



*"The voice of crafts and SMEs in Europe"*

## Access to finance: differences remain despite wide range of responses, say SMEs

Brussels, 21 January 2009 – Despite the largely positive policy responses put in place in the last months, access to finance for European SMEs changes significantly between Member States due to different banking structures and varying degrees of public support, according to UEAPME, the European craft and SME employers' organisation. Speaking at a high-level round table between banks and SMEs organised by the European Commission's Vice President Günter Verheugen today, Secretary General Andrea Benassi openly praised decentralised structures such as cooperative banks and savings banks for their continued support to SMEs during the present financial crisis. He also called on Member States to make full use of the policy opportunities created by the EC in the last months, namely the new temporary framework on State aid presented days before the Christmas break.

*"With the financial sector under a severe and almost unprecedented strain, loans have become more expensive and burdensome, while their availability has sharply decreased. SMEs are facing difficulties not only to finance their investments, but also their day-to-day operations in a worryingly increasing number of cases",* said Mr Benassi. *"In this context, European policymakers must be praised for quickly responding to the crisis and trying to redress the situation in the past months. Without their intervention, financial markets would have probably ground to a halt and access to finance for SMEs would have been further reduced. Four months into the crisis, however, much remains to be done, especially in Member States with less supportive banking structures and wider room for manoeuvre to review their State aid offer",* he stressed.

Europe's response to the crisis was rightly built on three main elements, continued Mr Benassi. First of all, the European Central Bank kept providing sufficient liquidity into drying up financial markets. This replaced to a large extent interbank lending and allowed a minimal but vital liquidity level to be maintained. Secondly, the coordinated actions to rescue the financial sector avoided dangerous "beggar-thy-neighbour" policies and ensured coherence, although confidence in the markets, a fundamental element during such a downturn, is still missing. Thirdly, and perhaps most importantly, the new temporary State aid framework presented by the EC in December tackled some of SMEs' most pressing worries.

In the present financial climate, working capital is increasingly hard for SMEs to obtain. While investments can be put off relatively easily, *"working capital is the oxygen of an enterprise",* stressed Mr Benassi, since running out of working capital means that a company has to close down and cease operations. UEAPME was therefore very pleased by the new temporary State aid framework, which increases the volume of guarantees that can be provided to back SME loans and extends their scope to working capital. Guarantees are the most efficient and less trade-distortive aid instrument compared to loan subsidies and grants, and that is why UEAPME has always supported their use. This is also the reason why UEAPME reacted less enthusiastically to the increase of unconditioned grants allowed by the EC at the same time, which is likely to distort competition, hide funds from public scrutiny and trigger a dangerous subsidy race at taxpayers' expense.

Regardless of these policy measures, SMEs in some Member States remain more exposed than others. *"Our clients in Member States with a larger proportion of cooperative banks and savings banks are reporting fewer difficulties in accessing finance. Such small and decentralised banks are better equipped to tackle liquidity shortages, since their reserves are mainly based on savings accounts. Moreover, they tend to have a superior knowledge of the SME world: their closer and more personal relationship with their clients makes them willing to take risks that larger structures usually tend to pass up",* explained Mr Benassi, praising the fundamental stabilising role of cooperative banks and savings banks for SMEs.

Finally, UEAPME called on all Member States to review their State aid rules in the light of the new framework presented by the European Commission. *"The revised State aid rules allow Member States to prop up loan guarantees for SMEs. This is a chance that they cannot miss if they are serious about reducing the effects of the financial crisis on small enterprises. The status quo is an option Europe's economy cannot afford at this stage",* concluded Mr Benassi.

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**EDITORS' NOTES:** UEAPME is the employers' organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 83 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: <http://www.ueapme.com/>

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