Access to bank loans for the SME sector: the experience of new EU member countries

Roman Angela, Rusu Valentina Diana
Faculty of Economics and Business Administration
"Alexandru Ioan Cuza" University of Iași
aboariu@uaic.ro, valentinadiana.ig@gmail.com

Abstract
The easy access to finance for SMEs is of particular significance for the creation of new businesses, the growth and development of the existing ones, which in turn promote economic and social development of a country. Moreover, under crisis conditions, supporting the access to finance for SMEs is vital because these firms can contribute to the recovery of national economies.

This paper aims to highlight the features that the access to bank loans of SMEs has for some new EU countries (respectively, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and Romania), the constraints that occur in the way of the access to this type of loan and the implications of the current global crisis on bank lending to SMEs.

The serious implications of the current global crisis on real economies and financial and banking systems in most analyzed countries have resulted in unprecedented reactions from the decision makers who have focused their attention on the adoption and implementation of measures to avoid the collapse of the financial and banking system and to correct the failures of the financial markets and to support businesses.

The major negative effects of the current crisis on firms bank lending activity, highlights the need of realizing some important legal and institutional reforms, with significant impact on the business environment, including the SME sector.

Keywords: SMEs, business environment, new EU member states, bank loans, financial crisis, support measures.

JEL Classification Codes: G01, G21, O12, O16.

1. Introduction

SMEs represent an important part in all economies and are a significant source of creating value added, employment, innovation and economic growth. Based on these findings, it is easy to understand the vital importance of the easy access to finance, including to bank loans, which can support the creation of new businesses, innovation, growth and development of the existing enterprises. Moreover, in conditions of financial crisis, supporting the access to finance for the SME sector is essential because these companies can bring their contribution to national economic recovery.

Our paper is structured as follows: *the first part* contains introductory remarks regarding the importance and relevance of the topic addressed; *the second part* is devoted to analysis of literature and presents the main research conducted so far on access to finance for SMEs; *the third part* reflects in particular the way the business environment for some of the new EU member states (respectively, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and Romania) is evaluated and highlights the main obstacles to its development; *the fourth part* of our study highlights the location of bank credit resources on the external financing and the constraints that SMEs face in the way of their access to bank loans; in *the fifth part* we aim to reflect the impact of the current financial crisis on bank credit financing of SMEs and measures adopted at EU level towards supporting this sector. The study ends with conclusions.

The *research methodology* used in this paper is based on the literature review in order to highlight the importance of the subject approached in our paper. The analysis conducted in this paper is mainly based on the indicators calculated by the World Bank, the World Economic Forum surveys, the European Commission and the European Central Bank, central banks of studied countries and on the information provided by some empirical studies.

Based on the used methodology, the paper indicates the particular constraints in the way of access to bank loans of SMEs and the decisive importance of intensifying the concerns of public authorities for their attenuation, in particular by adopting measures focused on increasing the availability of financing for the SME sector.

2. Literature review

The access to finance for SMEs represents a topic of great interest for the academic literature, as witnessed by the large number of studies addressing such a problem.

Some studies based on various surveys highlight that access to finance and the cost of financing are the most important constraints in the way of enterprises' growth and development, especially in the case of small and medium enterprises.

The study realised by *Beck, Demirguc-Kunt, Laeven and Maksimovic* (2004) reflects, based on a survey that has included 10.000 firms from 80 countries, the fundamental factors to which depends the enterprises' access to finance. Thus, the study highlights the relationship between the access to finance for enterprises and their characteristics, such as age, size and propriety structure. From this perspective, the authors find that young firms of small size as well as national ones face greater obstacles when they seek to obtain financial resources. The study also highlights the relationship between the degree of economic and financial development of a country and the access to finance for enterprises. Also, the authors argue that the institutional development is the most important feature that explains the differences between countries in terms of financing obstacles faced by enterprises.

Beck, Demirgüç-Kunt, Laeven and Maksimovic (2006) show that access to finance and credit costs are much more important obstacles for SMEs, in comparison with large enterprises, and that these factors affect their performances.

In the study realized by *Berger and Udell* (2006), the authors propose a complete framework in which lending technologies play a key role as the conduit through which government policies and national financial structures affect SME credit availability. The authors show that financial structures significantly influence the availability of financing for SMEs by determining the feasibility and profitability with which different lending technologies may be deployed.

Beck, Demirguc-Kunt and Martinez-Brush (2008) characterize the bank financing to small and medium Enterprises around the world, based on a survey covering 91 banks in 45 countries and find that banks perceive the SME sector to be highly profitable, but perceive macroeconomic instability in developing countries and competition in developed countries as the main obstacles. Based on the statistical analysis performed in their study, the authors found significant differences in exposure, lending practices, business models, drivers and obstacles of SME finance for banks operating in developing countries compared with developed countries.

In the study realized by *De la Torre, Martínez-Peria and Schmukler* (2008), the authors reflect on the statistics from developed countries and developing countries that banks, regardless of their size and ownership, perceive SMEs sector as a strategic segment and they are interested to aggressively expand operations in this segment.

Chavis, Klapper and Lovel (2010) point out based on an investigation the relationship between the age of the firms and their external financing and also, the different impact of the business environment on the access to finance for firms, depending on their age. The authors show that in all the countries, young firms rely less on bank financing and to a greater extent on informal financing. However, the authors found that unlike older firms, young firms have better access to bank financing in countries with stronger rule of law and better credit information and the reliance on informal finance of young firms decreases with the availability of credit information.

Ardic, Mylenko and Saltane (2011) analyze, using statistical data, the macroeconomic and institutional factors that are influencing the SMEs' financing through loans. The authors have found a positive correlation between the degree of economic and financial development of a country and the SMEs' financing level. Moreover, the authors demonstrate that the financing level of SMEs depends also on the legal framework and the overall business environment.

3. The constraints of the business environment in the studied countries

The business environment in the studied countries mainly focuses on SMEs, which account for over 99% of the total number of firms and which make a significant contribution to creating added value and employment (see Table 1). In terms of contribution to the creation of added value, it is noted that in all countries, except Romania, the SME sector contributes for more than 50% to the creation of added value. For Romania, the lower contribution of the SME sector (i.e. 42.16%) is due to the weaker performance of micro-enterprises comparative with the EU average. In terms of contribution to employment, it appears that SMEs offer from about 64% of the total number of jobs (in Romania) to over 74% in the Baltic countries (see Table 1).

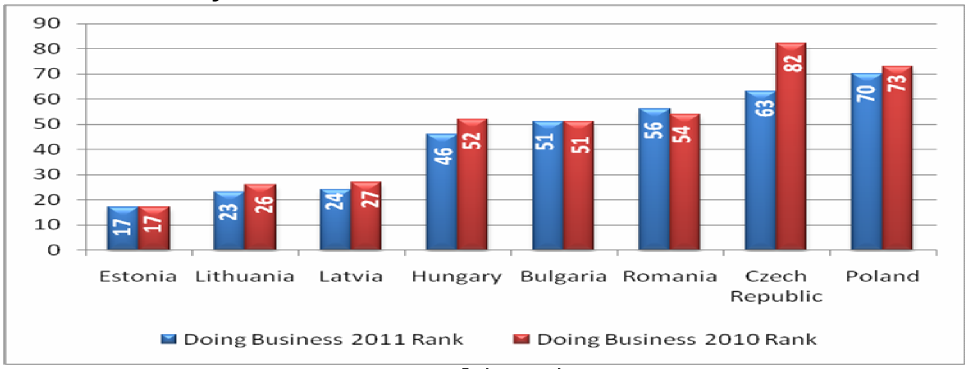
Table 1: Key indicators for SMEs in 2008

	% share of SMEs in national total		
	Number of enterprises	Number of persons employed	Value added
EU-27	**99.79**	**67.44**	**57.72**
Bulgaria	99.73	74.05	54.11
Czeck Republic	99.83	67.62	54.78
Estonia	99.64	78.63	76.33
Hungary	99.85	71.07	51.88
Latvia	99.67	76.34	74.21
Lithuania	99.73	74.60	64.02
Poland	99.80	68.90	51.71
Romania	99.59	63.56	42.16

Source:processed data after European Commission, 2010b

The development of the SME sector and the support of the access to finance depend significantly on the quality of the business environment in which these businesses operate. Thus, within this section we aim to highlight how it is evaluated the business environment from the studied countries and the obstacles faced in its development. To achieve this goal, we consider the information's provided in the annual reports of the World Bank (Doing Business) and the World Economic Forum. In the World Bank's annual report, Doing Business 2011, the ease of doing business is measured using nine indicators, namely: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing the business (The World Bank, 2010a).

Figure 1: The ranking of the business environment from the analyzed countries in the total of 183 countries



Source: World Bank, 2010a, p. 4

In light of the ease of doing business, the place of the studied countries in the 183 countries assessed in the Doing Business report is shown in Figure 1. From all studied countries is worth noting that Estonia, Lithuania and Latvia have the most business friendly environment. It is also noteworthy that the most significant progress has been achieved by the business environment in Czech Republic, which according to Doing Business 2011 took the 63rd place in June 2010 instead of 82, in 2009, according to Doing Business 2010. A special situation arises in the case of Romania, which compared with other countries that have improved their position in the league (Estonia and Bulgaria has maintained their position), showed a deterioration in the business environment, holding the 56^{th} position in June 2010 compared to 54^{th} position in 2009.

In recent years it is noted the increasing concern of the decision makers from the surveyed countries regarding the pursuit of reforms to improve the business environment. From this perspective, it is important, in particular, the focus on the efforts towards registering property and eliminate the obstacles faced by entrepreneurs when they want to close or open a business. Thus, since 2008, in all the countries studied, there were carried out 58 reforms, the top reformers are Bulgaria, Hungary, Czech Republic and Poland (see table 2). In comparison, the number of reforms in Romania is much lower, which highlights a reduced concern of the public authorities to improve the business environment.

Table 2: Number of reforms applied to the business environment in the surveyed countries in the period 2008-2011*

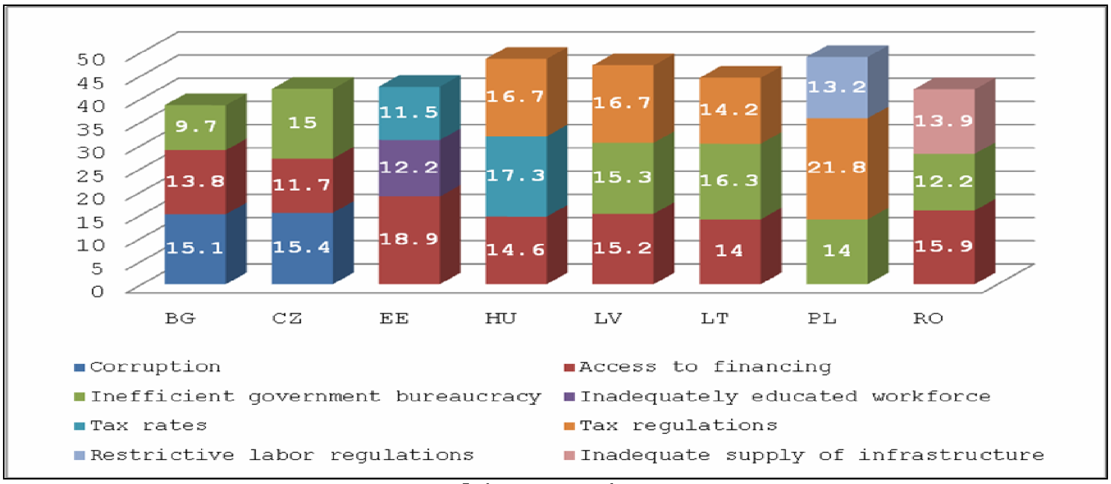
	BG	CZ	EE	HU	LV	LT	PL	RO	**Total**
Starting a Business	**3**	2	1	3		1	1		**11**
Dealing with construction permits	**1**	**2**		**1**				**1**	**5**
Registering Property	**1**	**1**	**1**	**3**	**2**	**1**	**2**	**1**	**12**
Getting Credit			**1**		**1**	**1**	**1**		**4**
Protecting investors									
Paying Taxes	**3**	**2**		**1**		**1**	**1**		**8**
Trading Across Borders					**1**	**1**			**2**
Enforcing contracts	**2**						**1**	**1**	**4**
Closing a Business	**1**	**1**	**2**	**1**	**2**	**2**	**2**	**1**	**12**
Total	**11**	**8**	**5**	**9**	**6**	**7**	**8**	**4**	**58**

*for Latvia, Lithuania and Romania data refer to 2009-2011 rankings
Source: World Bank, 2010b, p. 4

In light of the nine indicators used to evaluate the ease of doing business the key issues faced by the business environment in the studied countries are (World Bank, 2010a): for Poland, dealing with construction permits and paying taxes, this country occupying the 164^{th} and the 121^{st} place; for Czech Republic, the most important problems are starting a business and paying taxes, occupying the 130^{th} and the 128^{th} place; for Romania the problems are paying taxes and closing a business, the 151^{st} and 102^{nd} place; Bulgaria, dealing with construction permits and trading across borders, the 119^{th} and 108^{th} place; Hungary, protecting investors, paying taxes, the 120^{th} and 109^{th} place; Latvia, closing a business and dealing with construction permits, the 80^{th} and 79^{th} place; Lithuania, protecting investors ad starting a business; Estonia , protecting investors and closing a business, the 70^{th} and 59^{th} place. These positions of the states considered in the ranking of the 183 member states show the need to continue and accelerate reforms in order to get closer to the best practices of the global economy.

Based on The Global Competitiveness Report 2010-2011 published by the World Economic Forum, which is based on the interviews of over 13,500 business leaders in over 139 countries (World Economic Forum (a), 2010) we identified three most problematic factors for doing business (from fifteen) in the analyzed countries (see Figure 2). Thus, it appears that in seven of the eight studied countries the access to finance is one of the three most important obstacles of doing business.

Figure 2: The most three problematic factors for doing business in the studied countries



Source: World Economic Forum, 2010

The access to finance is indispensable for the efficient allocation of capital and the enterprise development. However, when compared with large enterprises, small and medium enterprises face many difficulties when pursuing to procure financial resources, which are due to several causes, including: *the unstable and inadequate juridical and legislative framework*, which does not support the relationship between capital providers and the enterprises that require financing; *incomplete information and even lack of information* from the part of both capital providers and enterprises, which prevents the development of normal and efficient relations between them; *lack of a credit history and insufficient guarantees for creditors*, especially in the case of the small and young firms; *limited and, sometimes, inadequate range of financing products*.

Numerous surveys carried out, particularly, by the World Bank highlight that the access to finance is often mentioned by the SMEs as one of the most important barriers to their well functioning and growth. For example, the surveys conducted by the World Bank, in 2006-2009, found that, worldwide, 31% of the studied firms report that the access to finance is a major obstacle in the way of carrying out current operations, the percentage being even much higher, at 40% in the case of young firms with up to three years experience (Chavis, Klapper and Love 2010, p. 1). Also, a series of global surveys, including the information provided by the World Business Environment Survey, show that small and medium size enterprises report the cost of financing as the most important obstacle to their growth.

4. The place of the banking credit in the external financing sources of the SME sector

Material and method

To highlight the importance and the place of bank credit in the resources of external financing of the small and medium-sized enterprises from the studied countries, we can take into consideration the results of the survey conducted by Flash Eurobarometer no. 271.

This study was conducted by the European Commission and Central European Bank in order to identify the access to finance of enterprises from EU and from other three countries. The study focused on approximately 9000 enterprises in the EU, Croatia, Iceland and Norway, and took place over the period January – July 2009. The interviews were taken over the period June – July 2009, and the analyzed sample of enterprises was structured according to their size class, distributed as follows: 50% - micro enterprises (1-9 employees), 30% - small (10-49 employees), 10% - medium enterprises (50-249 employees) and 10% - large enterprises (with 250 employees and over). As it results from the distribution of the sample, small and medium enterprises cover an overwhelming segment (90%); hence, we can consider that the results of the Flash Eurobarometer survey are relevant to this research (see table 3).

Table 3: The firms sample size and structure in the studied countries

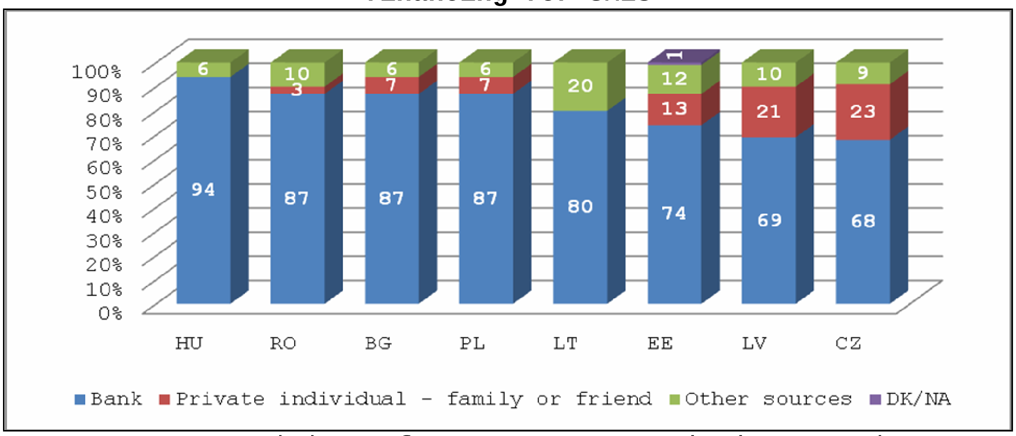
	BG	CZ	EE	HU	LV	LT	PL	RO
SME	**200**	**200**	**100**	**200**	**100**	**100**	**450**	**200**
LSE	**20**	**20**	**10**	**20**	**10**	**10**	**50**	**20**
The share of SME in total number of firms	**90.91%**	**90.91%**	**90.91%**	**90.91%**	**90.91%**	**90.91%**	**90.00%**	**90.91%**

Source: processed data after European Commission, 2009b, p. 274

Results and discussions

As concerns the external financing, the results of the Flash Eurobarometer study show that the bank was the popular source of financing for all the countries that participated to this survey (see Figure 3). Such a result is natural if one considers that the financial systems of the EU countries rely, to a great extent, on banks. In most studied countries we observe that for over 70% of SMEs banks were the most popular provider of loans. In comparison, in Latvia and Czech Republic the banks were the most popular provider of loans for only 69% and 68% of the analysed companies.

Figure 3: The place of the banking credit in the external sources of financing for SMEs

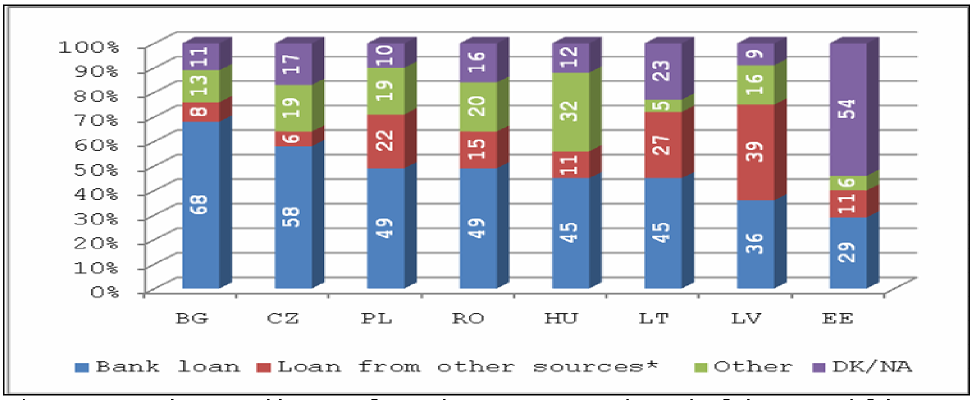


Source: processed data after European Commission, 2009b, p. 42

As shown in figure 3, SMEs are highly dependent on banks, aspect that can be explained by the fact that this type of enterprises has fewer financing options in comparison with large enterprises.

The bank loan is not only the dominant form of external financing for small and medium business, but the most preferred type for future use (see Figure 4). In most studied countries is worth noting that over 45% of the surveyed SMEs showed a preference for this form of financing. It is also noted that the lower percentages recorded for Lithuania, Latvia and Estonia can be explained by the fact that less than 50 managers responded to the question regarding the preferred source of external financing.

Figure 4: Most preferred type of external financing for future use



*e.g. trade credit, related company, shareholder, public sources
Source: processed data after European Commission, 2009b, p. 77

Even if bank credit is the most preferred type of external financing by SMEs, they encounter a number of obstacles when are trying to obtain this bank loans. Thus, we may notice that some banks refuse to grant loans or increase interest rates for operational SMEs that do not offer adequate guarantees or do not have a credit history, because they have just started their activity or they have a degree of solvency that does not fall into the limits imposed by the banks in question.

Overall, the obstacles in the way of SMEs access to financing are related both to the entrepreneurs and the economic environment as well as to the institutional and regulatory framework (Nicolescu and Nicolescu, 2008, p. 171). Among the obstacles related to entrepreneurs, a series of surveys conducted in various countries, identify: the lack of knowledge regarding the possibilities of obtaining financial resources, the lack of awareness regarding the consulting institutions, the development of business plans that do not meet the requirements of the lenders or investors, the reduced negotiating skills in relation with capital suppliers and the insufficient guarantees available. In regard to the second category of obstacles, they refer in particular to the reduced availability of funding in some cases, excessive guarantees imposed by some banks for SMEs' loans, the high cost of SMEs' financial consultancy services, corruption, bureaucracy.

Although bank credit is the most preferred source of external financing for SMEs we can note that banking products and services needs of SMEs are different depending on their size and the legal form of organization. Figure 5 consolidates several views on SMEs and their segmentation, starting with the most typical turnover thresholds, and indicating also behavioral and product need specifics. Starting from the definition of SMEs and the classification of enterprises in the European Union countries on size categories it can be highlighted a separation of the behavior of these companies in dealing with banks, their needs and of how these needs are met through the banking products offered by banks (Roman, Ignatescu, 2011).

Figure 5: Segmentation of business clients

Segment limits (European Commision)	Segment limits of surveyed banks (turnover)	Segments and shares of clients	Behavioural Specifics	Client product needs	Driver of client satisfaction
Turnover EUR 10 – 50 Employees: EUR 50 – 249	Average turnover: EUR: 24.6 m Turnover range: EUR: 1.2-50m	**Medium (5%)**	•Pure corporate attitude •Complex product requirements	• Investment credit • Working capital loan • FX and trade finance	• Specialised advisory service • Flexibility • Depth of product / service portfolio
Turnover EUR 2 – 10 m Employees: 10 – 49	Average turnover: EUR: 3.6 m Turnover range: EUR: 0.5-11m	**Small (15%)**	•Clear separation between business and private financial needs •"Plain Vanilla " products	• Working capital loan • Overdraft • Car loan	• Personal relationship • Speed, flexibility, transparency
Turnover EUR < 2 m Employees: 0 - 9	Average turnover: EUR: 0.65 m Turnover range: EUR: 50k-2m	**Micro (80%)**	• Business and private financial needs often mixed • Standardised products	• Credit card • Overdraft • Consumer loan • Mortage • Car loan	• Customer service • Proximity • Speed / flexibility • Pricing • Online resources

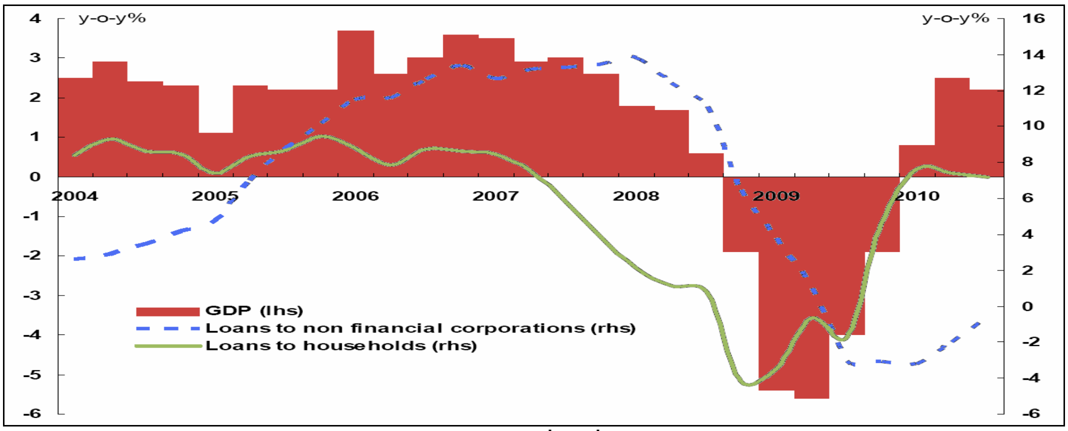
Source: processed data after Zeb, EFMA, ERSTE Group, 2009, p. 14

5. The impact of the current financial crisis on bank lending to SMEs

In this section, we aim to highlight the effects of the current crisis on the access to bank loans of SMEs and measures taken by the authorities to support this sector. In all studied countries, it is noted that the current crisis has resulted in a reduction of loans granted to the economy that was driven by rapid and significant restriction of both supply and demand for loans. On the supply side, the reduction has been determined, in particular, by the existing liquidity problems that affected international financial markets and foreign banks with subsidiaries in the studied countries, as well as by the increased risk aversion of banks which responded by tightening lending standards and terms. Reducing demand for credit was due, in particular, to the increased cost of borrowing, national currency devaluation and exchange rate volatility, and by the negative outlook about growth and unemployment.

At EU level, from the beginning of the current financial crisis, the growth rate of loans granted to the economy recorded a decline, especially for non-corporate loans (see Figure 6), due to tightening of credit standards by banks, but also due to reduce funding requests from businesses in the context of deteriorating economic outlook. Since the beginning of 2010, there is registered a poor reversal of credit growth in conditions under which the countries register a timid economic recovery.

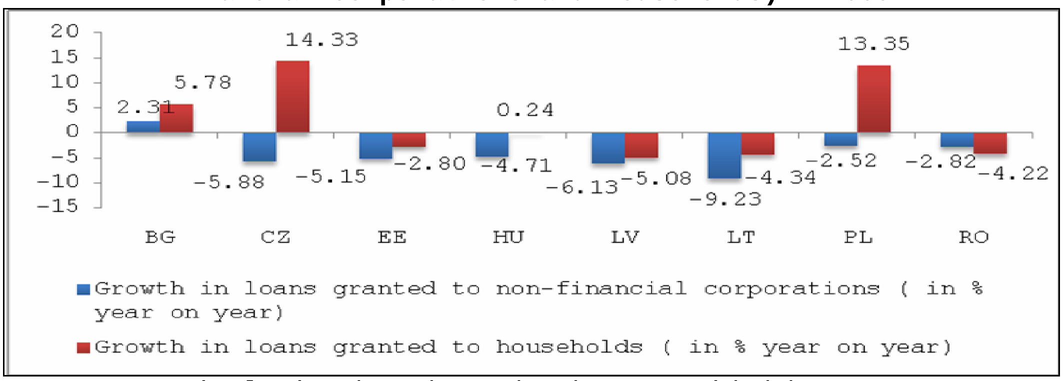
Figure 6: The evolution of the banking loans in the European Union between 2004 and 2010



Source: European Commission, 2011a, p. 14

The remarks made previous in regard to the EU average are also true in the case of the countries in our panel. Thus, in 2009, the growth rate of the credits granted to non-financial corporation was lower than in the case of the credits granted to households (see figure 7) in most of the analyzed countries, except Romania where as a result of the raise of the unemployment rate and the diminishing of the households incomes, the banks have become more restrictive in lending to this segment.

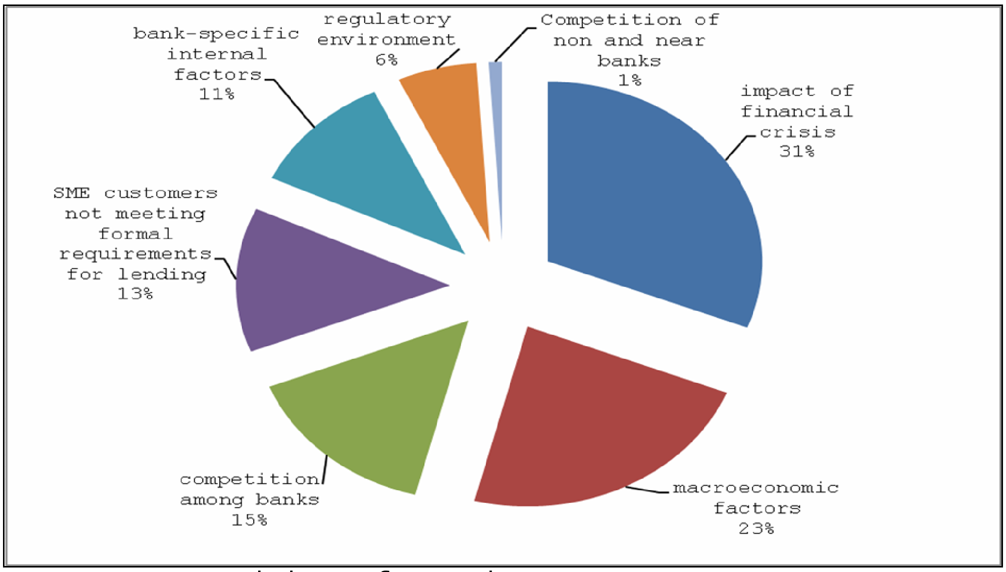
Figure 7: The increase of the loans granted to the economy (to non-financial corporations and households)in 2009



Source: Own simulation based on the data provided by ECB: 2008, 2010

To highlight the impact of the current crisis on SME Banking it is of interest the analysis of data presented in Figure 8. As we can see the current financial crisis is the threat with the largest share (31%) on SME banking in Central and Eastern Europe, followed by macroeconomic factors with a share of 23%, competition among banks (15%) and SME customers that do not meet the formal requirements for obtaining a bank loan (13%). Internal factors specific to banks is a low threat (11%) as well as the regulatory environment (6%) and competition with non-banking financial institutions (1%). Regarding the impact of the financial crisis on the banking business in SMEs area, 69% of the bankers surveyed in the study saw a worsened quality of the loan portfolio as an issue. In this context, the banks in most countries examined did tightening the lending standards (most notably, by requiring additional collateral), especially for SMEs, and to raise interest rates on loans. According to the surveys conducted by central banks from the most surveyed countries including the European Central Bank, the main factors which led to tighter bank lending standards were the expectations regarding the general economic situation, the risk of the industry in which firms operate and the risk of the security required.

Figure 8: The biggest threats to SME Banking in Central and Eastern European countries

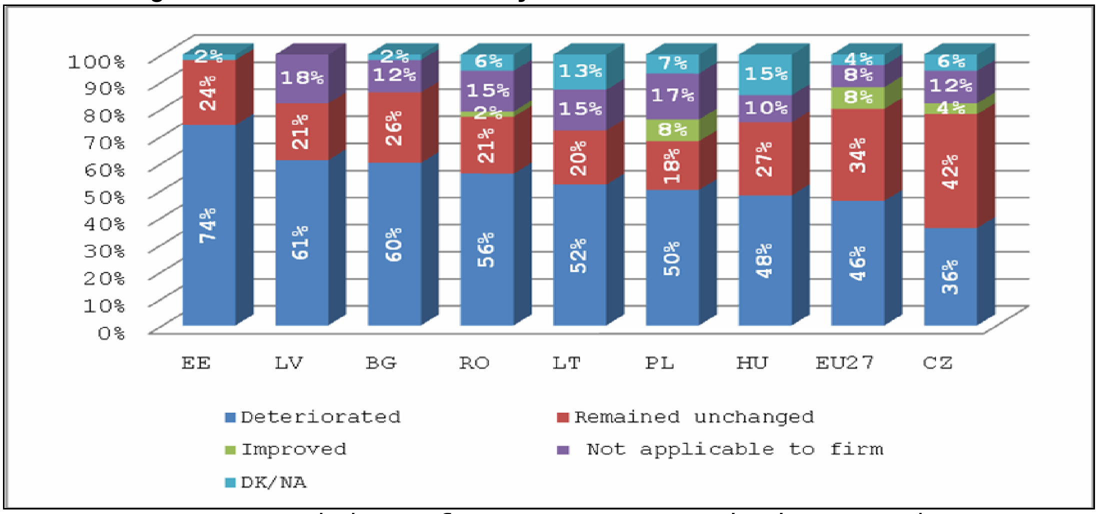


Source: processed data after Zeb, EFMA, ERSTE Group, 2009, p. 10

The reduction of the supply and demand for bank credit under the impact of the current crisis led to lower availability of bank credit, particularly for the SME sector so that limited access to financing for these enterprises was accelerated. Therefore, the SMEs are facing major difficulties in securing the financial resources in the form of bank loans. According to the Flash Eurobarometer study, almost half (46%) of the interviewed firms that requested at least one type of external financing over the period January – July 2009 reported the reduction of the availability of bank credits. As regards the studied countries, the availability of bank credit have significant differences from one country to another (see Figure 9) due to the different implications of the current crisis on national economies and their financial systems. In the analyzed countries we observe that Estonia, Latvia and Bulgaria occupies the first place with the highest percentage of firms that reported a deterioration in bank credit availability, respectively 74%, 61% and 60% compared with 36% in the Czech Republic.

The sever implications of the global economic crisis on the European economies and financial sectors have determined the European Commission to adopt in November 2008 the European Economic Recovery Plan. In regard to the loan activity and the role of the banks in the national economies the European Economic Recovery Plan emphasises the necessity that the European Union member states will financially support the banking sector in order to ensure that the real economy can access its credit facilities.

Figure 9: The availability of bank loans for the firms



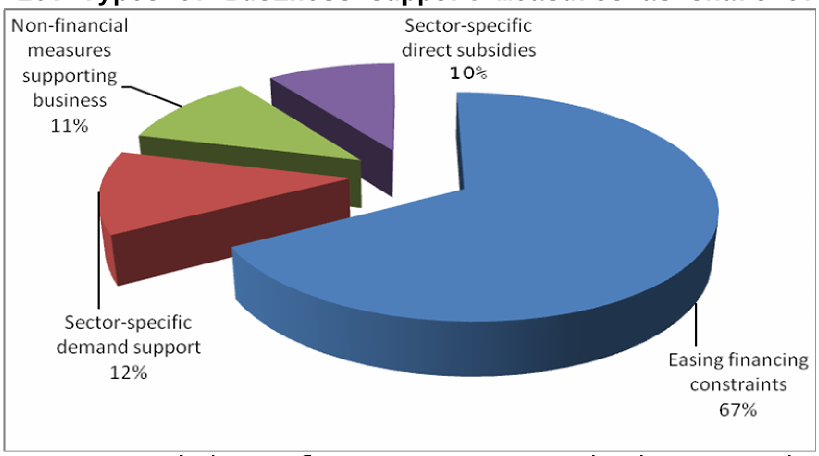
Source: processed data after European Commission, 2009b, p. 56

In EU member states, as a result of the major difficulties SMEs face to access finance, both due to the significant restriction of bank lending and to increasing risk aversion of risk capital investors, the European Commission granted a grater importance to the adoption of measures to support the access to finance of SMEs. In this regard, the European Commission adopted, on December 17, 2008, the Communication "Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis", which offers to EU member states, Romania included, additional possibilities to grant state aid, especially for SMEs, to cope with the effects of limited credit availability (European Commission, 2009c). The main measures envisaged by the Commission include: the granting of a limited amount of aid, aid in the form of guarantees, aid in the form of subsidized interest rate, aid for the production of green products, risk capital measures. These additional measures can be granted by the EU member states to SMEs, as well as to large enterprises, for a limited period of time, respectively until December 31, 2010 and mainly aim at ensuring credit flows to businesses in the context of the current crisis.

On July 2, 2009, the European Commission proposed to set up a new micro-finance facility providing micro credit to small and micro businesses and to people who have lost their jobs and want to start their own business.

Briefly, the measures adopted by the European Commission to support business and companies have focused largely on *easing financing constraints for business* (see Figure 10), which highlights the significant importance that has the easy access to finance for enterprises, particularly for SMEs. Such measures included the extension, both in terms of volumes and conditions, of credit guarantees, including export credit, particularly for SMEs and the increase in the capital of public development banks to bring this about; easing conditions for access to and repayment of loans; temporary tax reductions and exemptions; and changes in depreciation rules favoring SMEs (European Commission, 2009d, p. 79). In adition to these measures there were adopted *sector-specific demand support measures*, by temporary tax breaks, permanent changes, and other financial incentives for purchases of sector-specific products in support of environmental and innovation policy objectives; easing regulatory requirements and financing conditions for homeowners and first-time buyers; sectoral liberalization measures; and the handout of coupons for the consumption of certain goods and services. Another form of support is represented by *sector-specific supply measures* (including direct subsidies) provide direct financial support, such as tax reductions and direct state aid payments, guarantees and loans with subsidized interest rates. To support companies, there were adopted also some non-financial measures, which refers mainly to the reduction in administrative burdens for businesses, in particular SMEs, but also to the provision of advice services to business in export activities and trade fair participation.

Figure 10: Types of Business support measures as share of total



Source: processed data after European Commission, 2009d, p. 79

Also, the European Investment Bank also played an important role in access to finance by reserving EUR 30 billion for loans to SMEs for the period 2008-2011, objective established by the European Economic Recovery Plan.

On December 1, 2010, on the background of persistent difficult borrowing conditions for enterprises, the European Commission informed member states on its decision to extend until the end of 2011, with some changes, the temporary measures aimed at facilitating the firms' access to finance (European Commission, 2010c).

Improving access to finance for SMEs remains still a concern and also a challenge for the national, European and international authorities. At EU level, through the Review of the *Small Business Act* (SBA) for Europe are set out new measures *to improve the access to finance for*

SMEs, including *facilitating the access for SMEs to structural funds* through reducing reporting requirements, establishing the "*credit ombudsman*" in order to facilitate the dialogue between SMEs and credit institutions, *avoiding double taxation through tax legislation,* that would hamper the cross-border venture capital investments, which play a significant role.

6. Conclusions

The access to finance is indispensable for the efficient allocation of capital and the enterprise development. However, when compared with large enterprises, small and medium enterprises face many difficulties when pursuing to procure financial resources. Such difficulties are mainly due to the unstable and inadequate juridical and legislative framework, incomplete information and even lack of information from the part of both capital providers and enterprises, lack of a credit history and insufficient guarantees for creditors, especially in the case of the small and young firms; limited and, sometimes, inadequate range of financing products.

A dominant feature of the external financing environment for SMEs in the analyzed countries is the predominance of bank loans so that the easy access to such loans is vital for the development of these firms. However, SMEs face a number of obstacles in the case of requesting for bank loans. Thus, one may notice that some banks refuse to grant loans or increase interest rates for operational SMEs that do not offer adequate guarantees or do not have a credit history, for they have just started their activity or they have a degree of solvency that does not fall into the limits imposed by the banks in question.

In all the studied countries, it is noted that the current crisis has resulted in a significant reduction in the availability of bank loans to the economy, particularly for SMEs. Therefore, the SMEs are facing major difficulties in securing the financial resources in the form of bank loans.

The serious implications of the current global crisis on real economies and financial and banking systems in most of the considered countries led to an unprecedented reaction from the international authorities, European and national. By the measures adopted the policy makers have focused their attention on the financial and banking system to avoid its collapse, and for correcting the failures in financial markets and support the real economy.

Improving access to finance for SMEs remains still a concern and also a challenge for the national, European and international authorities.
The major negative effects of the current crisis on firms bank lending activity, highlights the need of realizing some important legal and institutional reforms, with significant impact on the business environment, including the SME sector.

Given the importance of the SME sector in national economies and on the other hand, the significant reduction in bank lending in most countries is worth mentioning that the recovery of bank lending to the real economy and supporting access to finance for SMEs can ensure the recovery of national economies.

References

Ardic, O.P., N. Mylenko, and V. Saltane, 2011, "Small and Medium Enterprises: A Cross-Country Analysis with a New Data Set", *World Bank Policy Research Working Paper* 5538.

Banerjee, A., and E. Duflo, 2004, "Do firms want to borrow more? Testing credit constraints using a directed lending program", *Centre for Economic Policy Research.*

Beck, Th., A. Demirgüç-Kunt, L. Laeven, and V. Maksimovic, 2004,"The determinants of financing obstacles", *World Bank Policy Research Working Pape*r 3204.

Beck, Th., A. Demirgüç-Kunt, and V. Maksimovic, 2005, "Financial and Legal Constraints to Firm Growth: Does Firm Size Matter?", *Journal of Finance*, Vol. 60, No. 1, pages 137-177.

Beck, Th., A. Demirgüç-Kunt, L. Laeven, and V. Maksimovic, 2006, "*The determinants of financing obstacles"*, Journal of International Money and Finance, Vol. 25, No. 6, October, pages 932-952.

Beck, Th., A. Demirguc-Kunt, and M.S. Martinez-Peria, 2008, "Bank Financing for SMEs around the World Drivers, Obstacles, Business Models,and Lending Practices", *Policy Research Working Paper* 4785, November.

Berger, A.N, L. Klapper, and G.F. Udell, 2001,"The Ability of Banks to Lend to Informationally Opaque Small Businesses", *Journal of Banking and Finance* 25, pages 2127-2167.

Berger, A.N., G.F. Udell, 2006, "A more complete conceptual framework for SME finance", *Journal of Banking and Finance* 30, pages 2945-2966.

Chavis, L., L. Klapper, and I. Love, 2010,"International Differences in Entrepreneurial Finance", *Enterprise note no. 11*, World Bank Group.

De la Torre, A., M.S. Martínez-Pería, S.L. Schmukler, 2008, "Bank Involvement with SMEs: Beyond Relationship Lending", *Policy Research Working Paper* 4649, June.

Demirguc-Kunt, A., Th. Beck, and P. Honohan, 2008, "Finance for all? Policies and Pitfalls in Expanding Access", *World Bank Policy Research Report*.

ECB, 2008,"Banking structures".

ECB, 2010,"Banking structures".

European Commission, 2003,"Commission Recommendation 2003/361/EC of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises", Official Journal of the European Union, L124 of 20.5.2003.

European Commission, 2004,"Code of conduct between credit institutions and SMEs", Commission Staff Working Document, Brussels.

European Commission, 2008, "Think Small First: A Small Business Act for Europe", Brussels, 25.6.2008, COM (2008) 394 final.

European Commission, 2009a, "Cyclicality of SMEs finance".

European Commission, 2009b,"Flash Eurobarometer", No. 271, Brussels.

European Commission, 2009c, "Temporary Community framework for State aid measures to support access to finance in the current financial and economic crisis", Official Journal of the European Union C16 of 22.01.2009.

European Commission, 2009d, "The EU's response to support the real economy during the economic crisis: an overview of Member States' recovery measures", *Occasional Papers 51*.

European Commission, 2010a, "Report of Expert Group on removing tax obstacles to cross-border Venture Capital Investments".

European Commision, 2010b,"European SMEs under Pressure. Annual Report on EU Small and Medium-sized Enterprises 2009", Brussels.

European Commission, 2010c,"Press releases, IP/10/1635, State aid: Commission prolongs crisis framework with stricter conditions", Brussels, 1st December.
European Commission, 2010d, "Communication from the Commission amending the Community guidelines on State aid to promote risk capital investments in small and medium-sized enterprises", Official Journal of the European Union C329 of 07.12.2010.
European Commission, 2011a, "Annual Growth Survey", Annex 2, Macro-Economic Report, Brussels, 12.1.2011, COM(2011) 11 final.
European Commission, 2011b, "Review of the Small Business Act for Europe", Brussels, 23.2.2011, COM(2011) 78 final.
International Finance Corporation, 2010,"The SME Banking Knowledge Guide", Second Edition.
Nicolescu, O., and C. Nicolescu,*"Entrepreneurship and SME management. Concepts, approaches, case studies",* Bucharest, Economica Publishing House.
OECD, 2006,"The SME, Financing Gap", Volume I, Paris, OECD Publishing.
OECD, 2010, "Investment Reform Index 2010: Monitoring policies and institutions for direct investment in south-east Europe", Paris, OECD Publishing.
Roman A., V.D. Ignătescu, 2011, "The Impact of the Current Financial Crisis on Bank Financing of SMEs in Selected Countries of Central and Eastern Europe, published in *„The Economies of the Balkan and Eastern Europe Countries in the Changed World"*, Anastasios G. Karasavvoglou, Cambridge Scholars Publishing.
Stephanou, C. and C. Rodriguez, 2008,"Bank Financing to Small- and Medium-Sized Enterprises (SMEs) in Colombia", *World Bank Policy Research Working Paper* 4481, January.
Zeb, EFMA, ERSTE Group, 2009,"Central and Eastern European Banking Study 2009. SME Banking in CEE".
World Bank, 2010a, "Doing Business 2011: Making a Difference for Entrepreneurs".
World Bank, 2010b,"EU10 Regular Economic Report", November.
World Economic Forum, 2010, "The Global Competitiveness Report 2010-2011".

CV
ROMAN Angela, PhD. is an associated professor at the Faculty of Economics and Business Administration of the "Alexandru Ioan Cuza" University. Her main teaching activities are centred on subjects like: Money and Credit, Monetary and Public Financial Policy, International Finances, Financing and Lending of the SMEs.

Ignătescu Valentina Diana, Ph D Student at the Faculty of Economics and Business Administration, "Alexandru Ioan Cuza" University Iasi. The main fields of interest are: Money and Credit, Enterprise Financing, Financing and Lending of the SMEs.