BBVA view from the Boardroom: SMEs access to finance & regulation

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1. The importance of the SMEs in the economy

SMEs typically account for **more than half of business sector activity and around two-thirds of employment**

*Data obtained from EU Commission, Annual Report on European SME 2016/17*
2. SMEs and banks relationship

Relationship between banks and SMEs is characterized by...

1. SMEs are less standardized
   - Higher spreads and interest rates
   - SMEs become “dependent borrowers”
     - Very costly for the SME to change

2. This is exacerbated in times of crisis for several reasons
   - Bank’s market share
   - Funding stability
   - Asset quality
   - Banking systems tend to restructure

It is mandatory to pay attention to the difficulties that SMEs face to find funding.
3. SMEs and alternative funding sources

Public Initiatives

01
EU Commission’s “SME Instrument”

02
“Eurostars”

03
COSME Programme

Private Initiatives

04
Business Angels

05
Private Equity

06
Digital non-bank funding
4. The role of regulators

1. Alleviate potential impacts
   - Reducing the amount of NPLs

2. Capital Markets Union
   - Provide new sources of funding for businesses
   - More harmonised regulation on public markets

3. P2P regulatory framework
   - Same activities - same rules
   - Developed in a technology-agnostic manner

4. Financial Education
   - Experience with digital tools
   - Support of entrepreneurship education
5. Conclusions

1. We should not underestimated the importance of SMEs contribution to the real economy.

2. SMEs face some disadvantages when borrowing from banks. It is mandatory to look for alternatives for SMEs to find funding.

3. Alternative funding sources, as public finance, business angels, private equity or peer to peer lending platforms can complement bank financing.

4. The role of regulators is key to apply some measures that offer a wider set of funding sources to the SMEs.