BUSINESS SURVEY 2016

Financing climate better than ever – financing purpose is major determinant of credit access

Summary

The financing situation for businesses big and small is better than ever. Low interest rates, German banks' relaxed lending criteria, enterprises' enhanced self-financing capacity and their good business performance have been major contributors. Small and young enterprises, however, face difficulties in obtaining debt finance significantly more often than large companies. These two groups of enterprises are characterised by structurally induced low credit worthiness and problems in the provision of adequate collateral. Difficulties in accessing credit also differ by financing purpose, however. The results in detail:

1. The financing climate improved slightly once again last year. The proportion of enterprises reporting greater difficulties in accessing credit fell by 2.6 percentage points to 14.7 %. Almost the same proportion of enterprises, 11.5 %, reported an improved financing climate.

2. Of the small enterprises with an annual turnover of up to EUR 1 million, 22.4 % reported greater difficulties in accessing credit. That rate was almost seven times higher than among enterprises with a turnover in excess of EUR 50 million. The second largest group reporting financing difficulties were young enterprises less than six years old (19.9 %).

3. Enterprises that reported a deterioration in the financing climate attributed this to the following factors:

Increased information requirements of credit institutions (project documentation and disclosure of business figures and strategies) and their higher demand for collateral were reported by a good 80 % as the main obstacles to accessing credit. Banks and savings banks endeavour to exactly identify and manage credit risks of (nearly) all groups of customers. Only large enterprises with a turnover of more than EUR 10 million reported increased collateral requirements less frequently (56.0 %).

- Minimum equity requirements are another factor that hampers borrowing, especially for smaller enterprises. Of those enterprises whose turnover was less than EUR 10 million, 71 to 77 % regarded minimum equity requirements as an obstacle. That proportion was only 44.0 % among enterprises with a turnover of more than EUR 10 million.

4. The positive development of key financial indicators is an important driver of the good financing climate. Ratings have again improved broadly. A good one third of enterprises reported higher ratings while 11.3 % reported lower ratings.

5. Even though their self-financing capacity increased, enterprises still regarded bank loans as an important source of funding, with 58 % having conducted loan negotiations last year.

6. Highest in demand, at 54.7 %, were investment loans for machinery, equipment or vehicles. Real estate loans (37.1 %) and working capital loans (33.5 %) were in second and third place.

7. The financing purpose is another factor that greatly determines how easy it is to obtain credit. Constraints are lowest for investment loans to procure machinery, equipment and vehicles, as well as for real estate and for takeovers and partnerships. Digitalisation projects and financing of activities abroad face medium credit constraints. The most difficult to obtain are loans to finance the stock of goods, working capital and intangible assets.

The survey was conducted for the 15th time among enterprises of all size classes, sectors, legal forms and regions. Twenty-one trade and regional business associations took part in the survey, which was conducted in the first quarter of 2016. ■