



**LISBOA  
SCHOOL OF  
ECONOMICS &  
MANAGEMENT**

**MASTER OF SCIENCE IN  
CIÊNCIAS EMPRESARIAIS**

**MASTERS FINAL WORK  
DISSERTATION**

SMES ACCESS TO FINANCE: PORTUGAL AND SPAIN CASE

MARTA ANDREIA SIMÃO CORREIA MENDONÇA

JUNE - 2014



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## Resumo

O princípio de “Acesso ao Financiamento” do SBA não está a ser aplicado de forma igualitária nas PME's da Europa. Mais especificamente, o desempenho de Portugal e Espanha ainda está muito abaixo das médias europeias. As boas práticas da aplicação do SBA e das políticas governamentais para apoiar as PME's desenvolvidas no mundo estão disponíveis, mas as PME's portuguesas e espanholas ainda têm muita dificuldade em aceder a recursos financeiros. Este estudo propõe uma análise dos problemas de acesso ao financiamento das PME's em Portugal e Espanha, assim como das suas estruturas de suporte – políticas e instrumentos. Este também tem o objectivo de desenvolver um conjunto de recomendações para melhorar o acesso ao financiamento das PME's, utilizando práticas de países europeus e não-europeus. Para este fim, criou-se um estudo documental através de documentos governamentais portugueses, espanhóis e europeus. Conclusivamente percebeu-se que as políticas mundiais podem funcionar como um incentivo para o aumento do desempenho das PME's em Portugal e Espanha, assim como podem contribuir para o desenvolvimento económico, caso sejam adaptadas à realidade de cada país, se na sua implementação envolverem todas as entidades responsáveis e, em especial, se forem sujeitas a avaliações de impacto.

**Palavras-chave:** PME's, Acesso ao Financiamento, SBA, Estruturas de Suporte, Portugal, Espanha

### Abstract

SBA principle “Access to Finance” and its’ country progress is not being evenly translated into practice for SMEs across Europe. Moreover, Portuguese and Spanish performance is still considerably behind European average. EU good practices on SBA performance and government policies to improve SMEs access to finance in the world are available, but both Portuguese and Spanish SMEs still struggle to access financial resources. This study provides an analysis of the existing problems in SMEs access to finance in Portugal and Spain, as well as their support structures – policies and instruments. It also intends to develop policy recommendations to improve SMEs access to finance, in light of the research findings on practices in European and non-European countries. To this end, a documentary research through EU and Portuguese and Spanish governmental documents was carried out. As a result, it was concluded that policy practices worldwide may act as policy recommendations to boost SMEs performance in Portugal and Spain, as well as contribute to economic growth, if they are adapted to the national frameworks, if they involve all parties in their development and implementation, but especially, if they are subjected to impact evaluations.

**Keywords:** SMEs, Access to Finance, SBA, Support Structures, Portugal, Spain

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## List of Abbreviations

AFI: Alliance for Financial Inclusion	IFC: International Finance Corporation
AusAID: Australian Agency for International Development	IMF: International Monetary Fund
CGD: Caixa Geral de Depósitos	IAPMEI: Instituto de Apoio às Pequenas e Médias Empresas e à Inovação
DGIPYME: Dirección General de Industria y de la Pequeña y Mediana Empresa	JEREMIE: Joint European Resources for Micro to Medium Enterprise
EBAN: European Business Angel Network	KfW: Kreditanstalt für Wiederaufbau
EC: European Commission	MIGA: Multilateral Investment Guarantee Agency
ECB: European Central Bank	OECD: Organization for Economic Co-operation and Development
EIB: European Investment Bank	R&D: Research and Development
EIF: European Investment Fund	SECO: State Secretariat for Economic Affairs
EU: European Union	SMEs: Small and Medium-Sized Enterprises
ERDF: European Regional Development Fund	UNCDF: United Nations Capital Development Fund
ESF: European Social Fund	USAID: US Agency for International Development
EVCA: European Venture Capital Association	USA: United States of America
GIZ or GmbH: German Society for International Cooperation	
IBRD: International Bank for Reconstruction and Development	
IDA: International Development Association	

## 1. Introduction

In Europe, SMEs represent more than 99% of all businesses (EC, 2011a). Even though they have different natures which includes – crafts, micro-enterprises, family owned or social economy enterprises –, and different national and local environmental operating conditions (CEC, 2008).

SMEs are “the engines behind Europe’s economy” (EC, 2011a), therefore they are fundamental to the local and regional communities wellbeing (CEC, 2008). An analysis of some countries that integrate the European economy confirms this (TABLE XIII).

In 2008, a global financial crisis shook Europe, followed by the banking crisis in the USA. But it had asymmetric effects across the euro area, which hid the financial and macroeconomic imbalances. However, in 2009, some countries reported increases in deficit/GDP<sup>1</sup> ratios larger than expected. These, jointly with adverse factors in peripheral nations, led to a rise in the spreads of sovereign bonds – a Sovereign Debt Crisis started in Europe<sup>2</sup>. First it hit Greece, then Ireland and Portugal, followed by Italy and Spain, finally spreading to Germany and France. (Lane, 2012)

Although the crisis years have affected all sectors of economic activity, SMEs resisted it better than large enterprises (Gagliardi, 2013).

The Sovereign Debt Crisis has generated significant discussion across member states and inside EU bodies. It meant understanding the fragility of the monetary union, especially under crisis conditions, and the delicate position of the business demography, dominated by SMEs. (Lane, 2012)

The EU in the framework of the Europe 2020 Strategy<sup>3</sup>, has established a system of financial policies and instruments to support SMEs access to the most appropriate sources and types of

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<sup>1</sup> GDP stands for “Gross Domestic Product: the total value of goods and services produced in a country in a year”. (Cambridge University Press 2014)

<sup>2</sup> The sovereign debts in Europe are all denominated in a common currency – the Euro, so differences in expected yield of the sovereign bonds are linked mainly with perceived risks and differences in volatility.

<sup>3</sup> Europe 2020 Strategy: a EC strategy concerning fiscal consolidation, pro-active policies to drive growth in the EU, including some to improve the environment for industry and business, in particular SMEs for the period 2014-2020. (EC, 2010)

financing according with their life stage (ECDGEI, 2013b). However, the Sovereign Debt Crisis provides an opportunity to take a step further and implement the necessary structural reforms to boost Europe's economic growth through the reinforcement of SMEs performance. These reforms will be particularly important in those countries in need of help, such as Spain – to recapitalize its banking system. Or that had a larger-scale bailout, such as Portugal. (Lane, 2012)

### *1.1 Objectives*

The following research adds to the existing literature and provides a comparative perspective on SMEs access to finance in European and non-European countries. This study aims to explore specific support structures – policies and instruments – that can be adopted by Portugal and Spain. “Europe's capacity to build on the growth and innovation potential of SMEs will be decisive for the future prosperity of the EU” (CEC, 2008). Thus, the research problem is: How to improve SMEs access to finance, in the context of exploring specific measures that can be adopted by Portugal and Spain to boost SMEs financing?

Its' objectives are:

- Identify and analyse the existing specific problems in SMEs access to finance in Portugal and Spain;
- Evaluate the SMEs access to finance problems and support structures (policies and instruments) in Portugal and Spain;
- Propose policy and instrument recommendations to enhance Portuguese and Spanish SMEs better access to finance, based on practices in European and non-European countries.

Considering these objectives, the following literature review will focus on SMEs' characterization and role in Europe, the access to finance problematic and in the SMEs' access to finance support structures (policies and instruments). Finally, it will present the Portuguese and Spanish particular case.

## 2. Literature Review

### 2.1 SMEs – definition and characterization

"SME" stands for small and medium-sized enterprise (CEC, 2003). However, there is no internationally agreed definition of SMEs (Asian Development Bank, 2014).

According to the EC principles (CEC, 2003), SMEs can be broadly characterized as enterprises that employ less than 250 persons, with an annual turnover that does not exceed 50 million EUR, and/or an annual balance sheet total not exceeding 43 million EUR. To determine its' classification in micro, small or medium-sized enterprises there are two or three criteria (FIGURE 1): the staff headcount (number of employees), the annual turnover and the balance sheet total<sup>4</sup> (EC, 2005; ECDGEI, 2012).

According to the Annual Report on European SMEs (Gagliardi, 2013), in 2012 (TABLE XIV) there were approximately 20 million SMEs in Europe: mostly micro-enterprises; 15 million SMEs in the services sector<sup>5</sup>; and 5 million in the manufacturing<sup>6</sup> and construction sector. They employed 86.8 million people, accounting for 66.5% of all European jobs.

“SMEs and entrepreneurs play a significant role in all economies and are the key generators of employment and income, and drivers of innovation and growth” (Asian Development Bank, 2014). These evidence is largely supported by different authors: association between SME development and economic growth (Beck, Demirgüç-Kunt, & Levine, 2005); framework that links entrepreneurship to economic growth (Wennekers & Thurik, 1999) (FIGURE 2); key role in economic development and important contribution to employment (World Bank, 2012); SMEs creation and development vital to local economies and creation of job opportunities (OECD, 2013c).

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<sup>4</sup> Annual turnover refers to “the amount of money that a company gets from sales during a particular period (annual)”. Balance sheet total refers to “the total declared in the financial statement that shows a company's assets and debts at a particular time”. (Cambridge University Press 2014)

<sup>5</sup> Services sector includes wholesale and retail trade; professional, scientific and technical services; accommodation and food services; administrative and support services; real estate activities; transportation and storage; information and communication; and repair of motor vehicles and motorcycle. (Gagliardi, 2013)

<sup>6</sup> Manufacturing sector can be divided into: high-tech industries; medium-high-tech medium-low-tech; low-tech. (Gagliardi, 2013)

“Recent studies on SMEs and their contribution to economic growth have shown that the framework condition<sup>7</sup>, within they operate and the entrepreneurial culture<sup>8</sup>, are key factors in determining the extent of SME performance and consequently their contribution to macroeconomic growth” (Gagliardi, 2013).

The results of an SME survey, coordinated by Eurostat, show that the most important constraints to business growth between 2011 and 2013 were: general economic outlook (22%); price competition/small margins (16%); limited demand in the local/domestic markets (12 %); and not enough financing (4%) (Ushilova & Schmiemann, 2011).

Additionally, according with OECD’s, LEED Programme<sup>9</sup>, the key areas where SMEs face difficulties are: social entrepreneurship, entrepreneurship skills, SME workforce skills, business support framework, finance, and knowledge networks (OECD, 2013c). Finally, the EC also points out that SMEs have difficulties, such as low productivity, slow growth, market failures, competition with other players, structural difficulties and inflexibilities in labour markets at national level (CEC, 2008).

Easy access to financial resources is essential for SMEs growth and development, especially due to their specific needs and challenges (Ushilova & Schmiemann, 2011; Ipsos Mori, 2013; World Bank, 2012).

## *2.2 SMEs Access to Finance Problem*

“All businesses, whether engaged in mining, lumbering, agriculture, manufacturing, distributing, providing services or retailing, require working capital to operate, to grow and to compete successfully in the marketplace” (World Bank, 2013a).

However, access to financial services still is a significant constraint for SMEs, especially in emerging economies (World Bank, 2012). A World Bank Enterprise Survey (2013b)

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<sup>7</sup> Framework conditions, refers to a general or systemic outlook including growth opportunities, rates of innovation and investments in innovation. (Gagliardi, 2013)

<sup>8</sup> Entrepreneurial culture or entrepreneurial orientation refers to the proactive behaviour towards risk-taking ventures and innovation. (Gagliardi, 2013)

<sup>9</sup> Refers to LEED (Local Economic and Employment Development) Programme cross-country comparative project that assesses the barriers, policy responses and policy implementation arrangements of a series of case studies. (OECD, 2013c)

confirmed that smaller firms are less likely to have access to capital and are more likely to rely on informal sources of capital.

The EC (2011b; ECDGEI, 2013a) pointed out that SMEs already experienced difficulties to finance their growth, innovation and development, even before the crisis started. Confirming the OECD (2006) statement that SMEs face a “financing gap”– “there are significant numbers of SMEs that could use funds productively if they were available, but cannot obtain finance from the formal financial system”.

In 2008, the EC presented access to finance<sup>10</sup> as the second major problematic of SMEs (FIGURE 3). In 2013, the summary paper “Progress on the Implementation of SBA in Europe” maintained this indication (PCMEC, 2013). EU SME managers reinforced this – access to finance was the second most pressing problem mentioned by 15% in 2013 and in 2011 (FIGURE 4) (Ipsos Mori, 2013).

Additionally, the report “Financing SMEs and Entrepreneurs 2013” from OECD (2013b) states that “the European Sovereign Debt Crisis is likely to have led to a further deterioration in the lending activities of banks in 2012-2013, increasing the constraints on small businesses in those countries most affected”, furthering that the business environment will continue to be challenging for SMEs.

The difficulties that SMEs experience when accessing financial resources can come from several sources, such as: an incomplete range of financial products and services in the domestic financial market; or inappropriate financing mechanisms, due to regulatory rigidities or gaps in the legal framework (OECD, 2006).

Moreover, financial obstacles are linked to characteristics such as age of the firm, its ownership, its size, its sales level or the sector in which it operates (Beck T. , Demirgüç-Kunt, Laeven, & Maksimovic, 2006; Coluzzi, Ferrando, & Martinez-Carrascal, 2012).

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<sup>10</sup> As European bodies are the main sources of information, regarding the financial resources access, and the study will focus on two European countries – Portugal and Spain – from now on the term to refer this particular issue will be: access to finance problem.

Also, depending on the growth stage of the enterprise, the availability of financial resources is different (FIGURE 5). As the enterprise grows and their financing needs increase, the adequate financial resources differ (DGPPYME, 2009). Some of the financial sources available to SMEs are Business angels, Credit Loans and Venture Capital (TABLE XV).

However many SMEs experience difficulties to get the right type of financial support – due to lack of knowledge regarding the most suitable type for them and how to proper access it (PCMEC, 2013). Development economists recognize “suppliers of finance may rationally choose to offer an array of financial services that leaves significant numbers of potential borrowers without access to credit” as a result of monitoring difficulties and asymmetric information (OECD, 2006).

In the last six months, according with the 2013 SMEs’ Access to Finance Survey (Ipsos Mori, 2013), the European SMEs financing sources were (FIGURE 6): 54% used only external financing, 4% used only internal funding sources (retained earnings/sales of assets), 22% used both and 20% did not used any source of financing.

Finally, country government’s policy development affects the regulatory environment, which may affect SME credit availability (Berger & Udell, 2006).

Promoting a favourable legal and regulatory environment complemented by a comprehensive financial infrastructure and public interventions can expand SMEs financial access (World Bank, 2012). Which contributes to reduce SMEs growth constraints and simultaneously boost economic growth (Beck & Demirgüç-Kunt, 2006). Moreover, Patzelt & Shepherd (2009) argue, “access to finance enhances the perceived access to other, nonfinancial resources provided by policy programs”.

However, “the national and local environments in which SMEs operate are very different and so is the nature of SMEs themselves” – each SME is different as they vary in size, field of activity and legal form. Therefore, “policies addressing the needs of SMEs need to fully recognise this diversity and fully respect the principle of subsidiarity”. (CEC, 2008)

### 2.3 *SMEs Access to Finance Support Structures<sup>11</sup> (policies and instruments)*

Structural and financial policies should take into account macroeconomic and other structural factors – such as demand conditions, strong research base and competitiveness nurturing – be supported by the availability of key assets (human resources, finance, infrastructures and services), and combined with an innovation-friendly environment and entrepreneurial culture (Gagliardi, 2013).

The crisis is an opportunity to improve the SME legal framework and the business environment, although the ability to overcome the crisis depends largely of the country specific fiscal and monetary policies (OECD, 2009; OECD, 2013c).

The significant tighten of the credit supply conditions, enhanced by the current economic environment, translates in a reduced ability and willingness of banks to provide financing (EC, 2011b; Ipsos Mori, 2013). Note that bank financing is the main source of funding for European SMEs (EC, 2014). Therefore, there is a need to develop financial instruments that facilitate the access to external finance to smaller and younger firms (Berger & Udell, 2006; Coluzzi, Ferrando, & Martinez-Carrascal, 2012; Torre, Pería, & Schmukler, 2010).

The EC and the World Bank continuously work towards the development of financial policies and instruments to support SMEs, in order to provide the most appropriate sources and type of financing according to their life stage (ECDGEI, 2013b; Ipsos Mori, 2013; World Bank Group, 2013b) (FIGURE 7). Though it needs to take further significant policies and instruments to release the full potential of SMEs (CEC, 2008).

#### 2.3.1 *Policies<sup>12</sup> to Support SMEs Access to Finance*

The World Bank (2013b) works globally with policy, regulatory and institutional institutions, including the G20<sup>13</sup> to develop guidelines, standards and good practices. At both the country

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<sup>11</sup> Structures: the way in which the parts of a system or object are arranged or organized, or a system arranged in this way (Cambridge University Press 2014).

<sup>12</sup> Policies: “a set of ideas or a plan of what to do in particular situations that has been agreed officially by a group of people, a business organization, a government, or a political party” (Cambridge University Press 2014).

<sup>13</sup> G20 refers to the Group of Twenty (G20), which is the premier forum for its members’ international economic cooperation and decision-making. Comprises 19 countries plus the European Union. (G20: Australia 2014, 2014)



and regional levels, it works closely with a wide variety of partners<sup>14</sup> on financial inclusion, not only to assess policy and regulatory barriers to SMEs finance, as well as to survey financial service providers such as banks.

In fact, the OECD (2013a) declares, “red tape<sup>15</sup> is particularly burdensome to smaller companies and may inhibit entrepreneurship” – which is especially difficult in global markets as the national regulatory and administrative environment may affect competitiveness.

Regarding this matter, the EU has significantly increased focus on SMEs, making real efforts to cut red tape, in order to create an SME-friendlier business environment (CEC, 2008). There have been improvements since 2008 in SMEs’ performance supported by policies and instruments of the EU and the member states. These were taken under the umbrella of the Small Business Act for Europe (SBA) and have been fundamental in mitigating crisis effects and in driving attention to SMEs’ policy. (Gagliardi, 2013)

### *2.3.1.1 SBA*

In 2007, a big step in SMEs support was given when the EC launched the idea of a SBA, fully supported at EU and member states level, but also by the SME community (CEC, 2008). It was adopted in June of 2008 and the symbolic name “Act” reflects the EC’s political determination to recognize the central role of SMEs in the EU economy (CEC, 2008; ECDGEI, 2014a). Further, since the beginning, the EC has collected examples of good practice, today under the SBA Database of Good Practices (CEC, 2008; ECDGEI, 2014g).

The SBA aims to provide a comprehensive SME policy framework for the EU and its member states for the first time – promoting entrepreneurship and anchoring the “Think Small First” principle<sup>16</sup> (CEC, 2011; ECDGEI, 2014a). It was built around ten key principles (TABLE XVI) and several concrete policy and legislative actions to implement them (CEC,

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<sup>14</sup> AFI, financial sector development trusts, UNCDF, the OECD, GIZ, USAID, AusAID, SECO<sup>14</sup>, the Bill and Melinda Gates Foundation and regional development banks.

<sup>15</sup> ‘Cut Red tape’ is an expression often used when referring that policies and being made in order to reduce administrative burdens (OECD, 2013a).

<sup>16</sup> “Think Small First” principle refers to listening to SMEs before introducing new laws, examining the legislation effects on small businesses, and helping companies in need of support (EC, 2011b; ECDGEI, 2014a).

2008). It incorporated a priority policy action plan in order to better address SMEs needs regarding the global crisis. These were concentrated on improving access to finance, access to markets and the regulatory, administrative and business environment. (CEC, 2011; EC, 2009)

Some policy and legislative actions were proposed both at EC and member state level, in what concerns the sixth principle “Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions” (TABLE XVII).

### *2.3.1.2 SBA Review*

Since SBAs’ adoption much has been achieved. On one hand, the EC has been faithful to commitments and implemented most of the policies promised. On the other hand, member states presented a more variable record. (CEC, 2011)

As a consequence of the global economic crisis, “the strategies for economic recovery of the member states have been changing, creating significant transformations to many SME-relevant policies and to the environment in which SMEs operate” (Gagliardi, 2013).

In 2011, a SBA Review (CEC, 2011) was developed to assess the SMEs needs. On this basis, it proposed a set of new actions: making smart regulation a reality for European SMEs; paying specific attention to SMEs’ financing needs; taking a broad-based approach to enhancing market access for SMEs; helping SMEs to contribute to a resource-efficient economy; and promoting entrepreneurship, job creation and inclusive growth. However, the main focus remained structured around three areas: ensuring access to finance, taking full advantage of the Single Market and SMART regulation<sup>17</sup> (CEC, 2011).

Further actions to ensure access to finance were proposed, both at EC and member state level (TABLE XVIII).

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<sup>17</sup> SMART regulation is about business regulations that are – Streamlined, Meaningful, Adaptable, Relevant, Transparent (World Bank, 2013a).

### 2.3.2 *Instruments<sup>18</sup> to Support SMEs Access to Finance*

The World Bank (2013b) helps more than 60 countries – 24.5 SMEs benefit directly from it through World Bank Group-supported institutions<sup>19</sup>. This support comprises three financing instruments:

- Investment Project – SMEs and low-income-individual credit lines from financial institutions, and/or support to credit guarantees (risk-sharing with financial institutions);
- Development Policy – policy, regulatory and institutional actions/reforms agreed with the national governments;
- Program-for-Results – supports the performance of government programs by strengthening institutions and building capacity.

Furthermore, the EU plays its part by helping SMEs access to finance, doing it in five ways: by making EU funds available to assist SMEs; by facilitating SMEs' access to private sources of funding and to alternative sources of financing; by establishing an SME Finance Forum; and by creating a practical guide for SMEs funding.

Several EU funds are available: loans for SMEs from the EIB, channelled through commercial banks; EU funding<sup>20</sup>, available to SMEs through the Structural Funds<sup>21</sup>; EC debt and equity finance instruments for SMEs, funded under the CIP<sup>22</sup>; and financial support for micro-enterprises and for social enterprises, funded by the Progress Microfinance<sup>23</sup> (EC, 2014).

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<sup>18</sup> Instrument: “a way of achieving or causing something” (Cambridge University Press 2014).

<sup>19</sup> The World Bank Group comprises the following institutions: the IBRD, which provides financing, risk management products, and other financial services to members; the IDA, which provides interest-free loans and grants to the poorest countries; the IFC, which makes equity investments, and provides loans, guarantees and advisory services to private-sector business in developing countries; and the Bank Group's political risk insurance agency, the MIGA. (World Bank Group, 2013b)

<sup>20</sup> The Commission makes direct financial contributions in the form of grants in support of projects or organisations. Grants are available in the following areas: Agriculture, fisheries and foods, Business, Culture, education and youth, Economy, finance and tax, Employment and social rights, Energy and natural resources, Environment, consumers and health, External relations and foreign affairs, Justice, home affairs and citizens' rights, Regions and local development, Science and technology, Transport and travel, and Other. (EU, 2014)

<sup>21</sup> European Structural & Investment Funds: the EU and member states share the five funds management: ERDF, ESF, CF, EAFRD and EMFF. (EU, 2014)

<sup>22</sup> CIP (Competitiveness and Innovation Framework Programme) supports innovation activities (including eco-innovation). It provides guarantees in order to increase the supply of debt finance to SMEs and increases the supply of equity for SMEs. (EU, 2014)

<sup>23</sup> Progress Microfinance: increases the availability of microloans (up to 25 000 EUR), including for disadvantaged and underrepresented groups (EU, 2014).

Considering SMEs' access to private sources of funding, the EU has proposed legislation to make it easier for venture capital funds and socially oriented investment funds, to raise capital on a EU-wide basis, and consequently make such investments more widely available for SMEs (EC, 2014).

In order to give SMEs better access to alternative sources of financing through the capital markets, the EU will help SMEs raise capital through public sale of shares. This will be achieved through greater visibility to SME-focussed stock exchanges, through a SME-label, and lower reporting requirements for listed SMEs, including the end of the obligation to publish quarterly reports and less burdensome and costly documents for SMEs that go public. (EC, 2014)

Finally, the EC (2011b) established the SME Finance Forum whose objective is to reflect on the best way to solve the current challenges and long-term structural issues regarding the access to finance for SMEs. It gathers frequently organisations that represent SMEs, banks and other financial institutions.

To further facilitate access to finance, the EC (2014) has made a practical guide for SMEs, available online<sup>24</sup>. According to their needs, SMEs might be suitable for EU indirect funding, via financial intermediaries at country level, or for direct grant funding from the EU.

#### *2.4 Portugal and Spain Case*

As already pointed out policy changes in the EU will be particularly important in countries in need of help, such as Spain and Portugal.

First of all, it is important to present a general characterization of the SMEs in both countries, acknowledge their role in each national economy and reflect on the depth of the access to finance problem, as well as indicate the main guidelines that address them at national level.

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<sup>24</sup> [http://ec.europa.eu/enterprise/policies/finance/guide-to-funding/index\\_en.htm](http://ec.europa.eu/enterprise/policies/finance/guide-to-funding/index_en.htm)

### *2.4.1 Portugal: SMEs and Access to Finance*

According to Eurostat (2014), the 0.8 million Portuguese SMEs play an important role in the national economy. Portuguese enterprises (TABLE XIX) are characterized as being mostly micro-enterprises (94.9%) and in 2011 SMEs value added was 67.2% of total business economy and their turnover was 230 000 million EUR. This represents 70.9% of all Portuguese enterprises turnover for that year.

“The economic crisis plunged Portugal into a deep and prolonged recession between 2008 and 2012, with both large and small companies experiencing decline across the board. Construction and real estate were among the hardest hit sectors” (ECDGEI, 2014f).

The latest Fact Sheet (EC, 2013a) regarding the SBA implementation in Portugal refers that in 2012 the country had an average SBA profile (FIGURE 8). In spite of the substantial economic difficulties, SMEs benefited from the positive performance, such as better framework conditions and support programmes, in some areas – “entrepreneurship”, “responsive administration” and “second chance”. Also, in Portugal, the transposition and application of EU law into domestic law is considered faster than anywhere in the EU. However, Portugal’s SBA performance in two particular areas is still considerably behind European average – “access to finance”, and “state aid and public procurement” (EC, 2013a; ECDGEI, 2014f).

On a positive note, Portugal ranks number 30 in 185 economies, in terms of easiness to do business as said by “Doing Business 2013” report from the World Bank (2013a). The financial and economic crisis exposed even further the fragilities of the Portuguese economy, as well as the necessity to revitalize its industrial sector, in order to boost exportations, internationalization of the economy and labour (PWC, 2013b). According to PWC (2013b) the Portuguese SMEs face three major challenges: fragility of the capital structure and access to finance, reduced dimension, and low qualification of their human resources. Another publication from PWC (2013a) concerning the 2<sup>nd</sup> CEO survey in Portugal shows that one of their major concerns is financing (72%).

In what concerns financial resources, Portugal ranked 24<sup>th</sup> out of 28 countries in the 2013 SMAF Index<sup>25</sup> (ECDGEI, 2014f). In 2013, SAFE results (Ipsos Mori, 2013) concerning Portugal illustrate that 19% Portuguese SMEs find access to finance the most pressing problem (FIGURE 9), showing that 58% SMEs “used only external funds”, but 36% avoided the usage of any form of financing. Furthermore, 63% “used debt financing” and 0% “used equity financing”.

The Inquiry to Banks on the Credit Market undertaken by Banco de Portugal (2014) shows that the levels of demand for loans from SMEs had a slight increase in the latest trimester of 2013. However, the latest report from IMF (April 2014), points out that the credit profile of SMEs “has deteriorated rapidly, with loans (provided by the eight largest banks) that are overdue for more than 1 year having more than doubled since end-2011 to 7.4 billion (as per end-September 2013)” (IMF, 2014).

In order to overcome the access to finance problem, Portuguese government (2013a) has developed the “Estratégia de Fomento Industrial para o Crescimento e o Emprego 2014-2020”. Which regards incentives to SMEs in three main groups: entrepreneurship; growth, exportation and internationalization; and revitalization. Its major aim is to “reinforce available financing to enterprises through the diversification of financing sources, a raise in liquidity and own capital, and more sustainability and competitive capacity in businesses” (FIGURE 10).

Further, the Portuguese policies and instruments concerning SMEs access to finance reproduce the Europe 2020 Strategy and SBA proposals.

#### *2.4.2 Spain: SMEs and Access to Finance*

In Spain, according to Eurostat (2014) the 2 million Spanish SMEs play a crucial position in the national economy (TABLE XX). They are mostly micro-enterprises (94.1%) and in 2011 SMEs value added was 61.4% of total business economy and their turnover was 1 000 000 million EUR. This represents 61.5% of all Spanish enterprises turnover for that year.

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<sup>25</sup> SMAF: SMEs Access to Finance Index monitors developments in SMEs access to financial resources. It uses data from the following sources: ECB; EVCA; EBAN; EC and ECB’s SAFE. (ECDGEI, 2014f)

The economic crisis rushed Spain into a deep and prolonged recession between 2008 and 2012. It affected both small and large companies who suffered a decline, but construction and manufacturing were among the hardest hit sectors. (ECDGEI, 2014e)

The latest Fact Sheet (EC, 2013b) regarding the SBA implementation in Spain refers that in 2012 the country had a sub-average SBA profile (FIGURE 11). It presented some areas with good performance – “second chance”, “think small first” and “single market”. Nevertheless, it has to improve in other areas, “access to finance” and “state aid and public procurement”, which remain considerably behind European average (EC, 2013b; ECDGEI, 2014e).

Spain ranks number 44 in 185 economies, in terms of easiness to do business according to the report “Doing Business 2013” from the World Bank (2013a).

On a positive note, according to ECDGEI (2014e) “the reforms currently implemented by Spain should have a positive effect on growth and employment, but their effect will not become evident until 2014. Export performance by SMEs and large companies will be the main envisioned source of growth on the short and medium term.”

Furthermore, in what concerns financial resources, Spain ranked 22<sup>nd</sup> out of 28 countries in the 2013 SMAF Index<sup>26</sup> (ECDGEI, 2014f) In 2013, the SAFE results (Ipsos Mori, 2013) regarding Spain show that compared to the rest of the EU, the country occupies the third position in terms of “access to finance” as the most pressing problem. It showed that 55% of SMEs “used only external funds” and 18% avoided the usage of any form of financing, indicating that 76% “used debt financing” and only 2% “used equity financing”.

The policies and instruments undertaken to SMEs better access to finance reproduce the Europe 2020 Strategy, as well as the Spanish government strategy, and the SBA proposals regarding access to finance.

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<sup>26</sup> SMAF: SMEs Access to Finance Index monitors developments in SMEs access to financial resources. It uses data from the following sources: ECB; EVCA; EBAN; EC and ECB’s SAFE. (ECDGEI, 2014f)

### 3. Research Methodology

#### 3.1 *General Aspects*

According to Gray (2004) and to Saunders, Lewis, & Thornhill (2007) there are three forms of study: exploratory, descriptive and explanatory.

This study can be classified as Descriptive<sup>27</sup> in the sense that it enlightens SMEs' access to finance problems and the existing structures that support it, in the particular cases of Portugal and Spain. This study can also be classified as Exploratory<sup>28</sup> since it evaluates if the latest supporting structures that were set up in Portugal and Spain, address their access to finance problems. Moreover, it seeks new insights as it proposes a set of policy and instrument recommendations to address the unsolved access to finance problems, based on existing practices from European and non-European countries.

In what concerns the adopted research strategy it is an Archival/Documental Analysis/Research, according to the research strategies presented in the research methods' literature. This research strategy is characterized for its' use of administrative records and documents as data collection source.

However, even though it will be used secondary data, which may include both quantitative and qualitative data, the objective is not only collecting it, but analysing it according to the present study objectives (Saunders, Lewis, & Thornhill, 2007).

Nevertheless, the usage of secondary data has advantages and disadvantages. The first ones may be: to have fewer resource requirements, being unobtrusive, the feasibility of longitudinal studies, to provide comparative and contextual data, to result in unforeseen discoveries and the permanence of data. The disadvantages can be: the collection for a purpose that does not match the need, the difficulty of access or its cost, unsuitable

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<sup>27</sup> The object of descriptive research is 'to portray an accurate profile of persons, events or situations' (Saunders, Lewis, & Thornhill, 2007).

<sup>28</sup> An exploratory study is a valuable means of finding out 'what is happening; to seek new insights; to ask questions and to assess phenomena in a new light'. One of the three principal ways of conducting exploratory research is a search of the literature (Saunders, Lewis, & Thornhill, 2007).



aggregations and definitions, no real control over data quality, and the real purpose affecting the data presentation. (Saunders, Lewis, & Thornhill, 2007)

The data analysis procedure followed in this study is qualitative. “Qualitative used as a predominantly synonym for any data analysis procedure, such as categorising data, that generates or uses non-numerical data” (TABLE XXI) (Saunders, Lewis, & Thornhill, 2007). Qualitative researches can be seen as non-directional and broad, ultimately its objective is to understand, explore and discover. Therefore, this research’s purpose is to develop a comparative study based in document analysis from a primary set of questions and through a qualitative research, based on data classification.

### *3.2 Research Design and Process*

Regarding the research methodology adopted, it is important to clarify the design and process of research followed. Therefore this comparative study, based in document analysis from a primary set of questions and through a qualitative research constructed on data classification, followed a number of steps. In its definition it was followed, with the required adaptations, the method proposed by Henriques (2006).

First of all, the main research problem guided the literature review, from which resulted the following four research questions:

- What are the Portuguese and Spanish SMEs specific problems in access to finance?
- What are the existing structures (policies and instruments) to support SMEs better access to finance in Portugal and Spain?
- Do the SMEs access to finance support structures (policies and instruments) respond to the existing specific problems in Portugal and Spain?
- Which policy and instrument recommendations can be applied in Portugal and Spain in order to boost SMEs better access to finance?

Secondly, it was also settled the action lines regarding the research protocol as it was conveyed that the preferred analysis element would be the level of aggregation of the data collected (Henriques, 2006).

Accordingly with the research problem, the identification of the existing problems was the basis to reach its conclusions. However, as pointed out in the literature review by OECD (2006), SMEs access to finance problems' are quite different in their nature. Hence, there was a clear need to group them in order to better analyse and address them throughout the study. So, after collecting all the problems and analysing them, the most appropriate categorization was presented in the SMEs' Access to Finance Survey (SAFE) – firstly established in 2009 by the EC and the ECB, it is conducted in 37 countries (28 EU and 17 euro area countries); it aims to survey SMEs in what concerns: financial situation, growth, innovation and need for external financing; use of internal and external funds; experiences with applications for external financing; use of loans, the size and reasons for accessing specific loans; views on the extent of accessibility to different types of available finance; and expectations on future financing (Ipsos Mori, 2013).

Consequently, the collected data was analysed and organized according to the the level of aggregation to the following categories:

- General Economic Outlook: SMEs views and expectations when applying different types of external financing;
- Business Characteristics: SMEs access to finance problems regarding their financial, growth and innovative situation;
- Administrative Procedures: experiences and views when applying different types of external financing;
- Bank Financing, Equity Financing, Trade Credit and Other Sources of Financing: SMEs usage of internal funds and external sources of finance and reasons behind it.

In this sense, it was established that in order to get a better data aggregation, a broader data sample would be considered. So, in one hand realities completely different as access to finance problems of a start-up were, as represented as, the ones from a mature SME; and on the other hand the collected data was a representative sample which allowed to extrapolate the analysis and its conclusions. Thus, the research was focused in documents and online platforms from supra-national entities – such as the World Bank or the EU – and national ones, as it was shown by the literature review the importance of regarding the national and local environments in which SMEs operate. The Portuguese and Spanish realities were

chosen and therefore further research was done through documents and administrative records of both Portuguese and Spanish Governments.

Moreover, Portugal and Spain were chosen for this research for several reasons. Firstly, Portugal and Spain were two of the countries harshly hit by the sovereign debt crisis that affected Europe. Secondly, these two countries share a common southern European culture and they have a long history of trade due to their geographical proximity. Finally, both countries have poor performance in what concerns SMEs SBA “Access to finance” principle.

As a third step, it was collected the data regarding the existing structures, in terms of policies and instruments that support SMEs’ access to finance, in Portugal and Spain. At this level there was the attempt to identify exclusively the ones concerning the “Access to Finance” principle, despite the fact that these were merged many times with structures regarding other SBA principles, such as “Internationalization”, “Entrepreneurship”, “Skills and Innovation” and “State Aid & Public Procurement”.

Finally, the research focused in finding good practices in terms of policy and instruments applied both at European and non-European level.

In order to better describe the research process, it was designed a data analysis matrix, according with the method of Hospido *et al.* (2009), and with the necessary adaptations.

TABLE I: DATA ANALYSIS MATRIX

Research Questions	Data Required	Data Collection Method	Data analysis
1. What are the Portuguese and Spanish SMEs specific problems in access to finance?	1.1 Identification of Portuguese SMEs specific problems	1.1.1 Research in EU and Portuguese Government platforms and documents	Categorization of SMEs specific problems in access to finance both in Portugal and Spain.
	1.2 Identification of Spanish SMEs specific problems	1.2.1 Research in EU and Spanish Government platforms and documents	
2. What are the existing structures (policies and instruments) to support SMEs better access to finance in Portugal and Spain?	2.1 Identification of Portuguese structures (policies and instruments) to support SMEs access to finance	2.1.1 Research in EU and Portuguese Government platforms and documents	Categorization of Portuguese and Spanish structures that support SMEs access to finance in policies or instruments.
	2.2 Identification of Spanish structures (policies and instruments) to support SMEs access to finance	2.2.1 Research in EU and Spanish Government platforms and documents	
3. Do the SMEs access to finance support structures (policies and instruments) respond to the existing specific problems in Portugal and	-	-	Analyse if the Portuguese and Spanish support structures that support SMEs access to finance match the existing problems in each country.

Spain?			
4. Which policy and instrument recommendations can be applied in Portugal and Spain in order to boost SMEs better access to finance?	4.1 Identification of the good practices regarding access to finance support structures at European and Non-European level	4.1.1 Research in the SBA database of good practices 4.1.2 Research in OECD and other EU documents	Match European and Non-European support structures good practices to the non-addressed problems for both Portugal and Spain.

Source: Author, based on the Hospido et al. (2009).

This data analysis matrix together with the literature review will be the interpretative guide of the collected data in the next part.

#### 4. Data Analysis

In this chapter we will present and examine the major conclusions that can be inferred from all the data collected.

##### 4.1.1 SMEs Access to Finance Problems: Portugal and Spain

The General Economic Outlook problem group concerns the current financial and economic environment. Its main conclusions are that for Spanish SMEs the general economic outlook has worsened a lot more in comparison with Portuguese SMEs in the past six months.

TABLE II: GENERAL ECONOMIC OUTLOOK PROBLEMS

I. General Economic Outlook			
Portugal	Values	Spain	Values
1. General economic outlook	↓ 19%	General economic outlook	↓ 31%
2. Bank funding and liquidity conditions			

Sources: Author, based on (Banco de Portugal, 2011a; EC, 2013a; Ipsos Mori, 2013; PWC, 2013b).

In what concerns Business Characteristics, this group relates to specific characteristics of each company that affect their access to finance, such as company size, turnover, sector, type of enterprise, enterprise financial situation or ownership structure, amongst others. It is important to state that the firm-specific outlook, the firm own credit history as well as the prospects of the same or smaller growth turnover and the average invoice settlement time are the most worrisome problems in what regards both Portugal and Spain.

TABLE III: BUSINESS CHARACTERISTICS PROBLEMS

II. Business Characteristics			
Portugal	Values	Spain	Values

1. Firm-specific outlook (sales and profitability)	↓ 7%	Firm-specific outlook (sales and profitability)	↓ 17%
2. Weak productivity and profitability indicators		Unsatisfactory profit	7%
3. Low prospects in specific sectors			
4. Fragility of the capital structure			
5. Liquidity constraints		Liquidity constraints	
6. Average Invoice Settlement Time	96 days	Average Invoice Settlement Time	106 days
7. Prospects of the same or smaller growth turnover	43%	Prospects of the same or smaller growth turnover	48%
8. Reduced internal control and organization	1%	Reduced control over the company	2%
9.		Insufficient information	5%
10. Firm's own capital level	↓ 4%	Firm's own capital level	↓ 13%
11. Firm's own credit history	↑ 5%	Firm's own credit history	↓ 1%
12. Preference for internal financing/self-financing			
13. Fear of rejection in what regards application to bank loans, bank overdrafts, trade credits and other sources of external financing		Fear of rejection in what regards application to bank loans, bank overdrafts, trade credits and other sources of external financing	

Sources: Author, based on (Banco de Portugal, 2011a; Banco de Portugal, 2012; Banco de Portugal, 2014; DGPPYME, 2009; EC, 2013a; EC, 2013b; Ipsos Mori, 2013; PWC, 2013b; World Bank, 2014).

Another category is Administrative Procedures, which refers to the terms, conditions, policies involved in access to finance procedures. The difficulty of public measures and the low tax incentives to obtain financing, as well as a lack of business support services are the most pointed out constraints.

TABLE IV: ADMINISTRATIVE PROCEDURES PROBLEMS

III. Administrative Procedures			
Portugal	Values	Spain	Values
1. Burdensome administrative procedures			
2. Fiscal burdens	97%		
3. Difficulty of public measures to obtain financing	73,1%	Difficulty of public measures to obtain financing	72,1%
4. Lack of a business-friendly public administration			
5. Low tax incentives to obtain financing	75,5%	Low tax incentives to obtain financing	70,3%
6. Business support services	64,4%	Business support services	61,9%
7. Lack of credit coordination in debt restructuring processes, facilitated by a reputable institution			

Sources: Author, based on (IMF, 2014; Ipsos Mori, 2013).

Furthermore, as the access to finance problem is closely related with external sources of financing availability and/or willingness, some categories regarding it were defined: Bank Financing, Equity Financing, Trade Credit Financing and Other Sources of Financing.

Bank Financing is mainly related with guarantees and collateral requirements, as well as other criteria and restrictions to obtain financing. By analysing the data it is clear that bank loans

are the most used and preferred external financial resource, despite some constraints regarding bank overdrafts.

In the category Equity Financing, the major consideration is: there is a strong belief that measures to facilitate equity investments would be beneficial.

Trade Credit Financing constraints are mainly related with an unwillingness of business partners to provide trade credit.

Finally, the group Other Sources of Financing state that there is a deficit in what regards access to public financial support, more severe in Spain. However, in Portugal, in comparison with Spain, SMEs state that they have less financing from other sources, such as microfinance institutions and government-related sources.

TABLE V: BANK FINANCING PROBLEMS

IV. Bank Financing			
Portugal	Values	Spain	Values
1. Interest rates or price too high to get loans	61%	Interest rates or price too high to get loans	31%
2. Criteria and conditions restrictively to loan/credit line approval		Criteria and conditions restrictively to loan/credit line approval	
3. Restrictions regarding spreads, commissions and other burdens			
4. Export credits or guarantees	62,0%	Export credits or guarantees	69,9%
5. Bank loans availability	↓ 1%	Bank loans availability	↓ 6%
6. Unwillingness of banks to provide loans	↓ 8%	Unwillingness of banks to provide loans	↓ 23%
7. Not applied to bank loans as state to have sufficient internal funds	33%	Not applied to bank loans as state to have sufficient internal funds	43%
8. Not applied to bank loans due to possible rejection	7%	Not applied to bank loans due to possible rejection	8%
9. Rejection of bank loans	11%	Rejection of bank loans	17%
10. Rejection of loan applications	27%	Rejection of loan applications	12% (DGPPYME, 2009) 21% (EC, 2013b)
11. Use bank loan as source of financing	50%	Use bank loan as source of financing	59%
12. Provider of the most recent loan – bank	89%	Provider of the most recent loan – bank	89%
13. Most preferred external financing: bank loans	72%	Most preferred external financing: bank loans	69%
14. Unavailability of financing at all to get bank loan	7%	Unavailability of financing at all to get bank loan	12%

15. Not applied to bank overdrafts <sup>29</sup> as state to have sufficient internal funds	31%	Not applied to bank overdrafts as state to have sufficient internal funds	44%
16. Not applied to bank overdrafts due to possible rejection	6%	Not applied to bank overdrafts due to possible rejection	7%

Sources: Author, based on (Banco de Portugal, 2011a; Banco de Portugal, 2012; Banco de Portugal, 2014; DGPPYME, 2009; EC, 2013a; EC, 2013b; Ipsos Mori, 2013; World Bank, 2014).

TABLE VI: EQUITY FINANCING PROBLEMS

V. Equity Financing			
Portugal	Values	Spain	Values
1. Unavailability of equity/venture capital investments	1%	Unavailability of equity/venture capital investments	
2. Unavailability of equity financing		Limited availability of venture capital	
3. Unwillingness of investors to invest in equity	↓ 2%	Unwillingness of investors to invest in equity	↓ 2%
4. Need for equity investments	↓ 1%	Need for equity investments	↓ 1%
5. Measures to facilitate equity investments	44,5%	Measures to facilitate equity investments	55,7%
6. Managers' confidence to talk about financing with equity investors/venture capital firms	13%	Managers' confidence to talk about financing with equity investors/venture capital firms	13%

Sources: Author, based on (EC, 2013b; Ipsos Mori, 2013).

TABLE VII: TRADE CREDIT FINANCING

VI. Trade Credit <sup>30</sup> Financing			
Portugal	Values	Spain	Values
1. Expected availability of trade credit	3%	Expected availability of trade credit	3%
2. Unwillingness of business partners to provide trade credit	↓ 7%	Unwillingness of business partners to provide trade credit	↓ 9%
3. Not applied to trade credit as state to have sufficient internal funds	27%	Not applied to trade credit as state to have sufficient internal funds	38%
4. Not applied to trade credit due to possible rejection	3%	Not applied to trade credit due to possible rejection	3%
5. Need for trade credit from business partners	↑ 1%	Need for trade credit from business partners	↑ 5%

Sources: Author, based on (Ipsos Mori, 2013).

TABLE VIII: OTHER SOURCES OF FINANCING PROBLEMS

VII. Other Sources of Financing			
Portugal	Values	Spain	Values
1. Access to public financial support	↓ 9%	Access to public financial support	↓ 36%
2. Few financing from other sources (microfinance institutions and government-related sources)	8%	Few financing from other sources (microfinance institutions and government-related sources)	5%
3. Unsufficient allocation of EU Regional Funds for entrepreneurship and SMEs			
4. Unsufficient allocation of EU funds for business creation and development			

<sup>29</sup> Bank overdraft: “an amount of money that a customer with a bank account is temporarily allowed to owe to the bank, or the agreement which allows this” (Cambridge University Press 2014).

<sup>30</sup> Trade Credit: “an arrangement in which a business allows other companies to pay for goods or services several weeks or months after receiving them” (Cambridge University Press 2014).

5. Insufficiently usage of seed funding from business-angels, venture capital and public start-up funds			
6. Expected availability of other sources of financing	2%	Expected availability of other sources of financing	3%
7. Not applied to other sources as state to have sufficient internal funds	29%	Not applied to other sources as state to have sufficient internal funds	44%
8. Need for other sources of financing	↑ 1%	Need for other sources of financing	↑ 4%
9. Provider of the most recent loan – private individuals (family and friends/business angels)	3%	Provider of the most recent loan – private individuals (family and friends/business angels)	5%

Sources: Author, based on (EC, 2013a; EC, 2013b; Ipsos Mori, 2013).

#### 4.1.2 SMEs Access to Finance Support Structures: Portugal and Spain

In what regards Portuguese and Spanish policies to support SMEs access to finance, it was developed a table for each country following major policy axes, according with the latest information of the EC and national governments. The tables are organized in a time sequence and with an attached explanation for each policy objective. (TABLE XXII and XXIV).

In Portugal, there are three major axes that focus policies aiming to solve access to finance problems: SMEs Access to Finance Measures from the SBA Fact Sheet (EC, 2013a), the Portugal 2020 National Reform Programme presented by ECFGEI (2014i), and finally the information presented in the *Estratégia de Fomento Industrial para o Crescimento e o Emprego 2014-2020* by Governo de Portugal (2013a).

In the Spanish case there are presented two major axes: SMEs Access to Finance Measures from the SBA Fact Sheet (EC, 2013b), and the Spain 2020 National Reform Programme presented by Reino de España (Unión Europea, 2014).

In order to better complement the collection of SMEs country aid on access to financial resources, it was created a table for Portugal and Spain concerning the available instruments to date (TABLE XXIII and XXV).

The Portuguese table follows the organization presented in the report “Instituição Financeira de Desenvolvimento - Fundamentação e Modelos de Criação” from Governo da República Portuguesa (2013b). Thus, the instruments are divided in: Debt Instruments – credit lines,



Capital Instruments – risk capital, and Internationalization Support Instruments – credit insurance.

The Spanish table presents the organization followed by Emprendedores y PYME from the DGIPYME - Ministerio de Industria, Energía y Turismo (2014), that contains all the information regarding Spain's objectives towards SMEs. Hence, SMEs financing instruments are divided in: Specific Programmes of DGIPYME, and in Programmes of Agencies linked to DGIPYME.

#### *4.1.3 SMEs Access to Finance Support Structures: Worldwide Practices*

At European level, policy makers and regulators possess a wide variety of tools to support increased access to financial services. Over the years EU has developed guidelines, good practices and toolkits to help financial inclusion policymaking at national level. It was created a table, following a time sequence and focusing mainly in EC documents, to sum up the good practices regarding “Access to Finance” principle, all over Europe since the adoption of SBA (2008) (TABLE XXVI).

At a global level, the World Bank has also worked towards financial inclusion policymaking, which is reflected in their published guidelines, such as the “Impact Evaluation Framework: SME Finance and Good Practices for Financial Consumer Protection” or the “SME Finance Policy Guide for the G20 Global Partnership for Financial Inclusion”<sup>31</sup>.

In an attempt to collect more practices at global level, it was followed the OECD (2013b) sum up of the government policy responses to improve SMEs access to finance in the world from 2007 to 2011. Thenceforth, it was created a table to present other non-European countries practices (TABLE XXVII).

#### *4.1.4 SMEs Access to Finance Problems and Support Structures Evaluation*

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<sup>31</sup> “Serves as a guide and reference point for governments and regulators, providing a roadmap for planning, assessing and implementing policy and legal measures to support SME access to finance.” (World Bank Group, 2013b)

To understand if the established support structures in Portugal and Spain answer their SMEs access to finance constraints, the following tables were created.

TABLE IX: PORTUGUESE EVALUATION

Problems	Support Structures
<b>I. General Economic Outlook</b>	
1. General economic outlook	Active track of the European Bank Union implementation process
2. Bank funding and liquidity conditions	New mission letter for CGD
	Support Funds within bank recapitalization process
<b>II. Business Characteristics</b>	
1. Firm-specific outlook (sales and profitability)	Comércio Investe
2. Weak productivity and profitability indicators	Programming the new EC framework for the benefit of the tradable goods and services sectors
	Accelerate the production and integration of innovative products in global markets
3. Low prospects in specific sectors	
4. Fragility of the capital structure	Reinforce SMEs permanent capital financing sources
5. Liquidity constraints	Introduction of VAT by a cash method system
	Local Economy Support Programme (PAEL) [Programa de Apoio à Economia Local]
6. Average Invoice Settlement Time	Payment Deadlines
	Promote State debt regularization through a 'confirming' system
7. Prospects of the same or smaller growth turnover	Reinforcement of SME Growth Programme
8. Reduced internal control and organization	
10. Firm's own capital level	Reinforce SMEs own capital
	Caixa Capitalização
11. Firm's own credit history	
12. Preference for internal financing/self-financing	
13. Fear of rejection in what regards application to bank loans, bank overdrafts, trade credits and other sources of external financing	
<b>III. Administrative Procedures</b>	
1. Burdensome administrative procedures	"Enterprises Comercial Role"
2. Fiscal burdens	Make financial and fiscal framework appealing to innovation and encourage the introduction of own capital in companies
3. Difficulty of public measures to obtain financing	
4. Lack of a business-friendly public administration	
5. Low tax incentives to obtain financing	
6. Business support services	Vale Empreendedorismo
7. Lack of credit coordination in debt restructuring processes, facilitated by a reputable institution	
<b>IV. Bank Financing</b>	
1. Interest rates or price too high to get loans	
2. Criteria and conditions restrictively to loan/credit line approval	
3. Restrictions regarding spreads, commissions and other burdens	
4. Export credits or guarantees	Credit Insurance; SOFID Credit; SOFID Guarantees
5. Bank loans availability	SME Growth Line 2013 [Linha PME Crescimento 2013] EIB, EC and Portugal agreed to secure a credit line to finance SMEs
6. Unwillingness of banks to provide loans	
7. Not applied to bank loans as state to have sufficient internal funds	
8. Not applied to bank loans due to possible rejection	
9. Rejection of bank loans	
10. Rejection of loan applications	

11. Use bank loan as source of financing	
12. Provider of the most recent loan – bank	
13. Most preferred external financing: bank loans	
14. Unavailability of financing at all to get bank loan	
15. Not applied to bank overdrafts as state to have sufficient internal funds	
16. Not applied to bank overdrafts due to possible rejection	
<b>V. Equity Financing</b>	
1. Unavailability of equity/venture capital investments	Revitalise Fund' [Fundo Revitalizar]
2. Unavailability of equity financing	Conclude the evaluation of potential capital market dinamization measures
3. Unwillingness of investors to invest in equity	
4. Need for equity investments	Fundos de Capital de Risco (FCRs)
5. Measures to facilitate equity investments	Portugal Ventures Programmes
6. Managers' confidence to talk about financing with equity investors/venture capital firms	
<b>VI. Trade Credit Financing</b>	
1. Expected availability of trade credit	
2. Unwillingness of business partners to provide trade credit	
3. Not applied to trade credit as state to have sufficient internal funds	
4. Not applied to trade credit due to possible rejection	
5. Need for trade credit from business partners	
<b>VII. Other Sources of Financing</b>	
1. Access to public financial support	Creation of a specialized financial institution
2. Few financing from other sources (microfinance institutions and government-related sources)	Programa Nacional de Microcrédito
3. Unsufficient allocation of EU Regional Funds for entrepreneurship and SMEs	Re-programming QREN
	Investe QREN
4. Unsufficient allocation of EU funds for business creation and development	Passaporte Empreendedorismo
5. Insufficiently usage of seed funding from business-angels, venture capital and public start-up funds	Support SMEs and entrepreneurship
6. Expected availability of other sources of financing	Linhas de Financiamento Bas
7. Not applied to other sources as state to have sufficient internal funds	
8. Need for other sources of financing	Public policies to promote and create incentives for SME financing through capital markets and other instruments (alternatives to bank financing)
9. Provider of the most recent loan – private individuals (family and friends/business angels)	

Source: Author.

In conclusion, several Portuguese SMEs access to finance problems are not being addressed by the policies and instruments developed. Moreover, the following two policies presented in Table IX, as being part of the Europe 2020 Strategy for Portugal were not matched with any of the problems surveyed:

- Reinforce entrepreneurial capacity, the creation of technologically-based companies, the experimental teaching component, and school/company interaction;

- Focus the 2014-2020 programming in competitiveness, internationalization, social inclusion and employment, human capital, sustainability and efficiency in resources use.

TABLE X: SPANISH EVALUATION

Problems	Support Structures
<b>I. General Economic Outlook</b>	
1. General economic outlook	
<b>II. Business Characteristics</b>	
1. Firm-specific outlook (sales and profitability)	
2. Unsatisfactory profit	
5. Liquidity constraints	Asset Securitization Funds for SMEs (FTPYME) [Fondos de Titulización para financiación PYME]
6. Average Invoice Settlement Time	Transposition of Late Payments Directive through Royal Decree Law 4/2013 of February 22 Launch of Plan to Pay Suppliers [Plan de Pago a Proveedores]
7. Prospects of the same or smaller growth turnover	
8. Reduced control over the company	
9. Insufficient information	Report on refinancing and restructuring of corporate debt for subsequent approval
10. Firm's own capital level	Refinancing through the Compañía Española de Reafianzamiento (CERSA)
11. Firm's own credit history	
13. Fear of rejection in what regards application to bank loans, bank overdrafts, trade credits and other sources of external financing	
<b>III. Administrative Procedures</b>	
3. Difficulty of public measures to obtain financing	Transposition of the directive of alternative investment managers
5. Low tax incentives to obtain financing	
6. Business support services	Innovative Business Groupings Programme (AEI) [Programa de Agrupaciones Empresariales Innovadoras]
<b>IV. Bank Financing</b>	
1. Interest rates or price too high to get loans	Budget increase for Financing Lines of the Institute of Official Credit (ICO), with an allocated amount of 22 000 million EUR Promotion of bank financing through ICO (as a State-Owned Bank) through its second-floor facilities Asset Securitization Funds for SMEs (FTPYME) [Fondos de Titulización para financiación PYME]
2. Criteria and conditions restrictively to loan/credit line approval	
4. Export credits or guarantees	
5. Bank loans availability	
6. Unwillingness of banks to provide loans	
7. Not applied to bank loans as state to have sufficient internal funds	
8. Not applied to bank loans due to possible rejection	
9. Rejection of bank loans	
10. Rejection of loan applications	
11. Use bank loan as source of financing	
12. Provider of the most recent loan – bank	
13. Most preferred external financing: bank loans	
14. Unavailability of financing at all to get bank loan	
15. Not applied to bank overdrafts as state to have sufficient internal funds	
16. Not applied to bank overdrafts due to possible rejection	
<b>V. Equity Financing</b>	
1. Unavailability of equity/venture capital investments	Preliminary Draft Law (APL) of Venture Capital [Anteproyecto de Ley de Capital Riesgo]
2. Limited availability of venture capital	
3. Unwillingness of investors to invest in equity	
4. Need for equity investments	
5. Measures to facilitate equity investments	
6. Managers' confidence to talk about financing with equity	

investors/venture capital firms	
<b>VI. Trade Credit Financing</b>	
1. Expected availability of trade credit	
2. Unwillingness of business partners to provide trade credit	
3. Not applied to trade credit as state to have sufficient internal funds	
4. Not applied to trade credit due to possible rejection	
5. Need for trade credit from business partners	
<b>VII. Other Sources of Financing</b>	
1. Access to public financial support	ENISA Growth Lines (ENISA) [Lineas de Financiacion de la Empresa Nacional de Innovacion] Growth Fund [Fondo Pyme de expansion]
2. Few financing from other sources (microfinance institutions and government-related sources)	
6. Expected availability of other sources of financing	Extension of the support of Business Angel Networks [Impulso a las Redes de Business Angels]: increased budget by 50%
7. Not applied to other sources as state to have sufficient internal funds	
8. Need for other sources of financing	Promotion of non-bank financing and creation of alternatives for the sectors with most difficult access to credit
	Preliminary Draft Law (APL) for the Promotion of Corporate Financing [Anteproyecto de Ley para el Fomento de de la Financiación Empresarial]
	European Investment Fund (EIF) and AXIS (venture capital branch of the ICO) launched EAF-Fondo Isabel La Católica
9. Provider of the most recent loan – private individuals (family and friends/business angels)	

Source: Author.

The Spanish SMEs access to finance problems are not being addressed too by the policies and instruments developed.

By analyzing the access to finance support structures – policies and instruments – response to the listed problems, we can state that many of these are not being addressed at national state level (Portugal and Spain).

#### *4.1.5 Policies and instruments recommendations to support Portuguese and Spanish SMEs Access to Finance*

Henceforward and considering the previous research – SMEs access to finance support practices on European and non-European countries – some policies and instruments recommendations were developed for each country concerning the unaddressed SMEs access to finance problems. These follow the structure presented in the “Progress on the Implementation of SBA in Europe” review study (TABLE XXVIII) (PCMEC, 2013),

TABLE XI: POLICIES AND INSTRUMENTS RECOMMENDATIONS - PORTUGAL

Problems	Recommendations
<b>II. Business Characteristics</b>	
3. Low prospects in specific sectors	- Improving financing conditions for SMEs during times of economic difficulty by applying financial engineering (FE) measures (Lithuania) - Royalty scheme to support innovative new business and growth in new markets (Malta)
8. Reduced internal control and organization	- Business advice, consultancy (New Zealand) - Business Cashflow Guides (United Kingdom) - Business mediation (Hungary)
11. Firm's own credit history	- Credit mediation/review/code of conduct (New Zealand)
12. Preference for internal financing/self-financing	- Organize information campaigns (PCMEC, 2013) - Launch expos to match SMEs and private investors (PCMEC, 2013)
13. Fear of rejection in what regards application to bank loans, bank overdrafts, trade credits and other sources of external financing	
<b>III. Administrative Procedures</b>	
3. Difficulty of public measures to obtain financing	- Adoption of policy measures to facilitate SMEs access to finance through microcredit co-funding (Austria, Germany, Hungary, Ireland, Latvia, Lithuania, Slovakia, Sweden) - Investment Encouragement Act Amendment (Bulgaria)
4. Lack of a business-friendly public administration	- Public Procurement Act (Hungary) - Modernisation of the Small Firms Loan Guarantee (SFLG) (United Kingdom)
5. Low tax incentives to obtain financing	- Tax exemptions, deferments (New Zealand)
7. Lack of credit coordination in debt restructuring processes, facilitated by a reputable institution	- Credit mediation service (France)
	- Close financial chain (Netherlands) - Creation of a "credit ombudsman" (Belgium, Hungary, France, Ireland, Finland)
<b>IV. Bank Financing</b>	
1. Interest rates or price too high to get loans	- Ingegneria Finanziaria nella Regione Veneto (financial engineering in the Veneto Region) - erp-Kleinkredit (erp- small loans)
2. Criteria and conditions restrictively to loan/credit line approval	- Increased amount of government loan guarantees and/or % guaranteed, number of firms eligible, countercyclical loans (Canada, Chile, Korea, Thailand, USA)
3. Restrictions regarding spreads, commissions and other burdens	
15. Not applied to bank overdrafts as state to have sufficient internal funds	
16. Not applied to bank overdrafts due to possible rejection	
<b>V. Equity Financing</b>	
6. Managers' confidence to talk about financing with equity investors/venture capital firms	- Mingo Finance - individual coaching on enterprise financing (Austria) - i2 - Die Börse für Business Angels (Austria)
<b>VI. Trade Credit Financing</b>	
1. Expected availability of trade credit	
2. Unwillingness of business partners to provide trade credit	
3. Not applied to trade credit as state to have sufficient internal funds	
4. Not applied to trade credit due to possible rejection	
5. Need for trade credit from business partners	
<b>VII. Other Sources of Financing</b>	
7. Not applied to other sources as state to have	

sufficient internal funds	
9. Provider of the most recent loan – private individuals (family and friends/business angels)	- Increased direct lending to SMEs (Canada, Chile, Korea, Serbia) - Special guarantees and loans for start-ups (Canada)

Source: Author.

TABLE XII: POLICIES AND INSTRUMENTS RECOMMENDATIONS - SPAIN

Problems	Support Structures
<b>I. General Economic Outlook</b>	
1. General economic outlook	
<b>II. Business Characteristics</b>	
2. Unsatisfactory profit	
7. Prospects of the same or smaller growth turnover	- Supporting development by reinvestment of profit (Romania)
8. Reduced control over the company	- Business advice, consultancy (New Zealand) - Business Cashflow Guides (United Kingdom) - Business mediation (Hungary)
11. Firm's own credit history	- Credit mediation/review/code of conduct (New Zealand)
13. Fear of rejection in what regards application to bank loans, bank overdrafts, trade credits and other sources of external financing	- Organize information campaigns - Launch expos to match SMEs and private investors (PCMEC, 2013)
<b>III. Administrative Procedures</b>	
5. Low tax incentives to obtain financing	- Tax exemptions, deferments (New Zealand)
<b>IV. Bank Financing</b>	
1. Interest rates or price too high to get loans	- Ingegneria Finanziaria nella Regione Veneto (financial engineering in the Veneto Region) - erp-Kleinkredit (erp- small loans)
2. Criteria and conditions restrictively to loan/credit line approval	- Increased amount of government loan guarantees and/or % guaranteed, number of firms eligible, countercyclical loans (Canada, Chile, Korea, Thailand, USA)
3. Requirements of collateral and guarantees	- Guarantee-full Interest Rate Subsidy of working capital on SME (Greece) - Credit Guarantee Schemes (Greece, Hungary, Ireland, Lithuania) - Modernisation of the Small Firms Loan Guarantee (SFLG) (United Kingdom)
5. Export credits or guarantees	- Increased government export guarantees - Public Investment Bank (BPI) (France)
16. Not applied to bank overdrafts as state to have sufficient internal funds	
17. Not applied to bank overdrafts due to possible rejection	
<b>V. Equity Financing</b>	
6. Managers' confidence to talk about financing with equity investors/venture capital firms	- Mingo Finance - individual coaching on enterprise financing (Austria) - i2 - Die Börse für Business Angels (Austria)
<b>VI. Trade Credit Financing</b>	
1. Expected availability of trade credit	
2. Unwillingness of business partners to provide trade credit	
3. Not applied to trade credit as state to have sufficient internal funds	
4. Not applied to trade credit due to possible rejection	
5. Need for trade credit from business partners	
<b>VII. Other Sources of Financing</b>	
2. Few financing from other sources (microfinance institutions and government-related sources)	Microcredit: Taking a good start (Netherlands)
	Micro-loans for small firms (Austria)
	Microfinance (Netherlands)

7. Not applied to other sources as state to have sufficient internal funds	
9. Provider of the most recent loan – private individuals (family and friends/business angels)	<ul style="list-style-type: none"> <li>- Increased direct lending to SMEs (Canada, Chile, Korea, Serbia)</li> <li>- Special guarantees and loans for start-ups (Canada)</li> </ul>

Source: Author.

Several worldwide entities, such as the UE and the OECD, work closely with governments to improve the SMEs financial framework.

According with Gagliardi (2013), some of the key elements to help SMEs performance are: “harmonized policies, improved conditions to access finance, strong public demand for the goods and services produced by SMEs, an appropriate attention to labor market policies, a decrease in late payments, and simpler regulatory and administrative requirements”.

Also the OECD (2013a) refered that at national level, governments should develop strategies that “include reviews of the stock of regulations, reduction of administrative burdens, codification, simplification of administrative procedures and re-engineering, better multi-level co-ordination, and rapid introduction of e-government services”.

## 5. Conclusions, Contributes, Limitations and Future Research

The “globally changing landscape, characterised by continuous structural changes and enhanced competitive pressures” (CEC, 2008) proves the urgency of Europe taking action, in order to keep SMEs strong, competitive and innovative (EC, 2011a).

As pointed out by World Bank (2012) in order to improve SMEs access to finance, country government’s policy should reflect a favourable legal and regulatory environment, as well as a comprehensive financial infrastructure and public intervention policy. Therefore, both Portuguese and Spanish governments should explore specific policy recommendations regarding Business Characteristics, Administrative Procedures and Equity Financing extracted from European and non-European practices to enhance SMEs financing. Additionally, in the Spanish case attention should also be given to microfinance solutions (Other Sources of Financing).



Another conclusion concerns the Trade Credit Financing mechanisms that are a problem in both countries, but for which there were not found any practices at worldwide level. Thus, at EC and member states level further analysis and possible solutions are essential.

SMEs represent in many countries a policy priority, due to their significance role in the economy. New policies, legal reforms, programs and funds, both in the public and private sector, focus on access to financial resources for SMEs. However, there is a few understanding of the impact of these interventions along SMEs access to finance.

An important consideration is that these policy and instruments recommendations based on European and non-European practices should work as framework guidelines that regulators/policymakers can use to further analyse and evaluate its implementation and application. Following the World Bank (2012) work towards financial inclusion policymaking, reflected in the “Impact Evaluation Framework: SME Finance and Good Practices for Financial Consumer Protection”.

It is our conviction that this research adds to the existing literature, as it is one of the first approaches, which does not consider access to finance as one single problem, but rather as a collection of linked problems that should have different support structures addressing them.

Additionally, this research draws attention to the need of harmonized information at member states level in what regards SMEs. As in what regards data collection, one major difficulty was to deal with the high dispersion of information at member states level, due to different enforcement of EU policies and guidelines.

Another limitation of this work is that it only gathers policies, instruments and practices submitted by the responsible entities, without any impact evaluation data. Further limitation is that the proposed recommendations regarding policies and instruments that can be adopted by Portugal and Spain, to help and/or solve the SMEs access to finance problems are based in European SBA practices and non-European government policy responses to improve SME access to finance. Though there is not any reassurance that these will be the most effective

way to overcome SMEs access to finance problems, or even if they will work, or if they can be adopted into national realities (Portugal and Spain).

Moreover, concerning future research, this should concentrate in empirical assessments of whether the adopted policies and instruments in Portugal and Spain have achieved their objectives – impact evaluations – in order to help future actions of policy makers. The future research can also undergo through impact evaluations in the UE member states regarding SMEs access to finance in each country, in order to promote the optimization of UE role at national level. These can be a way to quantify the effects of different policies, design the most effective interventions (that is, programs, policies, and regulations), improve targeting, refine policies to better fit objectives, optimize the scarce use of resources, and understand the underlying mechanisms.

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- CEC - Commission of the European Communities  
EC - European Commission  
ECDGEI - European Commission's Directorate General for Enterprise and Industry  
DGIPYME: Dirección General de Industria y de la Pequeña y Mediana Empresa  
DGPPYME: Dirección General de Política de la Pequeña y Mediana Empresa  
IMF: International Monetary Fund  
PCMEC: Project Consortium Members for European Commission



## 7. Attachments

TABLE XIII: BUSINESS DEMOGRAPHY FROM EUROPEAN ECONOMIES

	Total Number of Enterprises	Micro	Small	Medium	SMEs	Large
Portugal	831655	94,98%	4,29%	0,63%	99,90%	0,10%
Spain	2087371	94,07%	5,12%	0,68%	99,87%	0,13%
France	2567431	94,17%	4,86%	0,80%	99,83%	0,17%
United Kingdom	1696589	89,49%	8,67%	1,50%	99,65%	0,35%
União Europeia (28 countries)	22098422	92,54%	6,25%	1,02%	99,80%	0,20%

Source: Author, adapted from (Eurostat, 2014), data from “Annual enterprise statistics by size class for Total business economy; repair of computers, personal and household goods; except financial and insurance activities (2011)”.

TABLE XIV: ENTERPRISES, EMPLOYMENT AND GROSS VALUE ADDED OF SMES IN EU-27 FOR 2012

	Micro	Small	Medium	SMEs	Large	Total
<b>Number of Enterprises</b>						
Number	18,783,480	1,349,730	222,628	<b>20,355,839</b>	43,454	20,399,291
%	92.1%	6.6%	1.1%	<b>99.8%</b>	0.2%	100%
<b>Employment</b>						
Number	37,494,458	26,704,352	22,615,906	<b>86,814,717</b>	43,787,013	130,601,730
%	28.7%	20.5%	17.3%	<b>66.5%</b>	33.5%	100%
<b>Value Added at Factor Costs</b>						
Million Euros	1,242,724	1,076,388	1,076,270	<b>3,395,383</b>	2,495,926,	5,891,309
%	21.1%	18.3%	18.3%	<b>57.6%</b>	42.4%	100%

Source: (Gagliardi, 2013).

TABLE XV: TYPES OF FINANCIAL RESOURCES

Financing Sources	
Financial Instruments	Description
Business Angels	Individuals with investment capacity and extensive knowledge of certain sectors - provision of capital and management know-how. Responsible for business development in high growth potential projects mainly in early life stages.
Venture Capital	Long-term, minority and temporary investments in SMEs with great prospects of profits and/or growth by companies specialized in capital investment.
Credit Loans	Agreements in which the lender gives credit and may have company interests after. The transfer may be through money or assignment contracts.
Confirming / Reverse Factoring	Financial service that assigns a financial institution in order to facilitate the payment management of customers purchases.
Credit	Contract in which the lender agrees to make available customer funds up to a certain limit and a predetermined time.
Crowd angel	Concept coming from the fusion of crowdfunding with business angels. It offers a new tool that aims to facilitate investment in new businesses with growth potential.
Crowdfunding	Collective cooperation, carried out by persons who make donations online to get money or other resources. It can also be called mass financing, collective financing, micro financing or micro collective.

Discount	Financial instrument that consists in paying in cash the amount of a title (usually drafts) unexpired credit, after deducting interest and legal losses by the time between the payment and the credit expiration time.
Factoring	Financial transaction that involves the transfer of the "portfolio of customer collection" (invoices, receipts, letters ... unbagged) of a holder to a specialist company in this type of transaction (Factor Society), making short sales term cash sales, assuming the risk of insolvency of the owner and being responsible for its accounting and receipts.
Transfer funds	Assignment by financial institutions of credit balances in their existing loans to a securitization fund (FTPYME) created "ad hoc".
Forfaiting	Exports financing option that corresponds to the discount without recourse, by a financial institution, to the receivables of a series of commercial papers that the exporter receives to implement the deferred operations of purchase / sale.
Forward	Non-standardized contract between two parties to buy or sell an asset at a specified future date at a price agreed in the present.
Financial futures	Contract or agreement between two parties that compromise to exchange a physical financial asset at a specified price on a future date.
Guarantees - Refinancing	Business financing instrument that facilitates SME's access to credit, through the provision of guarantees and collateral refinancing.
Mortgage	Contract by which a debtor or a third party especially put on real property or real rights as security for the fulfillment of an obligation. So when that is over and not satisfied, those in debt may have the sale price of that good, with preference to the rights of any other creditor.
Leasing	Agreement whereby the locator conveys the right to use the property to the lessee in return for payment of lease rents for a certain period, after which the lessee has the option to purchase the leased asset paying a certain price, return or renew the contract.
Debt Markets	Debt market where short and medium term securities are traded. Belong to this market the bonds, notes and other debt securities.
Derivatives markets	Financial products whose value is based on the price of another asset. The asset that depends on the name of the underlying asset, such as a future value on gold is based on the price of gold. Underlying assets used can be very different, such as stocks, stock indices, fixed income securities, interest rates or commodities.
Financial Options	Derivative that is set in a contract that gives its buyer the right but not the obligation, to buy or sell assets or securities (the underlying asset, which can be stocks, bonds, stock indices, etc..) at a predetermined price (strike or exercise price) until a specific date (maturity).
P2P lending	Loans of individuals or companies, to other individuals or companies without the intervention of a traditional financial institution.
Commercial paper or private	Private document, legally extended, where a person (the issuer or underwriter) agrees to pay another (payee or beneficiary) certain amount of money on a specified date in the document.
Phantom shares	Dividend rights or dividend payments, without consideration of owners or holders of social shares. This right is limited in time according to the agreed plan. Hence the name "fictionals" or "ghosts" as in no time they are owners.
Pledge	Contract by which a debtor or a third party put on a movable asset to the payment of a debt deal.
Loan	Contract in which the financial institution gives the customer a lot of money, forcing the latter, after a deadline, to repay such amount plus accrued interest.
Loan Equity	Loan in which the lender stipulates that the funder, in addition to regular pay through interest, obtains a pay-for profits made by the borrower-funded.
Renting	Commercial agreement whereby one party, the leasing company, is obliged to give to another, the lease, the use of property for a specified time, on payment of a regular income.
Swap	Financial transaction between two parties that agree to exchange cash flows over a given period following some agreed rules. Its aim is to mitigate fluctuations in currencies and interest rates.

Source: (DGIPYME, 2014).

TABLE XVI: SBA PRINCIPLES

SBA Principles	
I	Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.
II	Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance.
III	Design rules according to the "Think Small First" principle.
IV	Make public administrations responsive to SMEs' needs.

V	Adapt public policy tools to SME needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs.
VI	Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions.
VII	Help SMEs to benefit more from opportunities offered by the Single Market.
VIII	Promote the upgrading of skills in SMEs and all forms of innovation.
IX	Enable SMEs to turn environmental challenges into opportunities.
X	Encourage and support SMEs to benefit from growth of markets.

Source: (CEC, 2008).

TABLE XVII: SBA 6<sup>TH</sup> PRINCIPLE TRANSLATION INTO PRACTICE

EC
Evaluation of the options for introducing a private placement regime destined to facilitate cross-border investment in order to strengthen European venture capital markets.
Offering assistance to member states to develop high quality investment readiness programmes.
Member States
Develop financing programmes that address the funding gap between 100 000 and 1 million EUR, in particular with instruments combining features of debt and equity, while respecting State Aid rules.
Tackle the regulatory and tax obstacles that prevent venture capital funds operating in the Single Market from investing on the same terms as domestic funds.
Ensure that the taxation of corporate profits encourages investment.
Make full use of funding available in cohesion policy programmes and the European Agricultural Fund for Rural Development, in support of SMEs.
An amendment to the Directive 2000/35/EC on late payments with a view to ensuring that SMEs are paid on time for any commercial transaction
Directive on reduced VAT rates: offered option to member states of applying reduced VAT rates, specially for locally supplied services – mainly provided by SMEs

Source: Author, adapted from (CEC, 2008).

TABLE XVIII: SBA REVIEW TRANSLATION INTO PRACTICE

EC
Within a streamlined and enhanced set of financial instruments, aim to help a higher number of beneficiary SMEs through strengthened loan guarantee schemes that will support investments, growth, innovation and research.
Make EU funding programmes more accessible to SMEs by further simplifying procedures.
Adopt in 2011 an action plan for improving SMEs' access to finance, including access to venture capital markets, as well as targeted policies aimed at making investors more aware of the opportunities offered by SMEs.
Consider adopting a new legislative regime to ensure that by 2012 venture capital funds established in any Member State can function and invest freely in the EU.
As requested by the European Council, explore options for setting up an intellectual property rights valorisation instrument at the European level, in particular to ease SMEs' access to the knowledge market.
Member States.
Facilitate SMEs' access to the Structural Funds by allowing SMEs to submit all data necessary for Structural Funds support only once.
Develop "credit ombudsman"-type solutions to further facilitate the dialogue between SMEs and credit institutions.
Ensure that inconsistencies in tax treatment do not lead to double taxation which would hamper cross-border venture capital investments.
Create one-stop-shops where SMEs can apply for European, national and local grants.

Source: Author, adapted from (CEC, 2011).

TABLE XIX: PORTUGUESE SMES CHARACTERIZATION

	Micro	Small	Medium	SMEs	Large	Total
Number of Enterprises						

Number	789947	35681	5226	830854	801	831655
%	94,98%	4,29%	0,63%	99,90%	0,10%	100,00%
<b>Value Added at Factor Cost<sup>32</sup></b>						
Million EUR	16806	16235	15611	48652	23797	72449
%	23,20%	22,41%	21,55%	67,15%	32,85%	100,00%
<b>Turnover<sup>33</sup></b>						
Million EUR	77370	79651	74284	231306	95037	326343
%	23,71%	24,41%	22,76%	70,88%	29,12%	100,00%

Source: Author, adapted from (Eurostat, 2014), data of “Annual enterprise statistics by size class for Total business economy; repair of computers, personal and household goods; except financial and insurance activities” from 2011.

TABLE XX: SPANISH SMES CHARACTERIZATION

	Micro	Small	Medium	SMEs	Large	Total
<b>Number of Enterprises</b>						
Number	1963596	106820	14236	2084652	2719	2087371
%	94,07%	5,12%	0,68%	99,87%	0,13%	100,00%
<b>Value Added at Factor Cost</b>						
Million €	102799	79306	72212	254317	159874	414192
%	24,82%	19,15%	17,43%	61,40%	38,60%	100,00%
<b>Turnover</b>						
Million €	371053	326277	307974	1005304	628576	1633880
%	22,71%	19,97%	18,85%	61,53%	38,47%	100,00%

Source: Author, adapted from (Eurostat, 2014), data of “Annual enterprise statistics by size class for Total business economy; repair of computers, personal and household goods; except financial and insurance activities” from 2011.

TABLE XXI: DISTINCTIONS BETWEEN QUANTITATIVE AND QUALITATIVE DATA

<i>Quantitative data</i>	<i>Qualitative data</i>
<ul style="list-style-type: none"> <li>■ Based on meanings derived from numbers</li> <li>■ Collection results in numerical and standardised data</li> <li>■ Analysis conducted through the use of diagrams and statistics</li> </ul>	<ul style="list-style-type: none"> <li>■ Based on meanings expressed through words</li> <li>■ Collection results in non-standardised data requiring classification into categories</li> <li>■ Analysis conducted through the use of conceptualisation</li> </ul>
Sources: Developed from Dey (1993); Healey and Rawlinson (1994); authors' experience	

Source: (Saunders, Lewis, & Thornhill, 2007).

<sup>32</sup> Value added at factor costs: “is the gross income from operating activities after adjusting for operating subsidies and indirect taxes”. (Eurostat, 2014)

<sup>33</sup> Turnover: corresponds to market sales of goods or services supplied to third parties. (Eurostat, 2014)

TABLE XXII: PORTUGUESE POLICIES

Portugal			
Policies	Objective	Date	
SMEs Access to Finance Measures			
SME Growth Line 2013 [Linha PME Crescimento 2013]	Linked with SME Growth initiative launched in 2012 to provide loans to SMEs.	2013	
Local Economy Support Programme (PAEL) [Programa de Apoio à Economia Local]	Provides liquidity to municipalities, helping SMEs indirectly.		
Revitalise Fund' [Fundo Revitalizar]	Risk capital instrument to make easier for SMEs to recover after insolvency.		
Banco de Fomento	Financial institution specialized in SME funding that has a protocol with German development bank KfW.		
New mission letter for CGD	Reinforce its financing role in the economy.		
Re-programming QREN	-		
Reinforcement of SME Growth Programme	-		
Programming the new EC framework for the benefit of the tradable goods and services sectors	-		
Support SMEs and entrepreneurship	-		
Public policies to promote and create incentives for SME financing through capital markets and other instruments (alternatives to bank financing)	-		
EIB, EC and Portugal agreed to secure a credit line to finance SMEs	Aimed to leverage the tax measures to promote investment.		
Programa Nacional de Microcrédito	Results from the adoption of the new strategic initiatives programme Impulso Jovem.		
Portugal 2020 National Reform Programme			
Make financial and fiscal framework appealing to innovation and encourage the introduction of own capital in companies	SIFIDE II	Continue and reinforce the Tax Incentive System for R&D and continue to support companies contracting doctorates.	2020
	Zero Rate for Innovation	Excuse innovative SMEs and start-ups investing in R&D from paying fees and charges due to administrative services.	
Accelerate the production and integration of innovative products in global markets	SME Innovation Portugal	Reward the SME with the most innovative products and services favouring solutions oriented at global markets.	
	PatentInova	Mechanism supporting SMEs for the international registration and trade of patents.	
	Innovation areas	Accelerate the arrival on the market of Innovation and Entrepreneurial R&D and disseminating Portuguese technology and the solutions oriented towards global markets.	
	SIMPLEX exports	Simplification of procedures and reducing bureaucracy for exporting companies.	

	INOV-Export	Support renewal given to external promotion and innovation, and to increasing qualifications of qualified staff.	
	investment in eco-innovation - area likely to create new products and jobs, and generate innovation in traditional sectors	Encourage search for eco-efficiency services and products through an ecological public procurement policy: review of Ecological Public Procurement Strategy; implementation of Digital Agenda measures.	
Reinforce entrepreneurial capacity, the creation of technologically-based companies, the experimental teaching component, and school/company interaction	Zero Licensing or replacing licensing and authorizations with greater supervision and heavier sanctions	-	
	reduction of minimum share capital to establish company	-	
	Encouraging Open Innovation, both in Public Administration and in companies	Ex. Expansion of FabLabs network (process through which individuals and public institutions work together to innovate faster and more effectively).	
	Improve the articulation of the Incubator Network	Develop a more favourable setting for the creation and development of companies with technological base.	
	Entrepreneur desk	"one stop shop" to support mechanisms for entrepreneurs, especially start ups, financing, internationalization and qualified employment incentives.	
	Give greater encouragement to an entrepreneurial culture in education system	Ex. taking advantage of experiences of programs such as "Think Industry" (by RECET) or "The Company" (by Junior Achievement Portugal)	
	Training-Action	Training for entrepreneurs aimed to improve business management procedures and to develop the skills of human resources.	
2014-2020 Industrial Fostering Strategy for Growth and Employment			
Focus the 2014-2020 programming in competitiveness, internationalization, social inclusion and employment, human capital, sustainability and efficiency in resources use		Development of projects which contribute to economy sustainable growth and competitiveness raise.	3Q 2013
Creation of a specialized financial institution		Ensure the efficient management of the available public funds and the maximization of their impact in the support to productive investment and in the development of a more sustainable and competitive economy.	2Q 2014
New mission letter for CGD		Reinforce its financing leadership role in the Portuguese economy.	2Q 2013
Reinforce SMEs permanent capital financing sources		Aims to implement support initiatives regarding medium and long term investments financing as well as the management of the treasury market access to enterprises.	-

	- Credit Line SME Growth	Aims to diminish treasury pressures and stabilize financing sources; provides loans, guarantees and investment capacity to SMEs in partnership with banks and mutual guarantee societies.	2Q 2013
Reinforce SMEs own capital		Improve financing conditions and diversify SMEs financing sources.	
	- Reinforce and foster risk capital market	Dinamize risk capital directed to support high value added projects in tradable goods and services area and oriented mainly to exportations.	2Q 2014
Introduction of VAT by a cash method system		Improve treasury conditions; complemented with a support line of CGD to enterprises treasury to advance State VAT reception.	3Q 2013
Payment Deadlines		Adoption of additional measures regarding payment delays: settle payment times; raise of minimum legal rate of interest for late payment; and settle compensation for costs associated with the recovery of late payments.	2Q 2013
Promote State debt regularization through a 'confirming' system		-	4Q 2013
"Enterprises Comercial Role"		Revision of the regulatory and fiscal environment to foster capital market commercial role.	4Q 2013
Support Funds within bank recapitalization process		Aims to recapitalize viable SMEs - recapitalized banks are bound to invest approximately 100 million EUR/year.	4Q 2013
Conclude the evaluation of potential capital market dinamization measures		Study solutions to facilitate SMEs access to financing via capital markets.	4Q 2013
Active track of the European Bank Union implementation process		Mechanism that aims to improve and harmonize credit conditions in Euro zone.	4Q 2014

Sources: Author, based on (EC, 2013a; ECFGEI, 2014i; Governo de Portugal, 2013a).

TABLE XXIII: PORTUGUESE INSTRUMENTS

Portugal			
Instruments	Objective	Value	Year
Debt Instruments - Credit Lines			
PME Crescimento	Facilitate SMEs access to bank credit through the guarantee mechanisms from the National Mutual Guarantee System (SNGM).	2000 M €	Q1 2014
- Specific Line "Micro and Small Enterprises"	Support investments in tangible and intangible assets, reinforce the working capital or ongoing capital.	500 M €	
- Specific Line "General"	Support investments in tangible and intangible assets, acquisitions, reinforce the working capital or ongoing capital.	1000 M €	
- Specific Line "Comercial Credit to Exporters"	Finance the treasury needs in terms of temporary working capital reinforcements.	500 M €	
Investe QREN	Facilitate the credit access to enterprises with approved projects under the QREN Incentive Systems.	1000 M €	Q2 2013
Caixa Capitalização	Support stable resources to enterprises to neutralize the treasury impact consequence of extended receipt times, and the need to reinforce growth through external markets or substitute products.	250 M €	Q4 2013

Comércio Investe	Facilitate SMEs access to finance to improve financial support in investment projects regarding process, organizational and marketing innovation.	50 M €	Q1 2014
- Credit Line	Finance the treasury needs in terms of temporary working capital reinforcements.	25 M €	
- Non-repayable Incentive	Support micro and small enterprises projects regarding the modernization and valorization in establishments open to public through innovation.	25 M €	
Capital Instruments - Risk Capital			
Passaporte Empreendedorismo	Promote the development of innovative entrepreneurial projects or with high potential growth through a set of specific support initiatives.	2,7 M €	2013
Vale Empreendedorismo	Supports projects that aim the acquisition of consultancy services such as to elaborate business plans, to protect and commercialize intellectual and industrial property rights, and regarding digital economy.	24,6 M €	Q4 2012
Linhas de Financiamento BAs	Support financially production capacity, market development, product launch or reinforce working capital in early stage enterprises.	36 M €	2014
- Initial Line or Line of Business Angels Funding	51 BA entities invest in capital and knowledge in order to SMEs develop innovation, growth and internationalization strategies.	21 M €	
- New Line (IN2:BA)	Boost entrepreneurship through stimulus to enterprise creation and innovative projects realization; new perspective - partnership between innovation and BAs.	15 M €	
Fundos de Capital de Risco (FCRs)	Support to SMEs in early stage or in activity expansion phases; comprises 22 FCRs organized in 5 categories.	186 M €	2011
- Innovation and Internationalization	Supports projects regarding SMEs innovation, growth, modernization and internationalization strategies; comprises 10 FCR.		
- Corporate Venture Capital	Supports investment projects concerning new units of enterprises with technological base; includes 2 FCR.		
- Early Stages	Finances investment projects that are innovative or differentiator; includes 4 FCR.		
- Pre-Seed	Focuses in financing high risk projects and technological relevant; comprises 3 FCR.		
- Regional Basis FCR	Organized and managed in a regional basis - designated Fundos Revitalizar; support growth, internationalization and exportation projects; includes 3 FCR.	220 M €	Q3 2013
- FCR Revitalizar Norte		80 M €	
- FCR Revitalizar Centro		80 M €	
- FCR Revitalizar Sul		60 M €	
Portugal Ventures Programmes	Improve the competitiveness of the Portuguese economy by investing in cutting edge industries and technologies, as well as in companies geared towards global markets; comprises 5 categories of Funds - Seed, Start-up, Expansion & Internationalization, Tourism, Sector Specific & Regional.	433 M €	-
- ACTEC II Fund	Invests in spin-off projects from national scientific and technological R&D Centres and in high growth potential projects to large global markets with foundation in technologies and engineering.		



- Early Stage Fund	Invests in projects that represent a clear business opportunity, high growth potential, added economic value, expected solid financial returns, and differentiated and innovative products/business models.		
- Universitas Fund			
- Internationalisation Fund	Focus on investments aimed at strengthening the international competitiveness of Portuguese SMEs in global markets.		
- Turism Innovation Fund	Invest in innovative projects that improve the quality of tourism and constitute an instrument for the achievement of the 2015 TOURISM Pole goals.		
- Biocant Fund	Invests in projects geared towards the creation of qualified jobs in Portugal and to increase technological exports by companies operating in the Life Sciences area.		
- Creative Industries Fund	Invests in projects that distinguish themselves through the use of imagination and creativity, in particular in the fields of visual arts, design and fashion, entertainment and educational software.		
- Investment Fund to Support Entrepreneurship in the Azores (FIAEA)	Invests in innovative projects that generate employment and prosperity.		
<b>Internationalization Support Instruments - Credit Insurance</b>			
Credit Insurance	Dinamization of the economic activity and portuguese exportations to OCDE countries through credit insurance mechanisms (plafonds reinforce) with State mutual guarantee; it has 4 export-credit insurers - COSEC, Crédito y Caución, COFACE and CESCE.	1000 M €	2014
SOFID Credit	Portuguese EDIF that supports enterprises at a consultant and financial level in order to promote the development through the financing of direct investment projects in developing and emergent countries.	7,25 M €	2014
SOFID Guarantees	Substitute a monetary obligation sharing the risk with other banks.	12,25 M €	

Source: Author, based on (Governo de Portugal, 2013b).

**TABLE XXIV: SPANISH POLICIES**

Spain		
Policies	Objective	Date
<b>SMEs Access to Finance Measures</b>		
Transposition of Late Payments Directive through Royal Decree Law 4/2013 of February 22	-	2013
Launch of Plan to Pay Suppliers [Plan de Pago a Proveedores]	Aimed to improve liquidity for SMEs by tackling the arrears of local and regional administrations.	

ENISA Growth Lines (ENISA) [Lineas de Financiacion de la Empresa Nacional de Innovacion]		-	
	- Growth Fund [Fondo Pyme de expansion]	Financing targetted to SMEs with high growth potential.	
Budget increase for Financing Lines of the Institute of Official Credit (ICO), with an allocated amount of 22 000 million EUR		Financing of innovative projects of SMEs as the programme covers the risk of collateral credit schemes.	
Extension of the support of Business Angel Networks [Impulso a las Redes de Business Angels]: increased budget by 50%		Promoting the creation of new networks.	
European Investment Fund (EIF) and AXIS (venture capital branch of the ICO) launched EAF-Fondo Isabel La Católica		Fund part of the pan-European European Angels Fund (EAF) initiative that intends to promote new non-banking sources of finance for entrepreneurs.	
Spain 2020 National Reform Programme			
Promotion of bank financing through ICO (as a State-Owned Bank) through its second-floor facilities	- ICO SMEs and Entrepreneurs Facility	Provide loans to fund investments and liquidity operations.	2013
	- ICO International Facility	Provide financing to SMEs to undertake investment abroad and to cover the liquidity needs that these investments require.	
	- ICO Exporters Short Term	Financing of SMEs liquidity by receiving advance payment for invoices from export activities.	
Promotion of non-bank financing and creation of alternatives for the sectors with most difficult access to credit	- Improving access to bond markets, with the creation of the Alternative Bond Market (MARF) [Mercado Alternativo de Renta Fija]	Allow to obtain financial resources directly from the capital market.	2013
	- Reinforcement system of public guarantees and warranties	Facilitate SMEs financing through CERSA.	
	- Promotion of SME financing through venture capital	Improving the regulatory framework for private equity firms; creating funds that co-invest with private investors - Spain Coinvestment Startup Fund and Fund Isabel la Católica; Creation of the first fund of public venture capital funds in Spain - Fund ICO Global; Strengthened networks of business angels with financial support and tax incentives.	
Preliminary Draft Law (APL) for the Promotion of Corporate Financing	- Warning system by credit institutions	More accessible and flexible financing to SMEs, and in particular, to strengthen the basis for direct funding sources; reduce dependence on companies bank lending channel.	2014
	- Improving the operation of the Mutual Guarantee Societies (SGR)		
	- Specific legal regime for credit		

[Anteproyecto de Ley para el Fomento de la Financiación Empresarial]	institutions - Better regulation of securitization in Spain - Enhance the functioning of the Alternative Stock Market (MAB) [Mercado Alternativo Bursátil] - Improving systems of debenture - Regulation of crowdfunding	
Preliminary Draft Law (APL) of Venture Capital [Anteproyecto de Ley de Capital Riesgo]	- Creation of SMEs ECR-financing, promoted through equity and debt instruments of companies in their early stages of development and expansion - Benefit from a more flexible financial regime than the one applied to the traditional venture capital entities	Improve SMEs financing; Contribute to the diversification of sources of financing beyond the banking channel through further development of this channel of business financing.
Transposition of the directive of alternative investment managers	- Introduction of new requirements to management companies - Streamlining and reducing administrative burdens in the regime of venture capital entities - Setting the minimum capital requirements of management companies - Adaptation of tradability and border management of managed by European funds management companies and foreign	Incorporate law of the European Union's so-called alternative investment funds.
Report on refinancing and restructuring of corporate debt for subsequent approval		-

Sources: Author, based on (EC, 2013b; Ministerio de Economía y Competitividad, 2014; Unión Europea, 2014).

TABLE XXV: SPANISH INSTRUMENTS

Spain			
Instruments	Objective	Value	Year
Specific Programmes of DGIPYME			
Asset Securitization Funds for SMEs (FTPYME) [Fondos de Titulización para financiación PYME]	Asset securitization funds are a way of transferring risk (loans or credits) and providing liquidity for the transferor (banks or savings banks) - financial institutions are obliged to assign credit balances of loans to a securitization fund (FTPYME) created "ad hoc"; 4 Funds were established and many agreements formalised for the transfer of assets to them by the following entities: Bankia, Unnin Banc, Banco de Sabadell and Banco Popular Español.	2.951,2 M €	2013
- MADRID FTPYME II		491,2 M €	
- GC FTPYME UNNIM 1		220 M €	
- IM FTPYME SABADELL 9		1200 M €	
- IM BANCO POPULAR FTPYME 3		1040 M €	
Impulse to Business Angel Networks	Financial aid in the form of subventions for activities to create and establish new Business Angels networks, plus financing of activities to provide services related to the overall network operation.	450 m € + 150 m €	2014
Innovative Business Groupings Programme (AEI) [Programa de Agrupaciones Empresariales Innovadoras]	Promotion of competitiveness and implementation of innovative projects through the creation and development of entrepreneurial innovative clusters <sup>1</sup> ; strengthen organizational structures and coordination of "clusters innovation"; development of activities leading to the implementation of collaborative innovation programs; promote cooperation between companies in the different "clusters"; co-funded with resources of the European Regional Development Fund (ERDF).	7 983 570 €	2013
Programmes of agencies linked to DGIPYME			
Financing Lines of Empresa Nacional de Innovación (ENISA)	Promotion of the creation, growth and consolidation of Spanish SMEs through the financing of innovative and viable entrepreneurial projects and the dinamization of the risk capital market.	118,3 M €	2014
- ENISA jóvenes emprendedores			
- ENISA emprendedores			
- ENISA competitividad			
- Línea Agenda digital			
- ENISA Mercados Alternativos			
Refinancing through the Compañía Española de Reafianzamiento (CERSA)	Refinancing or partially covering the risk assumed by the Reciprocal Guarantee Companies with SMEs that require additional guarantees to resolve their financial problems; prioritises the financing of investments and innovative projects, and also micro companies and new businesses or recent start-ups.	-	2013
- SME Guarantee Programme [Programa de Avales para las PYME]		1200 M €	

- ICO/CERSA Agreement	200 M €
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<sup>1</sup>Entrepreneurial Innovative Clusters: defined as the combination, in a geographical area or sector of production, of companies, training centers, research units, and other agents embedded in cooperative processes.

Source: Author, based on (DGIPYME, 2014).

TABLE XXVI: ACCESS TO FINANCE EUROPEAN GOOD PRACTICES

Good Practice in Europe				
Support Structures		Country	Date	
Seed and venture capital programme		Ireland	2008	
Loan to small business with interest refund		Cyprus		
Public venture capital fund of funds		Latvia		
Micro-loan programme for women entrepreneurs and business owners		Spain		
Microloans fund of South Moravian Innovation Centre	Medium-term loans to entrepreneurs as a co-financing of their innovation projects intended entirely for innovative SMEs incubated in Technology incubator VUT managed by JIC.	Czech Republic	2008	
Patent and licence fund (PLF) of South Moravian Innovation Centre	PLF is a special programme that includes consulting and medium-term loans to inventors as a co-financing to enable them obtaining patents and utility models.			
Municipal Guarantee Fund for SMEs	The Fund gathers finance through every privatization deal of municipal property. The capital is used to guarantee the required collateral - up to 50% of the loan amount from trade banks to SMEs.	Bulgaria		
Investment Encouragement Act Amendment	The amendment leads to easier investment not only in expensive hi-tech industries and services but also in some low-developed industries.			
CAP Création Sarthe	The Sarthe business centre offers financial support during the so called business startup leave available in France to give salary earners the chance to start a business. During or after their leave, project initiators may launch their company or return to their former employment.	França		
Royalty scheme to support innovative new business and growth in new markets	The measure provides access to finance for projects that are considered too risky for support through loans. Through royalty financing the enterprise will pay the investor a percentage of sales or gross profits instead of monthly debt payments or equity ownership in the business.	Malta		
Modernisation of the Small Firms Loan Guarantee (SFLG)	The measure concerns the UK SME guarantee mechanism improvements particularly the delegation of the decision-making to participating financial institutions ("Lenders") and providing a web-based tool to facilitate decision making, record keeping and oversight.	United Kingdom		
Municipal Guarantee Fund for SMEs at Sofia Municipality	The Municipal Guarantee Fund guarantees loans to companies registered or active on Sofia Municipality territory. The Fund develops guarantee schemes to guarantee up to 50% of small firms' bank loans.	Bulgaria		2009
Microcredit: Taking a good start	Microcredit combines coaching with loans.	Netherlands		
PPP Centre	Centre for Public-Private Partnership. It is an independent civic institution whose goal is to increase the rate of private investments in order to meet the part of important public needs for which the state has no funds.	Poland		
Supporting development by reinvestment of profit	Financial aid is granted to SMEs that reinvest profits in equipment and machines to increase production capacity or in intangible assets (industrial property rights).	Romania		

Prêt de Reprise	This new financial instrument is a loan to finance assets within the framework of a business transfer.	Luxembourg	
Business mediation	To help Hungarian SMEs deal with the consequences of late payments in their business conditions the Ministry for Economy started promoting mediation among SMEs by financing 10 model mediation cases selected by trade associations. The partner in this program was the Hungarian Mediation Association.	Hungary	
Reducing chain debts	The amended Public Procurement Act contains a number of rules on the reduction of chain debts among entrepreneurs.		
Guarantee-full Interest Rate Subsidy of working capital on SME	The program, aims at facilitating the access of the enterprises in the financial system, creating new jobs and supporting enterprises' liquidity. TEMPME SA ( Credit Guarantee Fund of Small and Very Small Enterprises) helps this by providing loan guarantees and undertaking part of the credit risk involved but also by fully subsidizing the interest rate.	Greece	
Municipal support for SMEs (ERDF) in accordance with AGFVO and De-M	Support for small and medium sized companies by urban and rural districts using funds from the ERDF is a widespread attempt to extend regional policy to include promoting the development of SMEs. The 47 regional authorities taking part are coordinated by a Lower Saxony regulatory framework to ensure the implementation of EU rules on government assistance (state aid).	Germany	
Reducing late payments and incentives for reinvesting profits	To help SMEs improving their equity base one solution is to offer them tax incentives for reinvesting their profits in the enterprise. Different concepts of such incentives have been introduced, some of these are explained in an austrian brochure.	Austria	
Microfinance	Facilitating the supply of microfinance (microloans and coaching) to all entrepreneurs in the Netherlands with a good business plan. The main Dutch commercial banks have founded Qredits - a foundation that is the microcredit supplier. Qredits was awarded with the Microfinance Good Practices Europe Award of the European Microfinance Network (2010) for its combination of experiences within the banking world with a personal approach of entrepreneurs and a excellent innovative IT-system. Qredits is part of a nationwide network called Stichting Microfinanciering en Ondernemerschap Nederland whose partners are organisations, institutions and companies which are active in receiving and guiding potential entrepreneurs, giving them assistance with their business preparations ('local access points') or granting loans or coaching entrepreneurs once they have started their businesses.	Netherlands	2010
Business Cashflow Guides	Series of 10 guides developed by the Institute of Credit Management (ICM) and the Department for Business, Innovation and Skills (BIS), in partnership with the UK's leading business representative organisations. They are designed to provide simple and practical support to help SMEs through straightforward and speedy advice with simple checklists and top tips.	United Kingdom	
Hungarian JEREMIE Programs	In order to help SMEs to get access to financial sources Hungarian government introduced JEREMIE programmes. The programme contributes to developing and fostering financial markets, that results in better access to finance for SMEs. The following programmes were introduced: Microcredit Programme, Small Credit Programme, Portfolio Guarantee Programme, SME Investment Loan, Working Capital Credit and Venture Capital.	Hungary	

Ingegneria Finanziaria nella Regione Veneto (financial engineering in the Veneto Region)	The Region set up the first rotation fund to provide low-interest loans to SMEs, managed by a regional financial body and with participation from the main credit institutions in the territory. The enterprise subsequently repays the funding into public funds. There are two sections to the Fund: Section A concerns investments in production, i.e. the acquisition of machinery, installations, registered vehicles, excluding those intended only for company use, and patents. Section B concerns environmental recapitalisation, the financial recovery of companies and consolidation of short-term bank liabilities. A Private Equity Fund has also been set up with the aim of taking on minority and temporary shareholdings in SME risk capital.	Italy
Improving financing conditions for SMEs during times of economic difficulty by applying financial engineering (FE) measures	Financial engineering (FE) is a new way of using the State resources allocated to supporting companies. Rather than giving companies one-off, non-repayable grants, funds are made available to them as a loan and are invested in company capital, etc. Taking into account market demand, FE measures are implemented systematically and complement each other rather than competing with one another, i.e. businesses are offered soft loans of various sizes, the State, by providing guarantees, bears some of the investment risk, and provision of guarantees is coordinated with partial loan interest compensation. Repayment of the funds ensures that they can be used again to support other SMEs.	Lithuania
High-Tech Starters' Fund	The High-Tech Start-up Fund invests venture capital in new German technology businesses, so that they can develop promising research projects up to the prototype or 'proof of market' stage. It thus meets a need for financing in this start-up segment. To this end it uses open participation and makes a subordinated convertible loan available in parallel. The aim is to finance start-ups just until they are ready for follow-on investment by private venture capitalists or start to earn their own income. The fund may make further risk capital available in a subsequent financing round to firms already financed. The final investment decision is made by an investment committee for which the Federal Ministry of Economic Affairs and Technology, the KfW [Kreditanstalt für Wiederaufbau] and the partners from industry have the right of initiative. Those starting up in business may in principle apply for further R&D funding within certain limits.	Germany
EXIST-Gründerstipendium	The EXIST start-up grant supports business start-ups at universities and non-university research institutions for entrepreneurs wishing to translate their innovative, technological, economically feasible ideas into a business plan. The EXIST grant is a support programme promoted by the Federal Ministry of Economic Affairs and Technology and is cofunded by the European Social Fund. Business start-ups receive a grant, together with equipment and coaching. The main fields are: software, mobile telephony/communication technologies, internet, environmental technologies, medical technology.	
Micro-loans for small firms	The purpose of this programme is to encourage newly established, taken-over and existing economically independent small businesses in all sectors (except the tourism and leisure industry) to take up small-scale loans. Austria Wirtschafts-service (AWS – Austria Economic Service) promotes investment loans and/or working capital loans.	Austria

Adoption of policy measures to facilitate SMEs access to finance through public support to guarantee schemes	Belgium, Cyprus, Czech Republic, Estonia, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and United Kingdom		2011
Adoption of policy measures to facilitate SMEs access to finance through microcredit co-funding	Austria, Germany, Hungary, Ireland, Latvia, Lithuania, Slovakia and Sweden		
Measures to increase risk capital	Czech Republic, Denmark, Germany, Ireland, Luxembourg, Poland, Slovakia, Sweden and United Kingdom		
Creation of a "credit ombudsman"	Belgium, Hungary, France, Ireland and Finland		
Action regarding late payments (anticipation of late payments Directive and going beyond its scope in some cases)		Belgium, France, Germany, Portugal and United Kingdom	2011
-	Law setting a 30-day term for public payments and 60-day term for business-to-business payments	Spain	
Revolving Fund of Chamber of Commerce of Pisa	The Revolving Fund of the Chamber of Commerce of Pisa is a seed capital instrument used by the Chamber to subscribe risk capital for innovative enterprises.	Italy	2011
Financing by the Novallia company by means of subordinated loans, with attractive conditions for innovative projects – in the broader sense – (products, procedures) within SMEs situated in Wallonia.	NOVALLIA, a subsidiary of SOWALFIN (Wallonian regional association for the financing of SMEs), finances innovative projects, in the broader sense, within SMEs situated in Wallonia. The aim is to provide a response to the problem of access for SMEs to financing for risky projects.	Belgium	
Co-financing in the form of granting subordinated loans to SMEs as a supplement to medium-term bank loans	SOWALFIN aims to encourage the creation, development and transfer of SMEs in Wallonia. One of its activities is to grant subordinated loans as a supplement to bank financing. This activity targets investments which are tangible (buildings, machinery, equipment) or intangible (purchase of a business), increases in working capital, and transfers (takeover of the majority of shares) of SMEs. No collateral is required of the SME to cover this loan.		
departure - The Creative Agency of the City of Vienna	Austria's first independent business promotion agency and service centre for companies of the creative industries. With the aim of creating an economically sustainable basis for Vienna's creative professionals, departure offers various funding programmes for entrepreneurs and company founders and supports outstanding achievements in the following fields of the creative industries: fashion, music, audio-visual media, multimedia, design, publishing, art market and architecture. There are a total of four funding programmes on offer: departure classic and departure focus are classic funding programmes addressed to both established companies and company founders.	Austria	
Mingo Finance - individual coaching on enterprise financing	Mingo Finance' offers free coaching on all matters related to enterprise financing, focusing in particular on facilitating access to external finance.		



i2 - Die Börse für Business Angels (i2 - The Business Angels Matching Service)	i2 - The Business Angels Matching Service, which is run by aws investment bank, supports businesses with private equity and also establishes valuable business contacts.		
FINICIA - Axis III (Eixo III)	FINICIA is a programme which combines market financing solutions and risk or credit capital with support services close to the entrepreneurs during the stage of setting up a company or during the first stage of the company's life cycle. In order to ensure access to financial resources, the State through the IAPMEI, shares the risk generated by these transactions with risk-capital companies, banking institutions, mutual guarantee schemes and "business angels". FINICIA Axis III is a unique measure that covers companies that are not at the early stage and consists of creating municipal funds, mezzanine finance solutions that combine municipal incentive (20%) with financial credit (80%). This measure facilitates access to medium and long-term bank loans. The project is managed at local level by the municipality, regional development associations or local business associations.	Portugal	
Oberösterreichischer Gründerfonds [Upper Austria Start-Up Fund]	The aim is to support the financing of undertakings in Upper Austria. The fund, which is a support measure by the province of Upper Austria, offers young entrepreneurs, purchasers and founders of undertakings easy access to the start-up capital they require. The UBG uses this funding for equity participations to finance investments and operating resources.		2012
KMU-Innovationsförderung Unternehmensdynamik [Boosting innovation in SMEs and business dynamism]	This measure supports innovative investment projects in growing undertakings (SMEs) through subsidies of up to 5% for innovative investments and assumptions of liability of up to 80% for loans. This financing is provided via the company's own bank before the investments are made (internal financing also directly at aws).	Austria	
erp-Kleinkredit (erp- small loans)	The availability of loans provided at favourable interest rates assists financially independent, commercial and small undertakings in every branch in their modernisation/expansion investments and in developing or expanding services/business concepts.		
JEREMIE initiative	Introduction of EU sponsored JEREMIE initiative (Joint European Resources for Micro to Medium Enterprises) which offers EU member states, through their national or regional Managing Authorities, the opportunity to use part of their EU Structural Funds to finance SMEs by means of equity, loans or guarantees, through a revolving Holding Fund acting as an umbrella fund.	Bulgaria	
Guarantee programme for SMEs with up to 50 employees	-	Czech Republic	
Project 30	Seed Venture Capital Fund initiative introduced by th Ministry of Industry and Trade - seed, start-up and venture capital.		2012/2013
Prototron	Introduction of a prototyping fund called Prototron through which SMEs can apply for private funding to build the first working prototype for their product or service idea.	Estonia	
Credit mediation service	The french government created Credit mediation service to assist SMEs in resolving their liquidity problems by mantaining or obtaining bank credit. National and local mediators link banks with companies that need additional financial support.	France	
Fonds Commun de Placement dans l'Innovation (FCPI)	The FCPI has been created to collect private funds to finance innovative SMEs while benefiting from tax advantages.		

Public Investment Bank (BPI)	The government announced the creation of a BPI. France's new public investment bank provides finance and long-term support for business and export development which is currently lacking for smaller companies. Its main role is to channel state funds to promising firms by taking small stakes alongside private equity investors. The BPI is formed from a merger of the Strategic Investment Fund, OSEO and the Caisse des Dépôts et Consignations.		
Credit Guarantee Schemes	Guarantees covering part of the bank's collateralisation requirements for SMEs loans.	Greece, Hungary, Ireland and Lithuania	
Matching Funds	The creation of matching funds to attract private investors, especially at regional level (e.g. FILAS funds in Latium, Ingenium in Emilia Romagna, etc.)	Italy	
Luxembourg Business Angel Networking (LBAN)	LBAN a member of EBAN (European Trade Association for Business Angels) is a dynamic networking platform that connects business angels with high potential entrepreneurial ventures in seed or growth stage or in a restructuring or transmission phase.	Luxembourg	
Close financial chain	Set up of a closed financial chain that could cater to the capital needs of SMEs through the different phases of their corporate development. Members of the closed financial chain, various public and private, national and international financial entities as well as SMEs themselves share the risk related to investments in innovative projects.	Netherlands	
Public support fund	Public funding support offered by the Ministry of Economy to companies that want to invest in new technologies to run their business more efficiently.	Slovakia	
High-Tech Gründerfonds	-	Germany	2013
EXIST-Gründerstipendium	-		
Med Technopolis Project for the implementation of a Mediterranean network of Technology Interface Structures (TIS)	The Project aims to promote innovation and the knowledge economy in the MED regions, based on the economic development of TIS and SPM to drive sustainable development in these regions.	Spain	2014

Source: Author, based on (ECDGEI, 2014g).

TABLE XXVII: ACCESS TO FINANCE NON-EUROPEAN PRACTICES

Worldwide Practices		
Support Structures	Country	Date
Increased amount of government loan guarantees and/or % guaranteed, number of firms eligible, countercyclical loans	Canada, Chile, Korea, Thailand, USA	2007-2011
Special guarantees and loans for start-ups	Canada	
Increased government export guarantees	Canada, New Zealand	
Increased direct lending to SMEs	Canada, Chile, Korea, Serbia <sup>34</sup>	
Subsidized interest rates	Russia, Turkey	
Venture capital and equity funding, guarantees	Canada, Chile	

<sup>34</sup> In the period 2007-2011 Serbia was in the process of accession to the European Union, therefore it is not considered as Europe.

Business advice, consultancy	New Zealand	
Tax exemptions, deferments	New Zealand	
Credit mediation/review/code of conduct	New Zealand	

Source: Author, adapted from (OECD, 2013b).

TABLE XXVIII: ACCESS TO FINANCE POLICY RECOMMENDATIONS

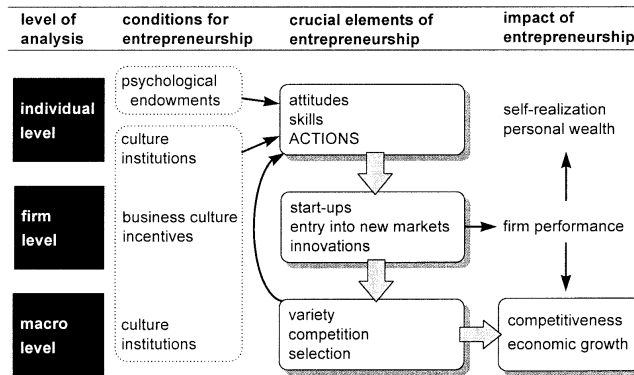
<b>Problem</b>	<b>Policy recommendation</b>
<b>Lack of awareness about available financial support</b>	<ul style="list-style-type: none"> <li>• Organise regular information campaigns</li> <li>• Launch expos to match SMEs and private investors</li> </ul>
<b>Lack of private funding (BA/VC, banks loans and guarantees)</b>	<ul style="list-style-type: none"> <li>• Introduce additional incentives for Business Angels and Venture Capital firms to encourage them to invest in SMEs (e.g. tax incentives)</li> <li>• Encourage public/private co-investments (e.g. by setting up closed financial chains)</li> <li>• Provide public guarantees for commercial loans</li> </ul>
<b>Limited use of EU funding</b>	<ul style="list-style-type: none"> <li>• Implement EU programmes, such as JEREMIE and RSFF</li> <li>• Simplify application procedures for EU funds</li> <li>• Ensure flexibility in allocation of EU funds</li> <li>• Provide financial support covering the whole product lifecycle</li> </ul>

Source: (PCMEC, 2013).

Enterprise category	Headcount: Annual Work Unit (AWU)	Annual turnover	Annual balance sheet total	SME thresholds	
				Micro enterprise	Small enterprise
Medium-sized	< 250	≤ €50 million <small>(n 1996 € 40 million)</small>	≤ €43 million <small>(n 1996 € 27 million)</small>	Staff: < 10 Turnover: ≤ € 2 million Balance sheet: ≤ € 2 million	
Small	< 50	≤ €10 million <small>(n 1996 € 7 million)</small>	≤ €10 million <small>(n 1996 € 5 million)</small>	Staff: < 50 Turnover: ≤ € 10 million Balance sheet: ≤ € 2 million	
Micro	< 10	≤ €2 million <small>(previously not defined)</small>	≤ €2 million <small>(previously not defined)</small>	Staff: < 250 Turnover: ≤ € 50 million Balance sheet: ≤ € 43 million	

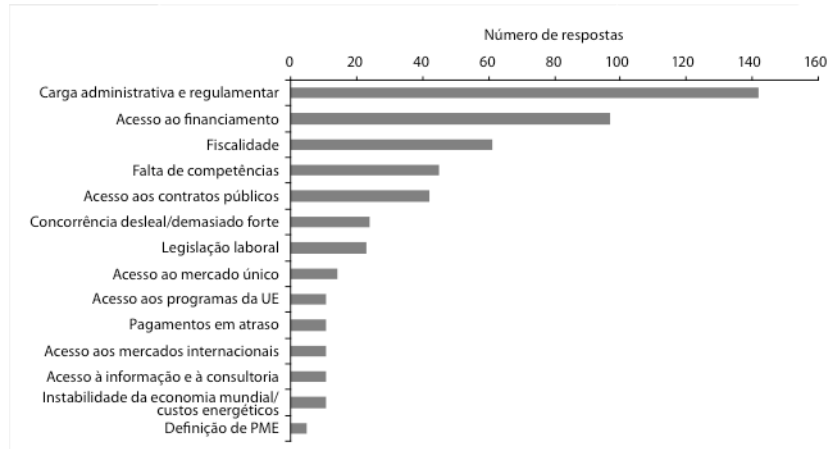
Source: (EC, 2005).

FIGURE 1: SMES CATEGORIZATION CRITERIA



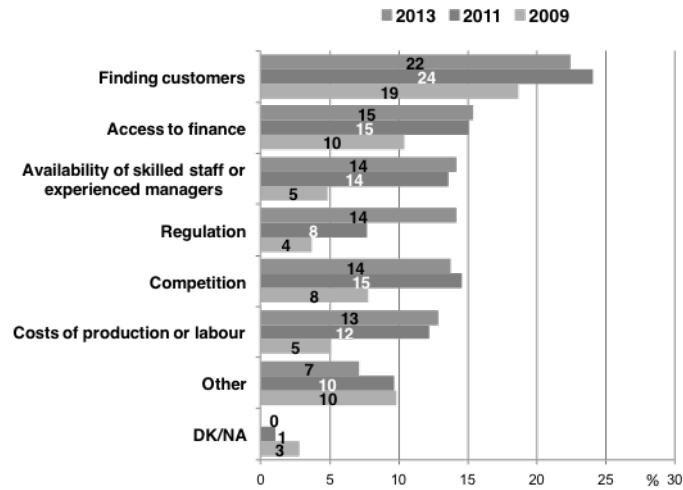
Source: (Wennekers & Thurik, 1999).

FIGURE 2: LINKING FRAMEWORK BETWEEN ENTREPRENEURSHIP AND ECONOMIC GROWTH



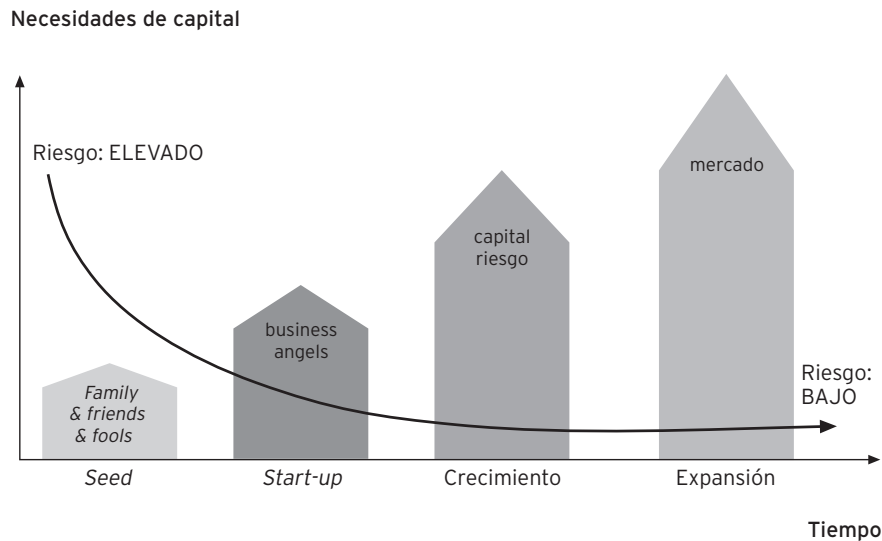
Source: (Comissão Europeia - Empresa e Indústria, 2008).

FIGURE 3: MAIN PROBLEMS OF EUROPEAN SMES



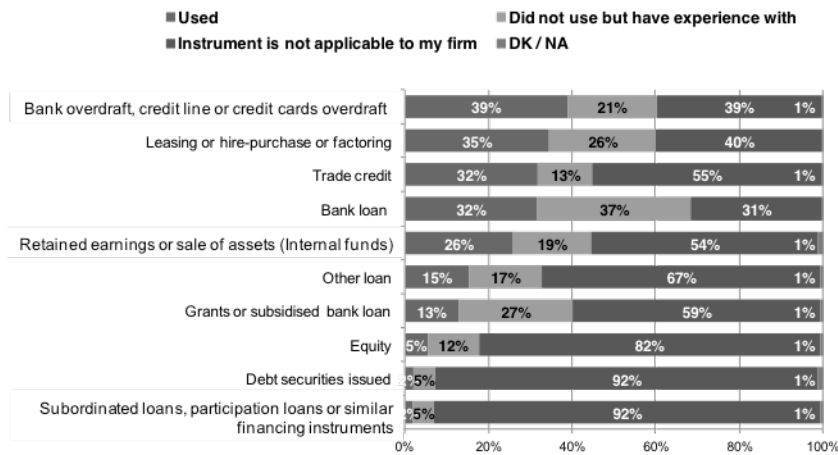
Source: (Ipsos Mori, 2013).

FIGURE 4: COMPANIES' MOST PRESSING PROBLEMS – CHANGES BY YEAR



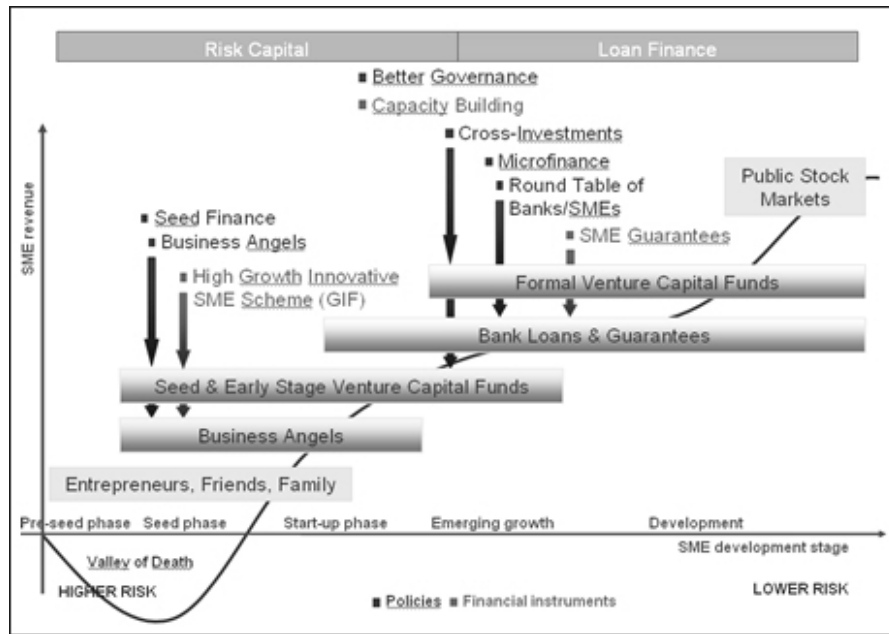
Source: (DGPPYME, 2009).

FIGURE 5: FINANCING STAGES



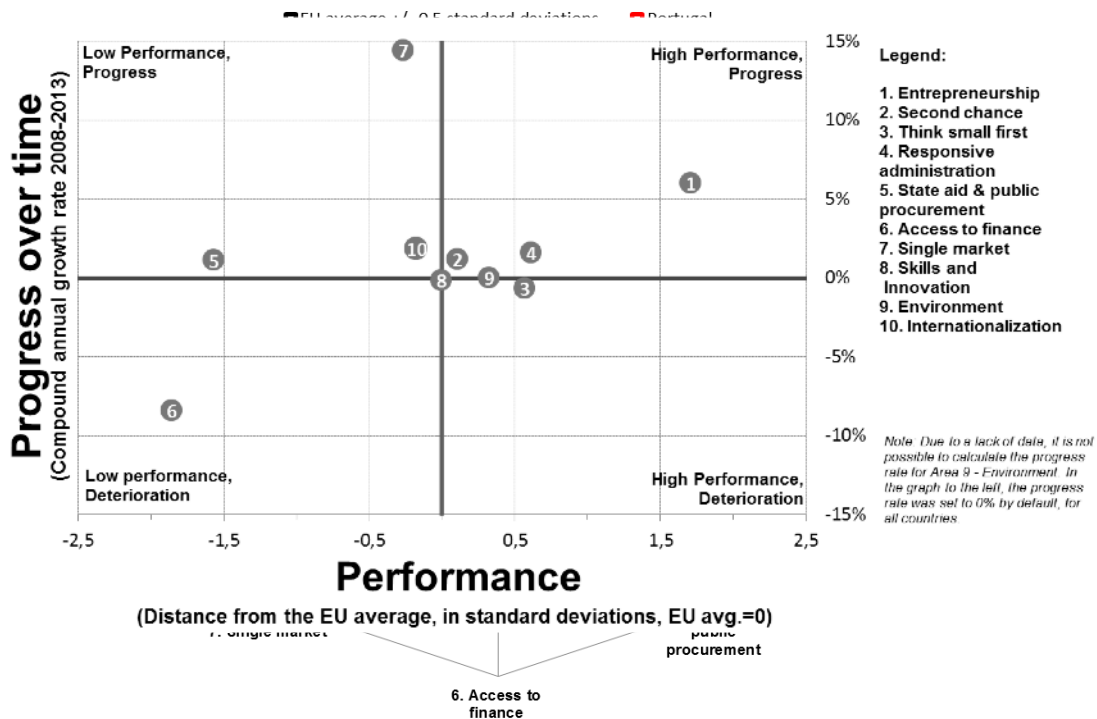
Source: (Ipsos Mori, 2013).

FIGURE 6: COMPANIES' USE OF INTERNAL AND EXTERNAL FINANCING IN THE PAST SIX MONTHS



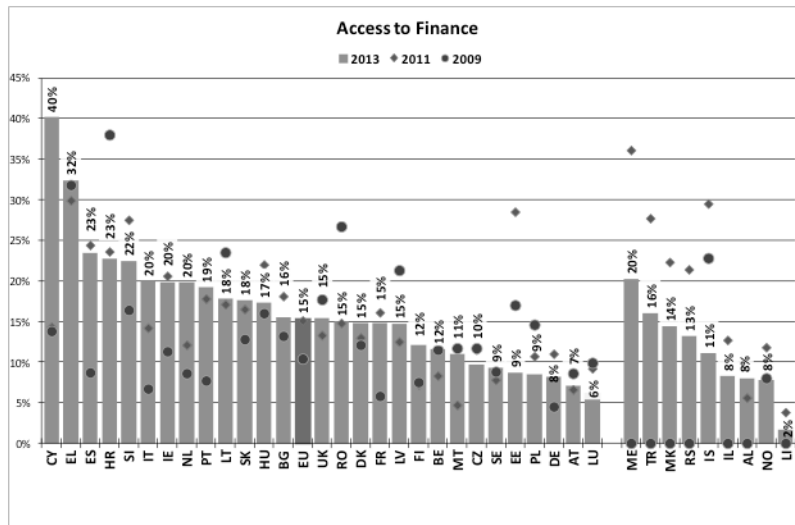
Source: (ECDGEI, 2013b).

FIGURE 7: EU FINANCIAL POLICIES AND INSTRUMENTS AT SMES EACH LIFE STAGE



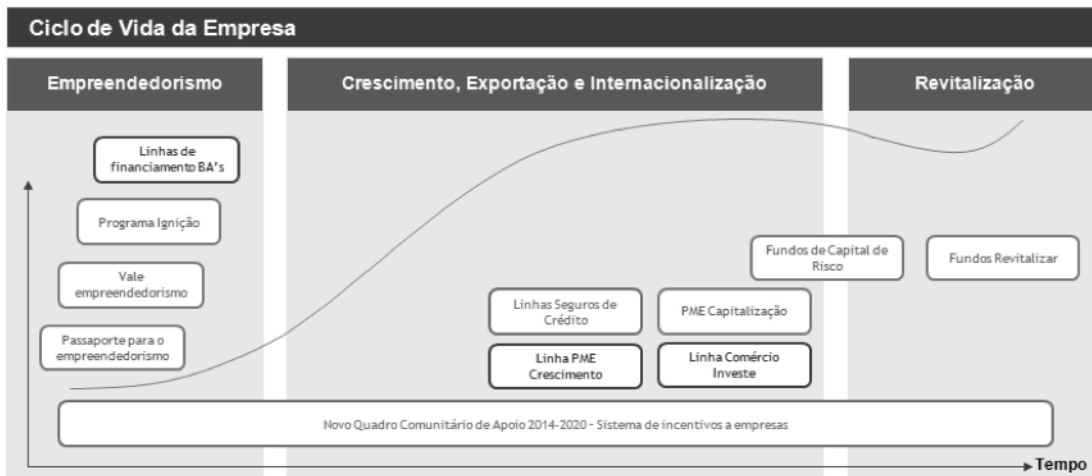
Source: (EC, 2013a).

FIGURE 8: PORTUGAL'S SBA PERFORMANCE



Source: (Ipsos Mori, 2013).

FIGURE 9: SMES MOST PRESSING PROBLEM – ACCESS TO FINANCE



Source: data from Ministério da Economia (Governo de Portugal, 2013a).

FIGURE 10: SUPPORT POLICIES TO SMES ACCORDING WITH LIFE CYCLE



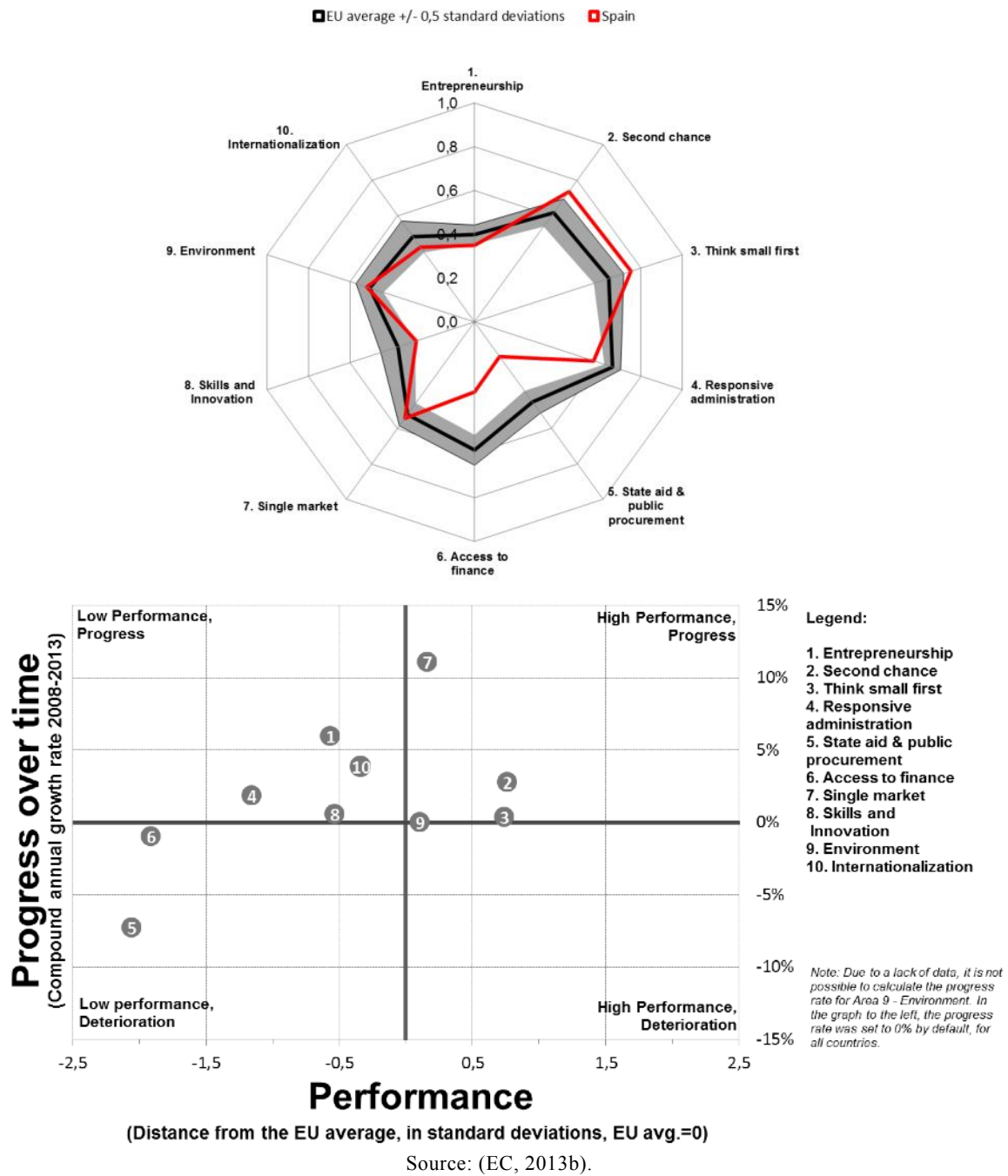


FIGURE 11: SPAIN'S SBA PERFORMANCE