

Survey on the Access to Finance of Non-financial Companies and their Resilience to Negative Financial Conditions (FCNEF)

Elena Banu

Annual Regional Seminar on Financial Stability Issues

Sinaia, November 2013

All views expressed are those of the author and do not necessarily represent the opinions of and should not be attributed to the National Bank of Romania.

BANCA NAȚIONALĂ ROMÂNIEI



Access to finance of non-financial companies in the financial stability framework

- Access to finance ⇒ investment spending ⇒ economic growth
- Financing constraints can worsen companies' balance sheets in times of recession (*financial accelerator*)
- Access to finance is particularly important for SMEs, which contribute considerably to the economy, but tend to be more financially constrained compared to large companies
- Extensive literature explores financing constraints:
 - Defining financing constraints (Fazzari, Hubbard and Petersen, 1988; Kuntchev et al., 2012)
 - Identifying determinants of financing constraints (Beck et al., 2004; Ferrando and Grieshaber, 2011)
 - Survey data approach as a straightforward self-assessment of financing conditions

Surveys on access to finance in the European Union

EU Surveys	Period of publication	Frequency	Countries
<i>European Commission SMEs' access to finance surveys</i>	2005	one-off	15 old EU member states
	2006	one-off	10 new EU member states
<i>Eurostat SMEs' access to finance survey</i>	2011	one-off	20 EU member states
<i>The Survey on the Access to Finance of Small and Medium-sized Enterprises (SAFE)</i>	2009-present	every 2 years and starting 2014 every year (EC and ECB)	38 countries (of which 27/28 EU member states)
		twice per year (ECB)	euro area member states
Romanian Survey			
<i>Survey on the Access to Finance of Non-financial Companies and their Resilience to Negative Financial Conditions (FCNEF)</i>	Period of publication: 2013	Frequency: twice per year	Country: Romania (sample of over 10000 companies)

FCNEF – structure of questionnaire

Access to finance

Resilience to negative financial conditions

General economic situation of the firm

Availability of financing sources

Financing conditions and factors of influence

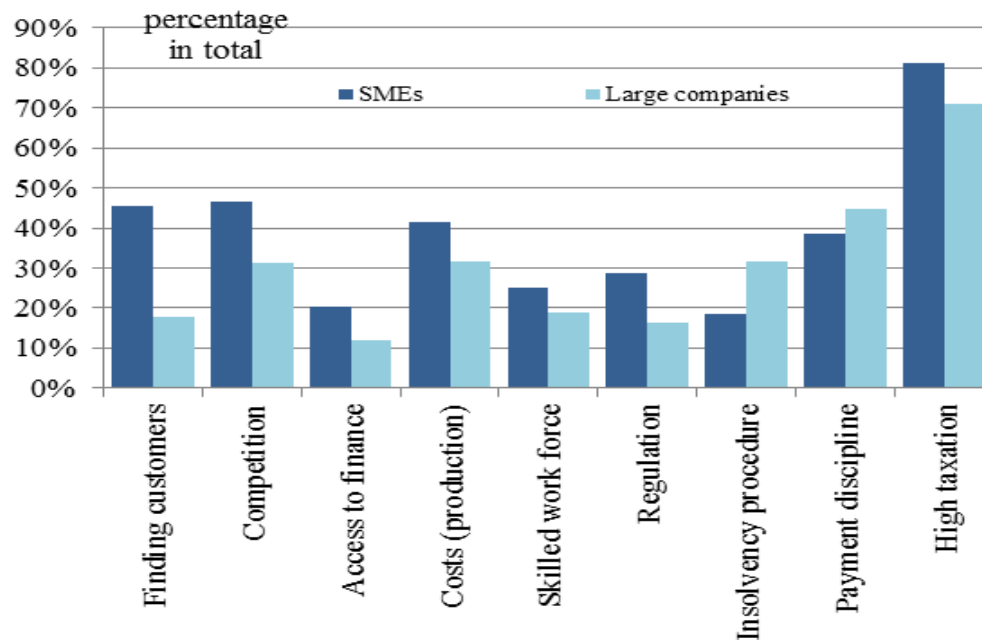
Reactions to interest rate developments

Reactions to exchange rate developments

General economic situation of the firm:

The most pressing problems of Romanian non-financial companies, in the past 6 months

- High taxation is the most pressing problem of non-financial companies.
- SMEs perceive access to finance as a greater problem as opposed to large companies.



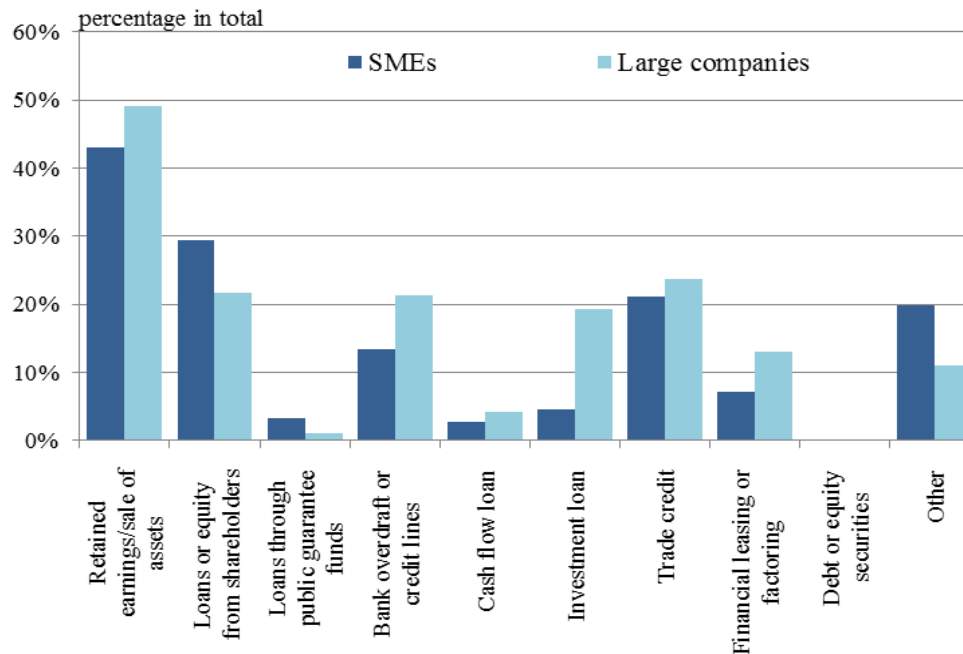
Note: percentage in total is the number of companies that rated the problem as pressing and highly pressing in total number of respondents (question with rating scale)

Source: *The NBR Survey on Access to Finance of Non-financial Companies, and their Resilience to negative financial conditions*, September 2013

Availability of financing sources:

Availability of financing instruments for Romanian non-financial companies, in the past 6 months

- Companies, including SMEs, tend to rely on internal finance to a great extent; the most common sources of external finance are bank finance and trade credit.

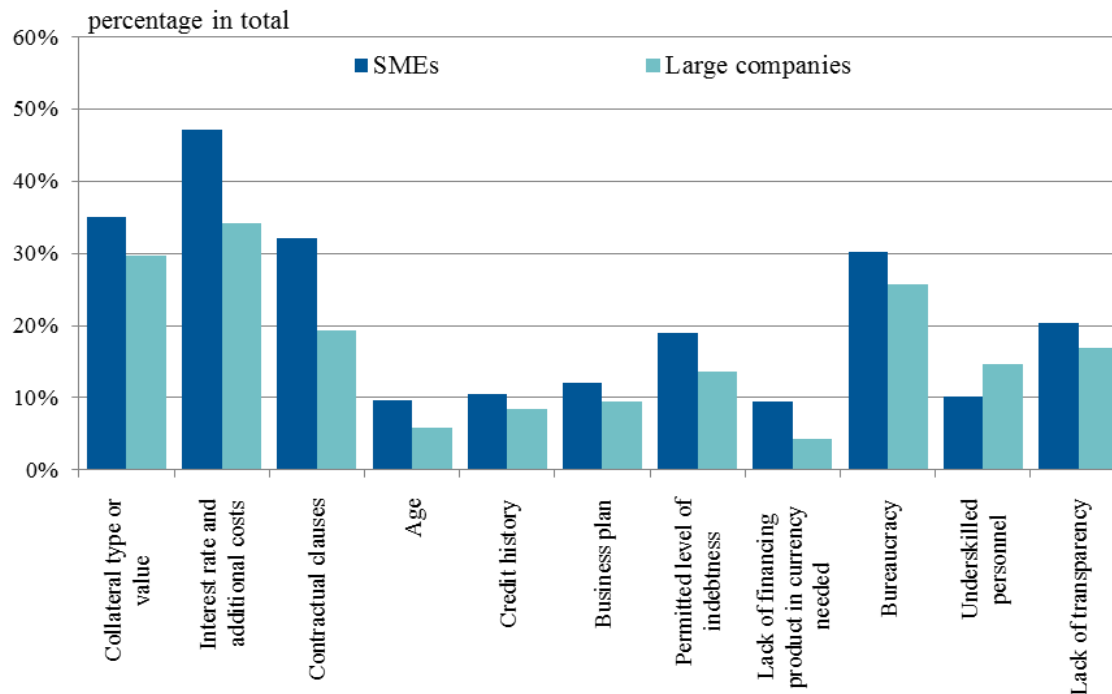


Note: percentage in total is the number of companies that used a source of financing, in total number of respondents (multiple choice question)

Source: *The NBR Survey on Access to Finance of Non-financial Companies, and their Resilience to negative financial conditions*, September 2013

Financing conditions and factors of influence: Obstacles of non-financial companies in accessing bank and non-bank funding, in the past 6 months

- Cost of credit and collateral requirements are the greatest obstacles of non-financial companies in accessing finance, especially for SMEs.



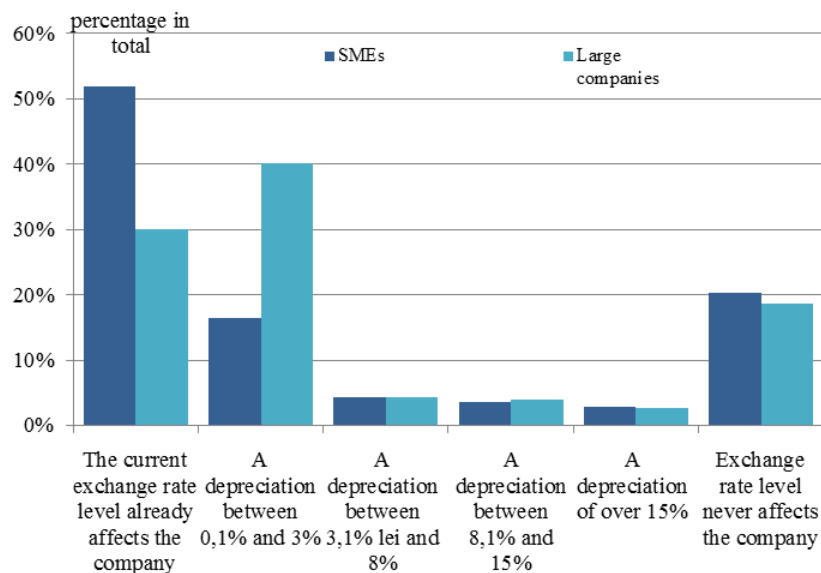
Note: percentage in total is the number of companies that rated the problem as pressing and highly pressing in total number of respondents (question with rating scale)

Source: *The NBR Survey on Access to Finance of Non-financial Companies, and their Resilience to negative financial conditions*, September 2013

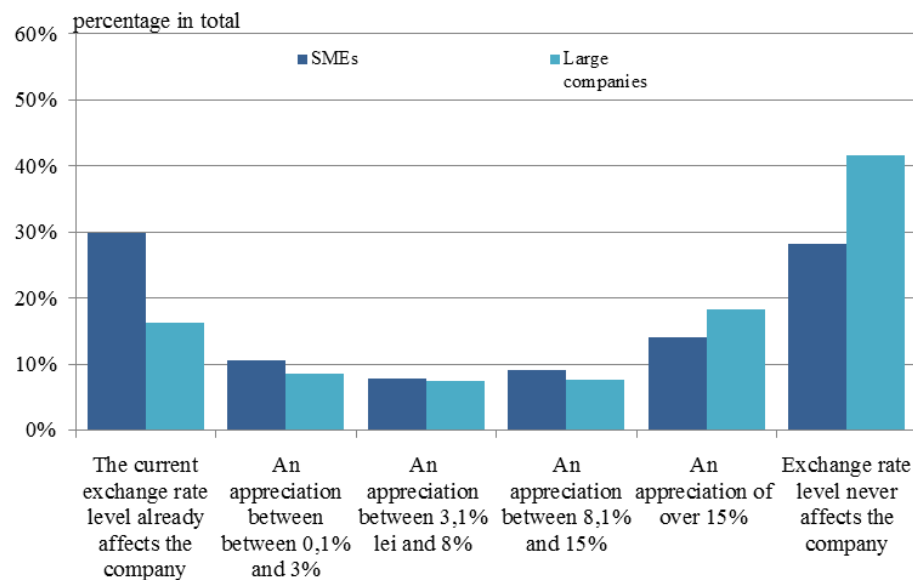
Reactions to exchange rate developments:

Exchange rate developments and the resilience of Romanian non-financial companies

Depreciation of leu against the euro



Appreciation of leu against the euro

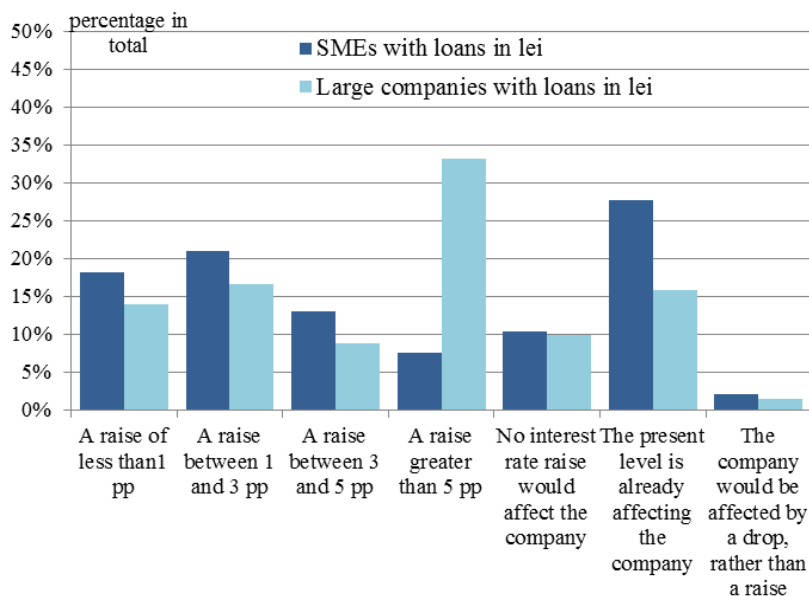


Note: percentage in total is the number of companies that chose an option, in total number of respondents (single choice question)

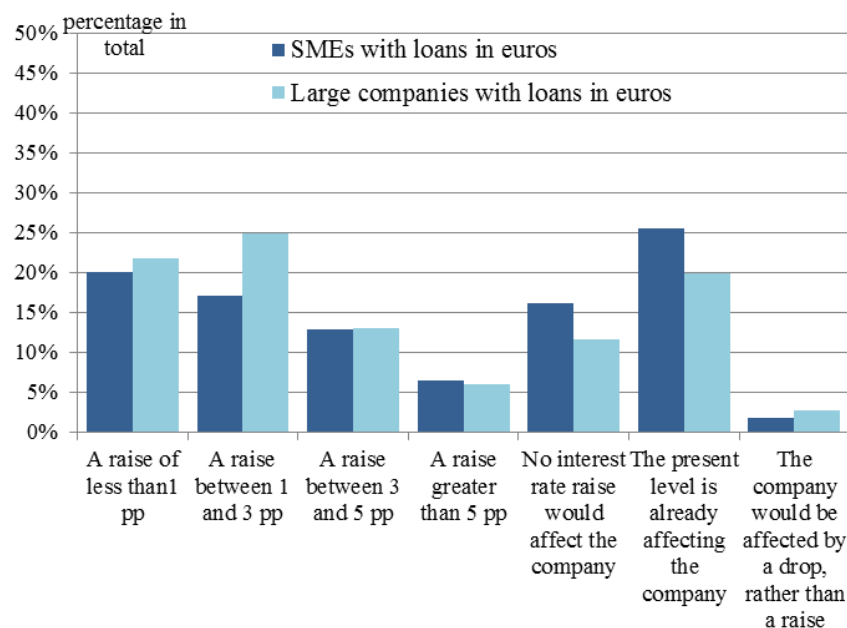
Source: *The NBR Survey on Access to Finance of Non-financial Companies, and their Resilience to negative financial conditions*, September 2013

Reactions to interest rate developments: Interest rate developments and the resilience of Romanian non-financial companies

*Interest rate developments for
loans in lei*



*Interest rate developments for
loans in euros*



Note: percentage in total is the number of companies that chose an option, in total number of respondents (single choice question)

Source: *The NBR Survey on Access to Finance of Non-financial Companies, and their Resilience to negative financial conditions*, September 2013

Conclusions

- Survey data on access to finance of non-financial companies offers an insightful perspective on credit demand; the information from this tool is combined with the results from the *Bank Lending Survey* which captures also the supply-side perspective.
- Internal funding is the most preferred form of financing, followed by bank funding and trade credit.
- Access to finance is not perceived as the main challenge (only 20% of Romanian non-financial companies flagged the issue as a significant problem).
- Companies consider to be sensitive to small upward changes in the interest rates and to any slight depreciation of the national currency against the euro.

References

Beck, T., Kunt, A., Laeven, L., and Maksimovic, V. (2004), *The Determinants of Financing Obstacles*, World Bank Policy Research Working Paper 3204

Bernanke, B., Gertler, M., and Gilchrist, S. (1994), *The Financial Accelerator and the Flight to Quality*, NBER Working Papers 4789

Coluzzi, C., Ferrando, A., and Carrascal, C. (2009), *Financing Obstacles and Growth: An Analysis For Euro Area Non-financial Corporations*, ECB Working Paper Series, No. 997/2009

Fazzari, S., Hubbard, R. and Petersen, B. (1988), *Financing Constraints and Corporate Investment*, Brookings Papers on Economic Activity 1, 141-195.

Ferrando, A. and Grieshaber, N. (2011), *Financing Obstacles Among Euro Area Firms: Who Suffers the Most?*, ECB Working Paper Series, No. 1293/2011

Kuntchev, V., Ramalho, R., Meza, J., and Yang, J. (2012), *What Have We Learned from the Enterprise Surveys Regarding Access to Finance by SMEs?*, World Bank Policy Research Working Paper No. 6670

Ploetscher C., and Rottmann H. (2002), *Investment Behavior and Financing Constraints in German Manufacturing and Construction Firms: A Bivariate Ordered Probit Estimation*, ifo Studien, Zeitschrift für empirische Wirtschaftsforschung

Valverde, S., Fernandez, F., and Udell, G. (2008), *Bank Lending, Financing Constraints and SME investment*, 21st Australasian Finance and Banking Conference 2008 Paper

<http://ec.europa.eu/enterprise/policies/finance/data/>

<http://www.ecb.europa.eu/stats/money/surveys/sme/html/index.en.html>

Thank you!