

# German SMEs are very loyal to their principal bank

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Traditionally, German SMEs have enjoyed a close relationship with the banking sector. Small and medium-sized enterprises (SMEs) finance around one third of their annual investment volume with bank loans (2017: EUR 65 billion). Stable, long-term relationships with selected credit institutions that are built on trust are the main criterion for quality and quantity in the supply of credit for SMEs in Germany.

The 'principal bank concept' is widespread in the SME sector, with 93% of all enterprises doing business with a preferred credit institution. This business relationship is extremely durable, lasting 20 years on average. SMEs are very loyal to their principal bank.

A special analysis conducted by the KfW SME Panel has also found that businesses value face-to-face interaction, despite the structural changes in the banking landscape. Around 2.44 million SME managers – representing 65% of all enterprises – visited a bank branch at least once in 2017. These entrepreneurs went to their branch 3.9 times a year on average. Nine in ten business appointments took place in a branch of the principal bank. The longer the relationship has endured, the more often they visited the branch.

But that also means that not every entrepreneur wants to do their banking face-to-face. Around one third of SMEs never

visited a branch in 2017, despite an existing business relationship.

The principal bank also plays a decisive role as a lender. On average, it accounts for 80% of an SME's credit volume. More than half of all businesses have taken up loans exclusively from their principal bank.

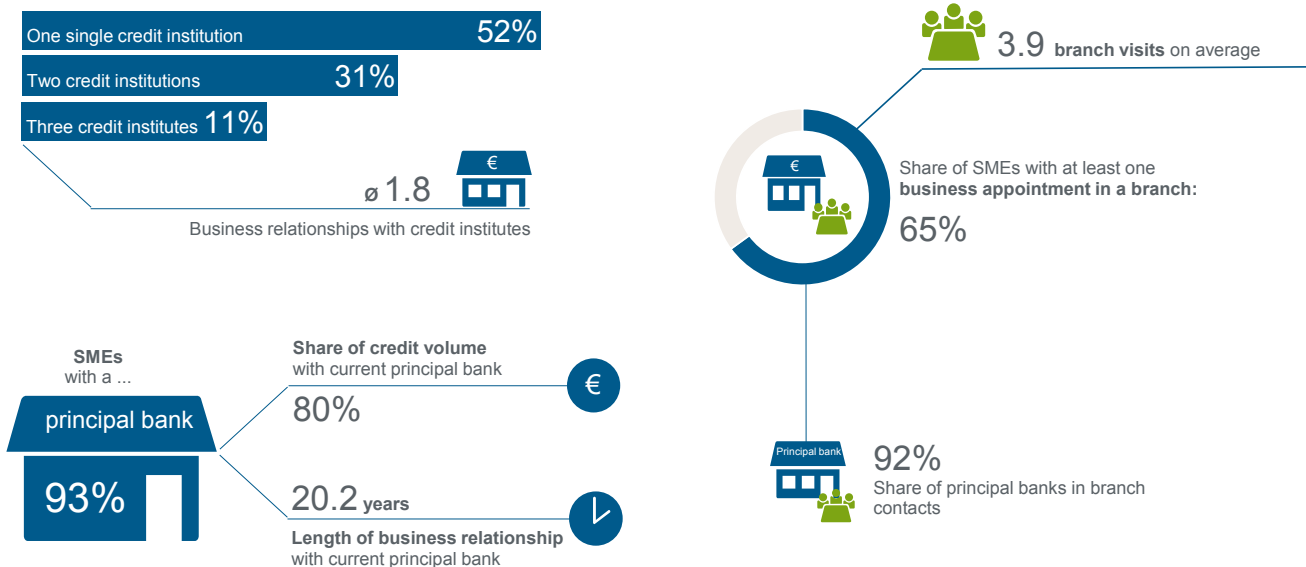
As a general rule, the larger the enterprise, the more diversified the business relations to credit institutions. Larger SMEs are more broadly positioned, visit branches more often and focus less on the principal bank for their borrowing. ■

### Database: The KfW SME Panel

The KfW SME Panel (KfW-Mittelstandspanel) has been conducted since 2003 as a postal tracking survey of small and medium-sized enterprises in Germany. The basic population of the KfW SME Panel includes all private-sector companies from all industries with annual turnovers of up to EUR 500 million.

With a database of up to 15,000 companies a year, the KfW SME Panel is the only representative survey of the German SME sector. Further information and the current annual report can be obtained [here](#).

### Key figures on the business relationships of SMEs with credit institutions in 2017



Source: KfW SME Panel 2018.

Note: This paper contains the opinion of the authors and does not necessarily represent the position of KfW.