2020-10ways-governments-sos.pdf. [121]

ICC (2020), *Trade finance and COVID-19: Priming the market to drive a rapid economic recovery*, https://iccwbo.org/content/uploads/sites/3/2020/05/icc-trade-financing-covid19.pdf. [48]

IDB (2020), *IDB Group announces priority support areas for countries affected by COVID-19*, https://www.iadb.org/en/news/idb-group-announces-priority-support-areas-countries-affected-covid-19. [59]

IISD (2020), *Financing COVID-19 stimulus: will high levels of public debt come back to haunt us?*, https://www.iisd.org/articles/financing-covid-19-stimulus. [107]

IMF (2020), *Courage under Fire: Policy Responses in Emerging Market and Developing Economies to the COVID-19 Pandemic*, https://blogs.imf.org/2020/06/03/courage-under-fire-policy-responses-in-emerging-market-and-developing-economies-to-the-covid-19-pandemic/. [50]

IMF (2020), *Fiscal Policies for a Transformed World*, https://blogs.imf.org/2020/07/10/fiscal-policies-for-a-transformed-world/. [65]

IMF (2020), *The Promise of Fintech: Financial Inclusion in the Post COVID-19 Era*, https://www.imf.org/~/media/Files/Publications/DP/2020/English/PFFIEA.ashx. [38]

IMF (2020), *The Promise of Fintech: Financial Inclusion in the Post COVID-19 Era*, https://www.imf.org/~/media/Files/Publications/DP/2020/English/PFFIEA.ashx. [41]

© OECD NOVEMBER 2020

International Chamber of Commerce (2020), *Trade finance and COVID-19: Priming the market to drive a rapid economic recovery*, https://iccwbo.org/content/uploads/sites/3/2020/05/icc-trade-financing-covid19.pdf. [34]

Intrum (2020), *European Payment Report 2020: Special Edition White Paper*, https://www.intrum.com/media/8279/epr-2020-special-edition-white-paper_final.pdf. [18]

ITC (2020), *The effects of the Covid-19 pandemic on small businesses and global value chains*, https://www.intracen.org/news/Op-ed-The-effects-of-the-Covid-19-pandemic-on-small-businesses-and-global-value-chains/. [113]

Japan Times (2020), *Japan bank lending*, https://www.japantimes.co.jp/news/2020/08/11/business/economy-business/japan-bank-lending/#.X0zm9XkzY2w. [30]

KPMG (2020), *Colombia: Government and institution measures in response to COVID-19.*, https://home.kpmg/xx/en/home/insights/2020/04/colombia-government-and-institution-measures-in-response-to-covid.html. [99]

KPMG (2020), *Israel: Government and institution measures in response to COVID-19*, https://home.kpmg/xx/en/home/insights/2020/04/israel-government-and-institution-measures-in-response-to-covid.html. [112]

KrAsia (2020), *Indonesia's equity crowdfunding platforms are turning ideas into ventures*, https://kr-asia.com/indonesias-equity-crowdfunding-platforms-are-turning-ideas-into-ventures. [6]

Latin America Business Stories (2020), *Crowdfunding platforms raised $18.6 million for startups in Brazil last year*, https://labsnews.com/en/articles/technology/crowdfunding-platforms-startups-brazil/#:~:text=Just%20over%20two%20years%20after,(%2418.6%20million)%20in%202019. [5]

Leaseurope (2020), *Leaseurope Index Q1 2020*, https://www.leaseurope.org/_flysystem/s3?file=2020-06/Leaseurope%20Index%20Q1%202020_Public.pdf. [44]

Leaseurope (2015), *The Use of Leasing Amongst European SMEs*, https://www.leaseurope.org/_flysystem/s3/Leaseurope%20documents/SME%20Report%202015%20Key%20Findings.pdf. [9]

LSE blogs (2020), *Evidence from France: How crowdfunding is being used to support the response to Covid-19*, https://blogs.lse.ac.uk/europpblog/2020/04/24/evidence-from-france-how-crowdfunding-is-being-used-to-support-the-response-to-covid-19/. [126]

Mason, C. (2020), *The coronavirus economic crisis: Its impact on venture capital and high growth enterprises*, https://publications.jrc.ec.europa.eu/repository/bitstream/JRC120612/jrc120612_papervchge_covid19_cmason30april2020.pdf. [36]

McKinsey (2020), *Setting up small and medium-size enterprises for restart and recovery*, https://www.mckinsey.com/industries/public-and-social-sector/our-insights/setting-up-small-and-medium-size-enterprises-for-restart-and-recovery. [62]

© OECD NOVEMBER 2020

Mckinsey (2020), *Banking system resilience in the time of COVID-19*, https://www.mckinsey.com/industries/financial-services/our-insights/banking-system-resilience-in-the-time-of-covid-19. [21]

Mckinsey (2020), *Lessons from the past on how to revive the US economy after COVID-19*, https://www.mckinsey.com/industries/public-and-social-sector/our-insights/lessons-from-the-past-on-how-to-revive-the-us-economy-after-covid-19. [106]

Mckinsey (2020), *Lessons from the past on how to revive the US economy after COVID-19*, https://www.mckinsey.com/industries/public-and-social-sector/our-insights/lessons-from-the-past-on-how-to-revive-the-us-economy-after-covid-19. [109]

Mckinsey (2020), *Safeguarding Europe's livelihoods: Mitigating the employment impact of COVID-19*, https://www.mckinsey.com/industries/public-and-social-sector/our-insights/safeguarding-europes-livelihoods-mitigating-the-employment-impact-of-covid-19. [115]

Mckinsey (2020), *US small-business recovery after the COVID-19 crisis*, https://www.mckinsey.com/industries/public-and-social-sector/our-insights/us-small-business-recovery-after-the-covid-19-crisis. [104]

Ministry of Justice, Slovak Republic (2020), *Legislation on companies registration*. [101]

New Zealand Foreign Affairs and Trade (2020), *New Zealand's COVID-19 Trade Recovery Strategy*. [117]

OECD (2020), *SME and Entrepreneurship Policy in Brazil 2020*, OECD Studies on SMEs and Entrepreneurship, OECD Publishing, Paris, https://dx.doi.org/10.1787/cc5feb81-en. [124]

OECD (2020), *Corporate sector vulnerabilities during the Covid-19 outbreak: assessment and policy responses*, https://read.oecd-ilibrary.org/view/?ref=132_132712-uivd1yagnx&title=Corporate-sector-vulnerabilities-during-the-Covid-19-outbreak-assessment-and-policy-responses. [14]

OECD (2020), *COVID-19 and global value chains: Policy options to build more resilient production networks*, http://www.oecd.org/coronavirus/policy-responses/covid-19-and-global-value-chains-policy-options-to-build-more-resilient-production-networks-04934ef4/. [94]

OECD (2020), *Evolution and Trends in SME Finance Policies since the Global Financial Crisis*, http://www.oecd.org/cfe/smes/Trends-SME-Finance-Policy-July-2020.pdf. [53]

OECD (2020), *Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard*, https://doi.org/10.1787/061fe03d-en. [33]

OECD (2020), *OECD Economic Outlook, Interim Report, Coronavirus (COVID-19): Living with uncertainty*, OECD Publishing Paris. [46]

OECD (2020), *OECD Economic Outlook, Volume 2020 Issue 1*, https://doi.org/10.1787/0d1d1e2e-en. [11]

OECD (2020), *OECD Policy Responses to Coronavirus (COVID-19): Coronavirus (COVID-19): SME policy responses*, http://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/. [16]

© OECD NOVEMBER 2020

OECD (2020), *Trade finance in times of crisis: Responses from Export Credit Agencies*, http://www.oecd.org/coronavirus/policy-responses/trade-finance-in-times-of-crisis-responses-from-export-credit-agencies-946a21db/#section-d1e74. [35]

OECD (Forthcoming), *Trade finance for SMEs in the digital era*. [49]

Pitchbook (2020), *Pitchbook - NVCA Venture Monitor*, https://pitchbook.com/news/reports/q2-2020-pitchbook-nvca-venture-monitor. [95]

Presidencia de la República (2020), *Gobierno Nacional crea el Fondo de Mitigación de Emergencias*, https://id.presidencia.gov.co/Paginas/prensa/2020/Gobierno-Nacional-crea-el-Fondo-de-Mitigacion-de-Emergencias-para-atender-necesidades-del-sector-salud-200323.aspx. [98]

Reffell, C. (2020), *The Coronavirus Impact on UK Crowdfunding*, https://crowdsourcingweek.com/blog/the-coronavirus-impact-on-uk-crowdfunding/. [125]

Reuters (2020), *Funding Circle operating losses rise but sees long-term lending opportunity*, https://www.reuters.com/article/us-funding-circle-trading-idUSKCN26F0QQ. [64]

Reuters (2020), *Rising French corporate debt straining balance sheets: central bank*. [69]

Reuters (2020), *Swedish small businesses to get $570 mln aid - news agency TT*, https://www.reuters.com/article/health-coronavirus-sweden-budget/swedish-small-businesses-to-get-570-mln-aid-news-agency-tt-idUSL8N2G65UG. [79]

Russian Small and Medium Business Corporation (2020), *Support measures for SMEs*. [80]

Scottish Government (2020), *Scottish SME helps public bodies' to kickstart Covid-19 economy response*, https://blogs.gov.scot/public-procurement/2020/08/11/scottish-sme-helps-public-bodies-to-kickstart-covid-19-economy-response/. [123]

Seibt, S. (2020), *Is Germany's 'colossal' recovery plan a role model for other coronavirus-hit economies?*, https://www.france24.com/en/20200607-is-germany-s-colossal-recovery-plan-a-role-model-for-other-coronavirus-hit-economies. [92]

Sercotec (2020), *Reactívate*, https://www.sercotec.cl/reactivate-con-sercotec/. [78]

Silicon Republic (2020), *The Government has opened applications to the Restart Grant Plus Scheme, which aims to help SMEs adapt and reopen following Covid-19 restrictions*, https://www.siliconrepublic.com/companies/restart-grant-ireland-smes-covid19-funding. [77]

SSG (2020), *Skills future Singapore COVID-19 support measures*, https://www.ssg-wsg.gov.sg/covid19supportmeasures.html. [116]

Stam, E., D. Audretsch and J. Meijaard (2006), *Renascent Entrepreneurship*, ERIM Report Series Reference No. ERS-2006-017-ORG, http://Stam, Erik and Audretsch, David B. and Meijaard, Joris, Renascent Entrepreneurshhttps://ssrn.com/abstract=902746. [100]

Startup Genome (2020), *The Impact of COVID-19 on Global Start-up Ecosystems: Global Start-up Survey*, https://startupgenome.com/reports/impact-covid19-global-startup-ecosystems-startup-survey. [86]

Statista (2020), *Crowdlending (Business): United States*, https://www.statista.com/outlook/334/109/crowdlending--business-/united-states. [4]

© OECD NOVEMBER 2020

Statista (2020), *Leading peer-to-peer lending companies in China as of October 2019, based on credit value*, https://www.statista.com/statistics/1154565/china-leading-online-credit-companies-based-on-credit-value/. [8]

The People's Government of Beijing Municipality (2020), *Beijing Municipal Finance Bureau on the new coronavirus infection pneumonia epidemic prevention and control period to increase government procurement support for small and medium-sized enterprises notice.*, http://www.beijing.gov.cn/zhengce/zhengcefagui/202002/t20200208_1626666.html. [111]

UNCTAD (2020), *How COVID-19 is changing global value chains*. [93]

US Securities and Exchange Commission (2020), *SEC Provides Temporary, Conditional Relief to Allow Small Businesses to Pursue Expedited Crowdfunding Offerings*, https://www.sec.gov/news/press-release/2020-101. [81]

Wall Street Journal (2020), *China's once hot peer-to-peer lending business is withering*, https://www.wsj.com/articles/chinas-once-hot-peer-to-peer-lending-business-is-withering-11580644804. [7]

World Bank (2020), *COVID-19 to Plunge Global Economy into Worst Recession since World War II*, https://www.worldbank.org/en/news/press-release/2020/06/08/covid-19-to-plunge-global-economy-into-worst-recession-since-world-war-ii. [12]

World Bank and CCAF (2020), *The Global Covid-19 FinTech Regulatory Rapid Assessment Report*, https://www.jbs.cam.ac.uk/wp-content/uploads/2020/10/2020-ccaf-report-fintech-regulatory-rapid-assessment.pdf. [42]

World Economic Forum (2020), *4 ways governments can support start-ups and save their economies*, https://www.weforum.org/agenda/2020/06/4-ways-governments-can-support-start-ups-and-save-their-economies/. [87]

WTO (2020), *Helping SMEs navigate the COVID-19 crisis*, https://www.wto.org/english/tratop_e/covid19_e/msmes_report_e.pdf. [120]

© OECD NOVEMBER 2020