

BUSINESS SURVEY 2015

Financing situation better than ever – structural problems continue to affect small and new enterprises

Summary

The financing situation for companies is on the up again as a result of the combination of low interest rates, a lower need for external financing (due to an improved ability to self-finance) and economic recovery in Germany, despite unfavourable underlying conditions. Since these surveys began in 2001, there has never before been such a positive assessment of the financing climate by both large and small enterprises. Despite this, small and new enterprises continue to face particular problems when it comes to borrowing. Low credit ratings, difficulty in putting up adequate collateral – leading in turn to a refusal to lend – continue to affect small and new enterprises a great deal more than others. The individual findings were as follows:

1. There was a further significant improvement in companies' financing situation over the past twelve months. The proportion of companies experiencing increased difficulty in obtaining loans fell to 17 % (2 % lower than in the previous year). The proportion of companies reporting easier access to loans actually rose by 3 percentage points (to 11 %).
2. However, the proportion of small enterprises (turnover of less than EUR 1 million) reporting problems in obtaining loans (23 %) was nearly three times greater than that of enterprises with a turnover in excess of EUR 50 million. New enterprises (those formed within the last six years) also had a more negative assessment of the financing situation, with 22 % of them reporting a deterioration in the situation.
3. Companies experiencing increased difficulty in obtaining loans attributed this to the following factors:
 - The main obstacles to obtaining loans are banks' requirements for much greater levels of information (documentation relating to plans and/or disclosure of business figures and strategies) and the demand for increased levels of collateral (a good 80 % in each case). Banks remain highly risk-sensitive – virtually regardless of the type of client concerned – the only exception being banks' increased collateral demands, as reported more frequently by small enterprises.
 - Banks' requirements in respect of the amount of own capital to be put up by companies make it difficult for small enterprises, in particular, to obtain loans. Own capital

requirements were cited in 82% of cases by companies with turnover of less than EUR 1 million as one of the most significant difficulties they face. In contrast, only 49% of companies with turnover in excess of EUR 10 million were affected by this factor.

- The result of all this is to put fundamental access to bank loans for small enterprises in particular in doubt (60% in the case of companies with turnover of less than EUR 1 million; 27% in the case of companies with turnover in excess of EUR 10 million). As many as 76% of recently-formed companies report this as an obstacle.
4. Improved credit ratings form the basis of a good financing climate. Credit rating assessments have improved across the board as prospects for the economy have brightened. 33% of the companies questioned reported improvements in their credit ratings (up 8 percentage points on the previous year). Only 12% reported worse figures (as was also the case the previous year).
 5. Astonishingly, many small enterprises do not know their credit rating. The fact that only 31% of small enterprises know what their credit rating is, indicates some room for improvement with regard to communication between companies and banks. In particular, there has been hardly any improvement in small enterprises' awareness of such figures over the last five years.
 6. Some 58% of companies were involved in loan negotiations over the last year, meaning that bank loans continue to represent an important source of finance – despite the fact that companies' ability to self-finance has risen over the same period.
 7. Around a seventh of companies failed in their attempts to cover their short, medium or long-term financing requirements by means of bank loans. Small enterprises were even more likely to fail in their negotiations, particularly to obtain medium or long-term loans.

This was the fourteenth occasion on which the survey had been conducted amongst companies of all sizes and legal forms, in all sectors and regions. Altogether, 21 specialist and regional business associations took part in the survey which was carried out in the first quarter of 2015.