



‘Access to finance’ survey - results for Bulgaria

‘Access to finance’ survey for small and medium-sized enterprises was held in 2010 from all EU member states, in accordance with Regulation (EC) No 97/2009, jointly by the European Commission, European Central Bank and National Statistical Institutes.

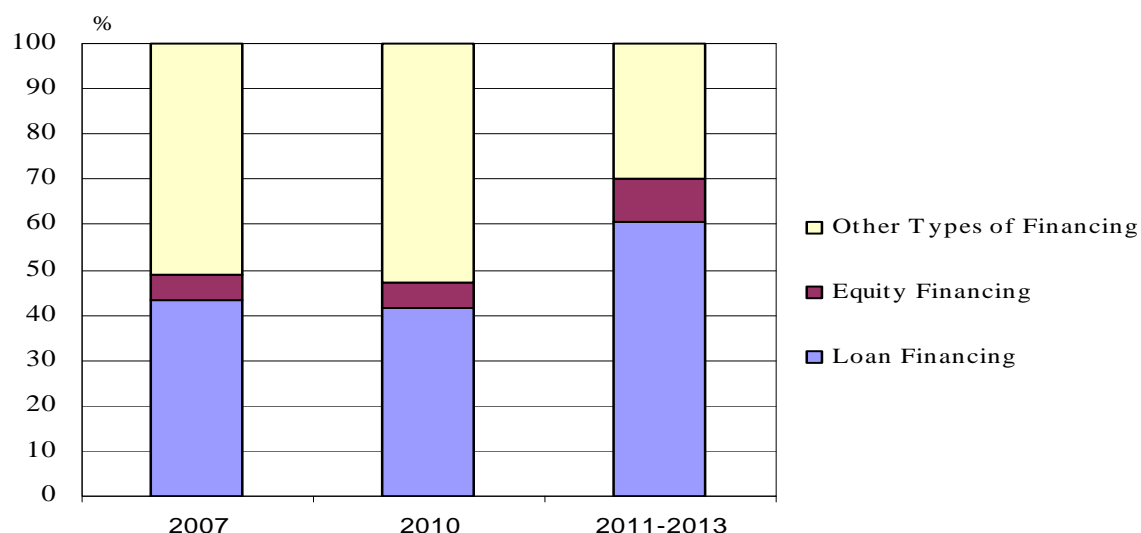
The representative survey¹ aimed to investigate which were the main sources of funding in 2007 and 2010 and the extent of their use, the specific difficulties for financing the SMEs and the needs for funds over the next three years (2011 - 2013). The collected information could be used for analyzing the problems and taking measures for their solution and also for making the appropriate management decisions to support the business.

The results of the survey

The data showed that about 25% of the enterprises did not seek any forms of financing in both observed years - 2007 and 2010. Some of them explained that they sought and even received funding during the same period, but in the years beyond (out off) the scope of the survey - 2008 and 2009. Therefore it could not be argued that about ¼ of the enterprises do not need funds for developing their business.

It is more interesting to analyze the data of the enterprises, which have sought the funds for financing their activities. The survey defined three main types of funding - ‘Loan Financing’, ‘Equity Financing’ and ‘Other Types of Financing’. The data showed that the ‘Loan Financing’ and the ‘Other Types of Financing’ were the preferred forms throughout the period 2007 - 2013.

Figure 1. Finance types sought, 2007, 2010 and 2011 - 2013²



¹ The survey included the independent enterprises, classified to NACE Rev. 2 in codes B to N excluding K, existing at least since 2005, had 10 to 249 persons employed in 2005 and at least 10 persons employed in 2010.

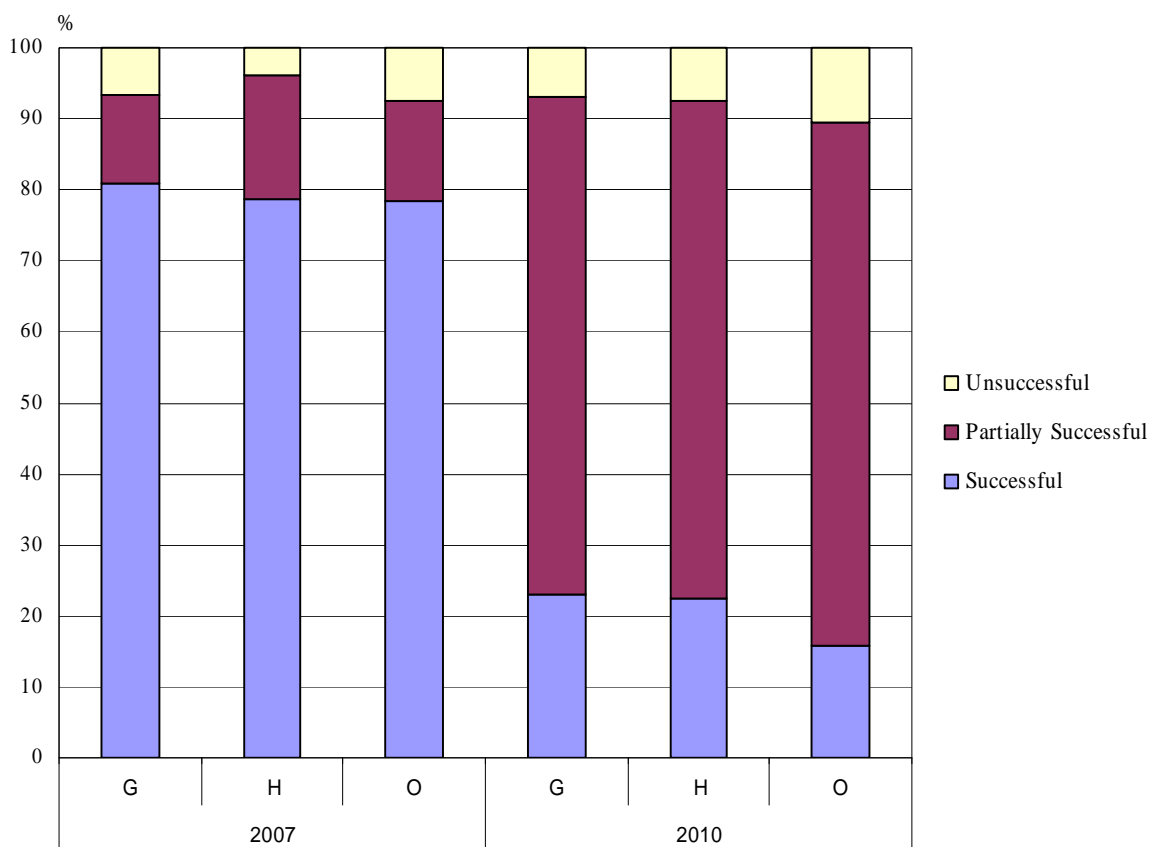
² The forecast was based on all enterprises, whether they have sought or not any type of funding in 2007 and/or 2010.



Loan financing

The success in funding the loan finance was almost the same for all grow types, but differed significantly between the years - 2007 and 2010. In 2010 the rate of the fully succeeded enterprises in obtaining loan finance decreased versus the rise of the partially succeeded enterprises and those, which have not received loan finance.

Figure 2. Success rate in obtaining loan finance by grow types, 2007 and 2010



G - Gazelles (The enterprises born in 2003, 2004 or 2005 where the employment increased

with about 20% per annum over the years 2006 - 2008);

H - Other high growth (The enterprises born before 2003, where the employment increased

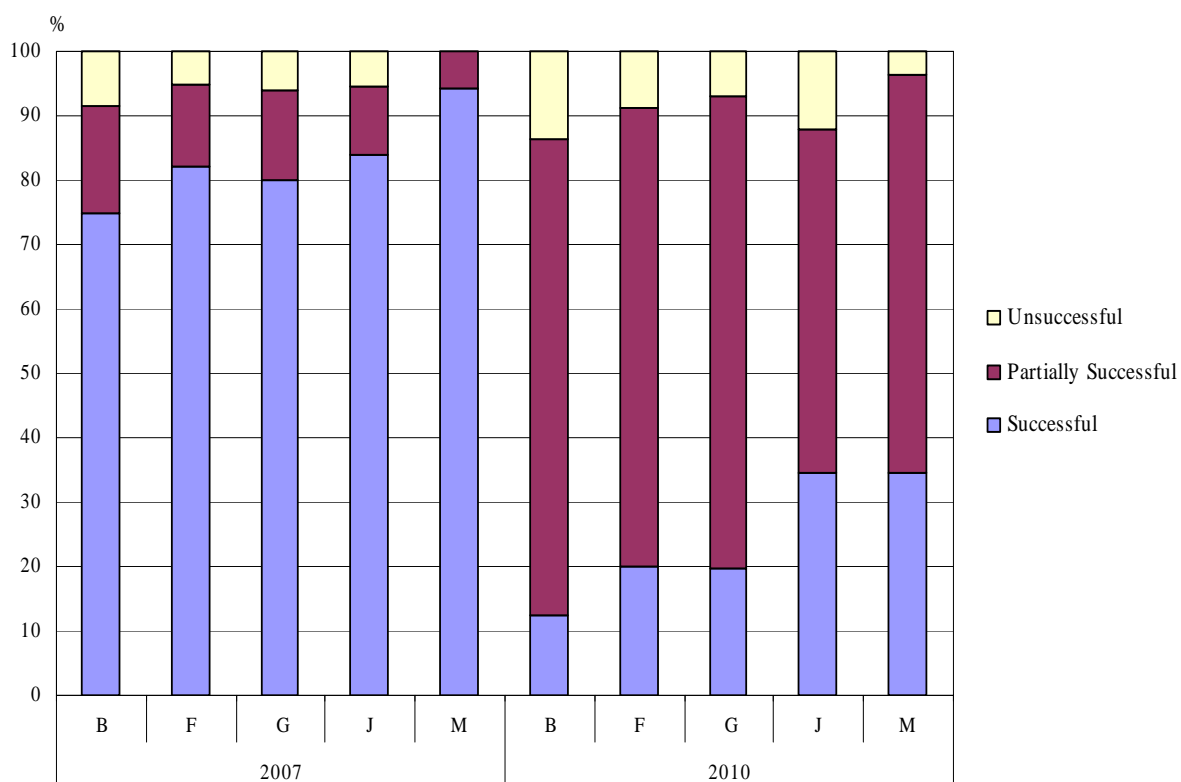
with about 20% per annum over the years 2006 - 2008);

O - Other businesses in scope of the survey.



Data analysis for success in seeking a loan finance by activity groups showed significant differences in the success rate between the two years, and within each year between the different activity groups. In the two years the share of full success was higher for the enterprises, classified in 'ICT services' and in 'Professional, scientific and technical services'.

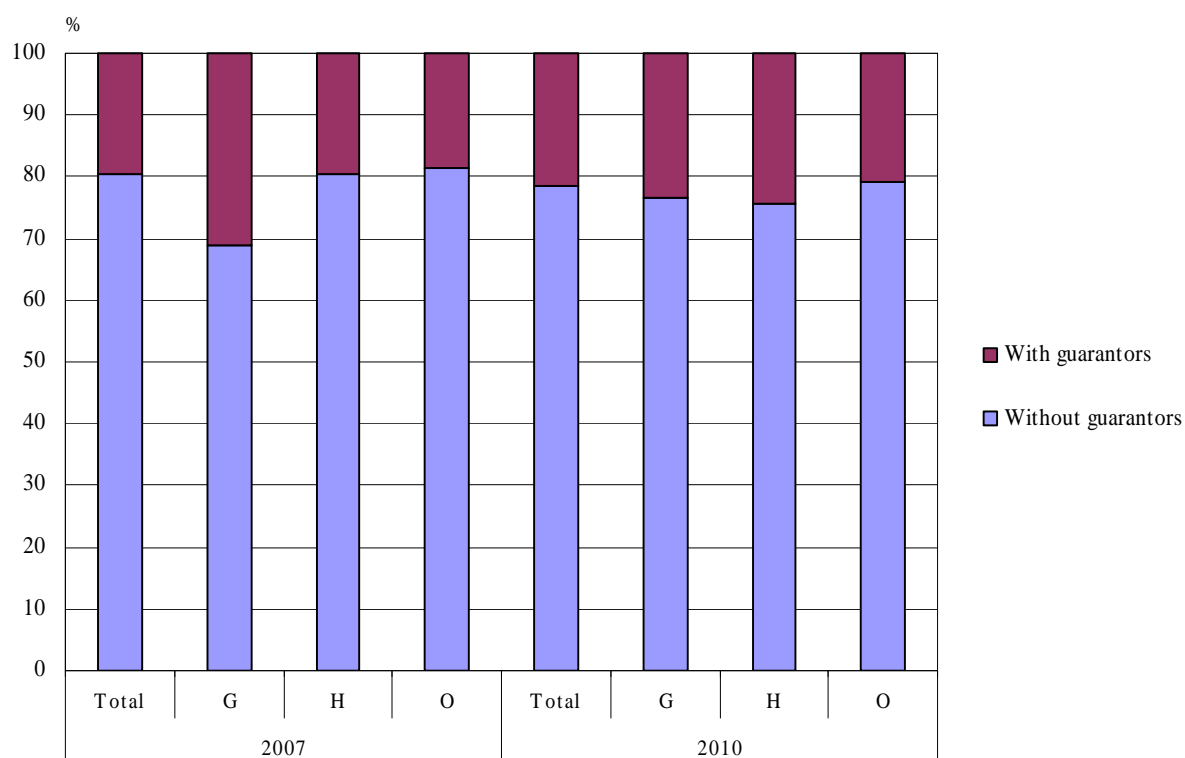
Figure 3. Success rate in obtaining loan finance by activity groups, 2007 and 2010



- B** - Industry (NACE Rev. 2 codes B, C, D and E);
- F** - Construction (NACE Rev. 2 code F);
- G** - Services (NACE Rev. 2 codes G to N, excluding J, K and M);
- J** - ICT services (NACE Rev. 2 code J);
- M** - Professional, scientific and technical services (NACE Rev. 2 code M).

In 2010 increased the need of guarantors for loan finance - by 2.2 percentage points in comparison with 2007. An exception was the group of Gazelles, where this need fell by 7.5 percentage points.

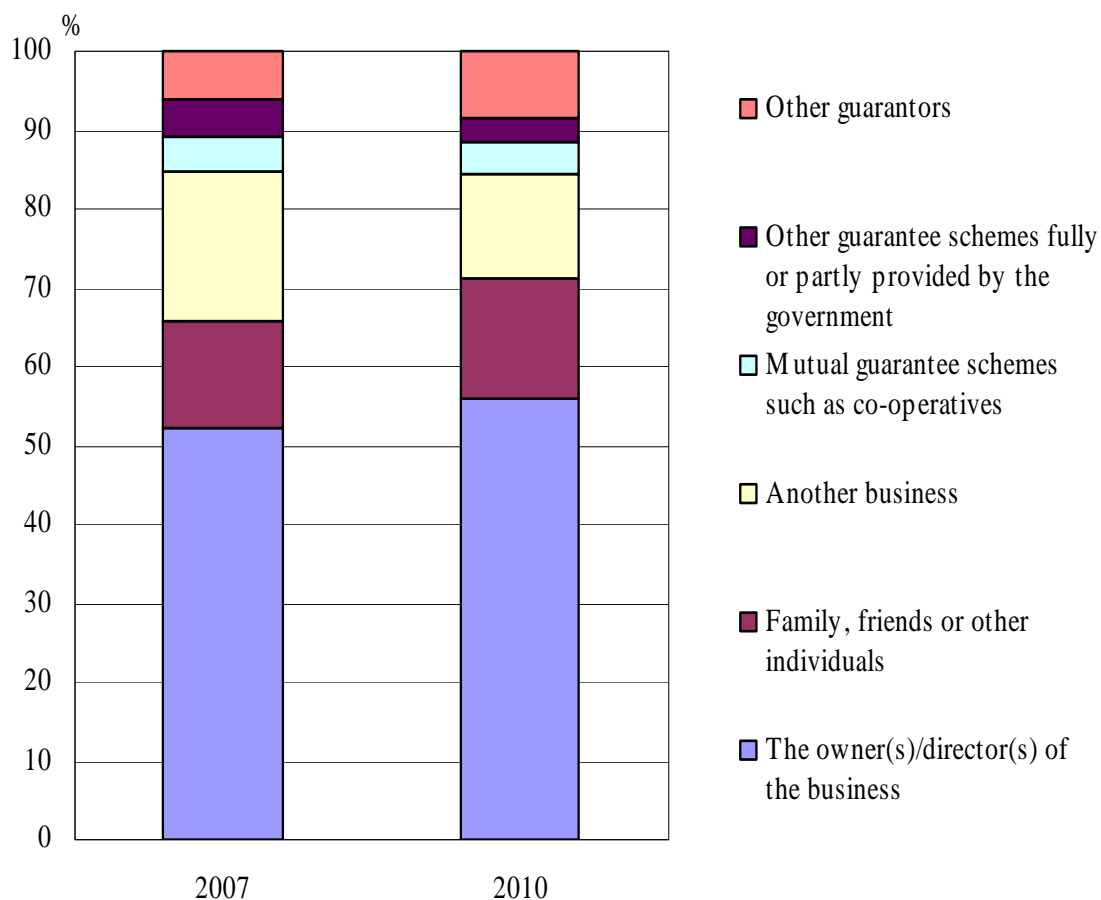
Figure 4. The structure of obtained loan finance depending on the necessity of guarantors by grow types, 2007 and 2010



- G** - Gazelles (The enterprises born in 2003, 2004 or 2005, where the employment increased with about 20% per annum over the years 2006 - 2008);
- H** - Other high growth (The enterprises born before 2003, where the employment increased with about 20% per annum over the years 2006 - 2008);
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The main guarantors of the loans in both years were the owners/directors of the business, the family, friends or other individuals and another business, but were indicated all other possibilities.

Figure 5. The structure of guarantors by type in obtaining loan finance, 2007 and 2010

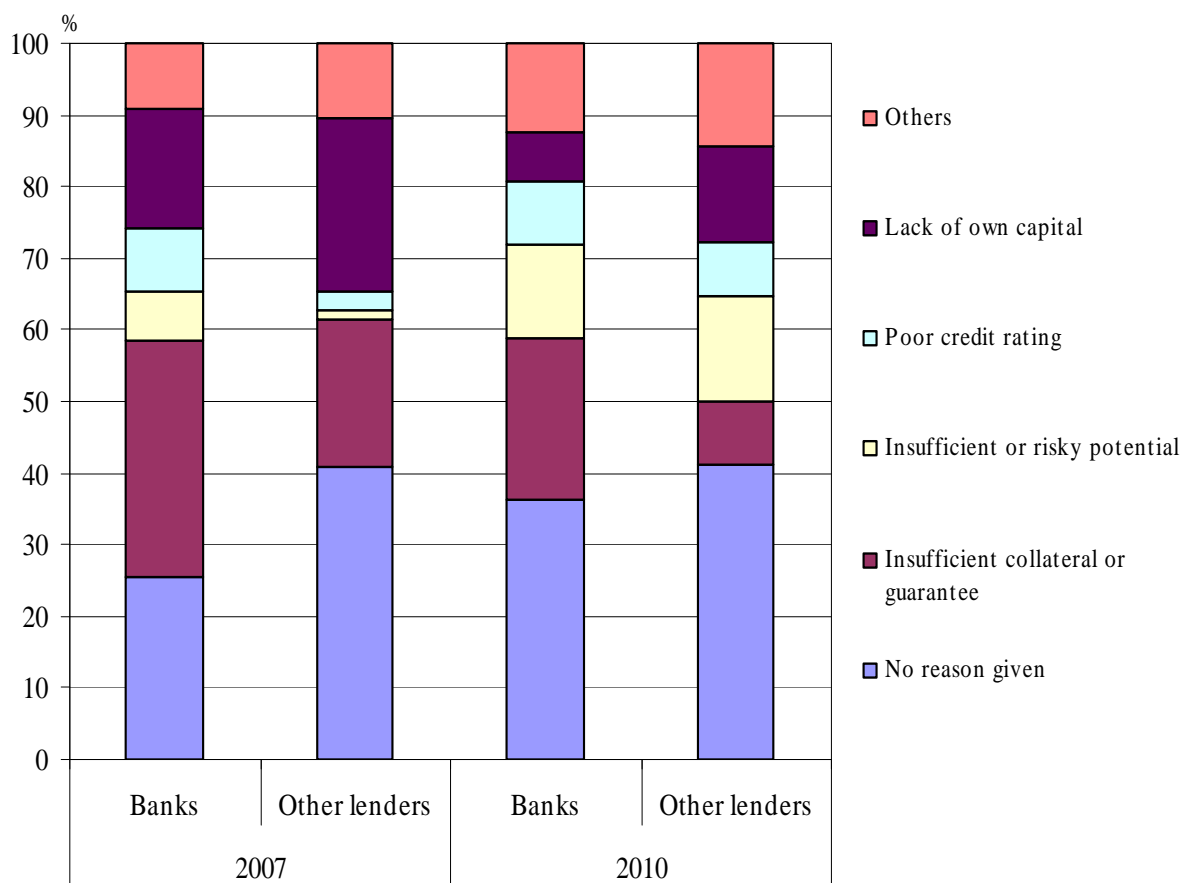




The refusal of banks to grant the requested loan finance is determined by several main reasons - 'Insufficient collateral or guarantee', 'Insufficient or risky potential', 'Poor credit rating' and 'Lack of own capital'. The anxious fact was that the highest rate of refusals was 'No reasons given'.

The reasons for refusal of other lenders to grant the loan finance were similar and here the rate of refusals on the type of 'No reasons given' was also the highest.

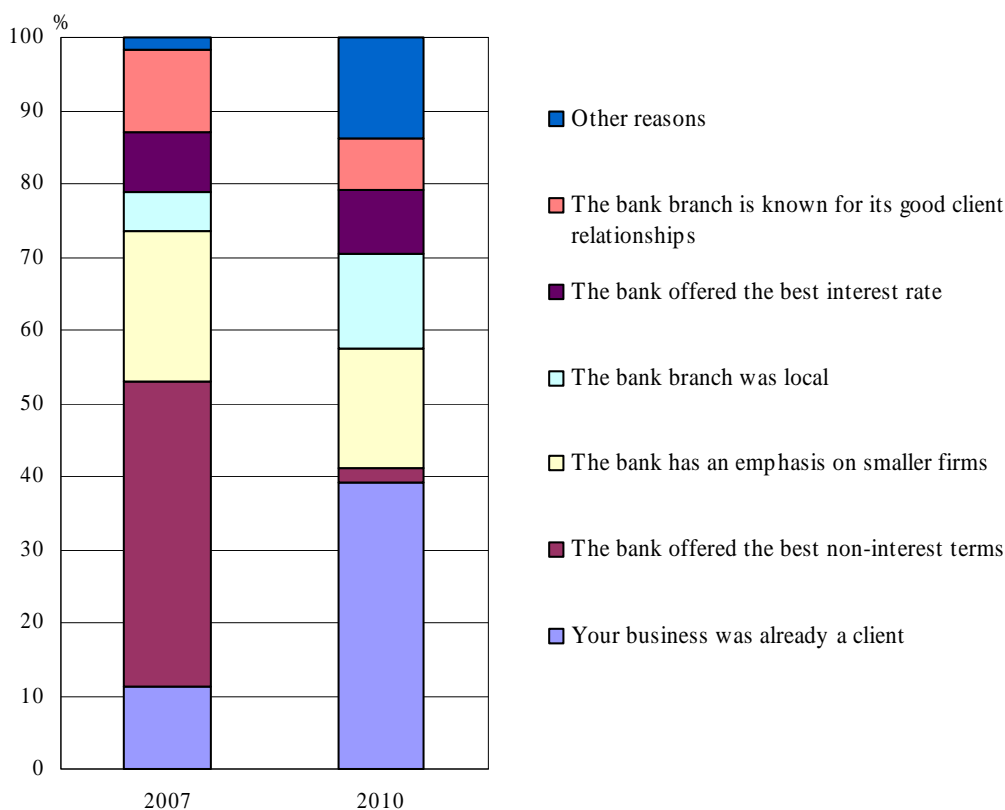
Figure 6. Main reasons for refusal of a loan finance from banks and other lenders, 2007 and 2010



The assessment of the enterprises for the conditions of obtaining the loan finance did not change significantly during the observed period. In 2010, 59.9% of the enterprises believed that the interest rates were quite high, versus 64.5% in 2007. In both years about 35% of the borrowers thought that the non-interest terms (maturity, covenants, etc.) were unacceptable.

The reasons for choosing a particular bank from the business seeking loan finance differed significantly between the beginning and the end of the observed period. In 2007, 41.8% of the enterprises believed that their chosen bank offered the best non-interest terms, while in 2010 the preferences were for the already used banks.

Figure 7. Reasons for choosing a particular bank for a loan, 2007 and 2010



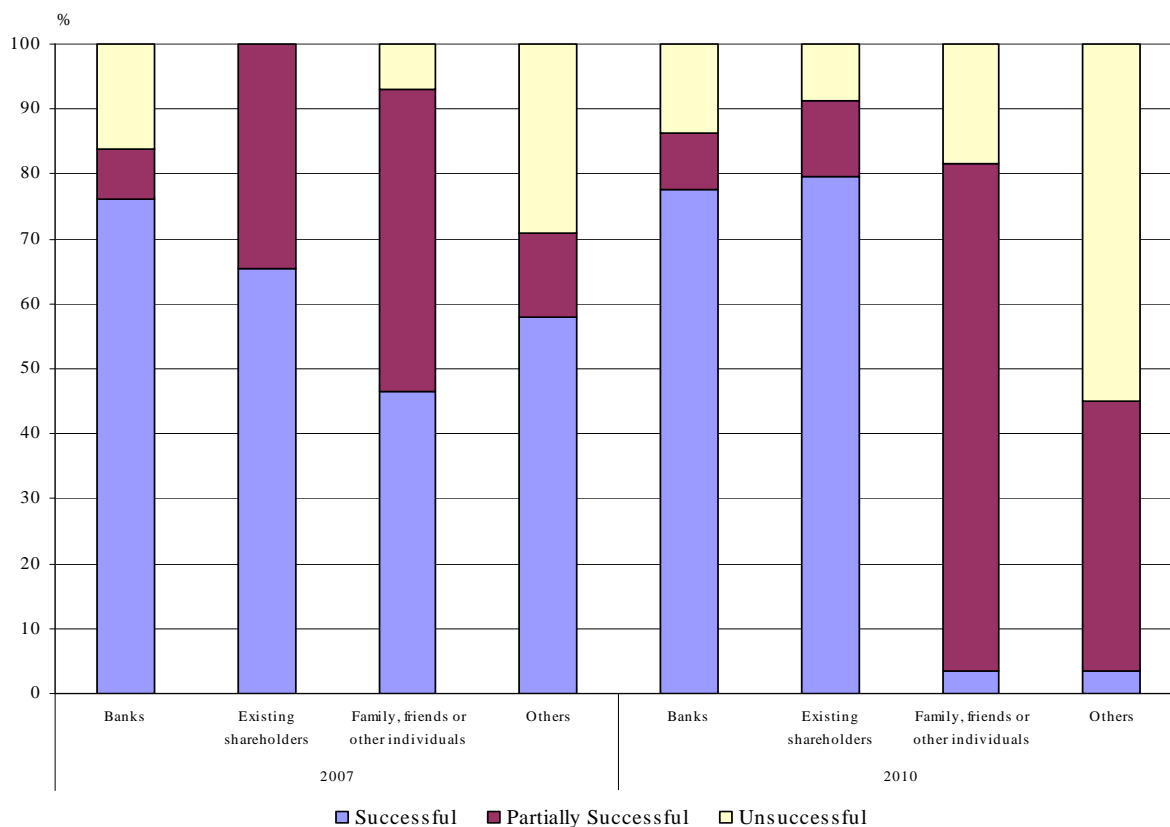


Equity financing

Seeking the equity finance did not change substantially - 5.8% of total demand in 2007 and 5.4% in 2010, but changed the structure of the used sources. In 2007 the share of 'Banks' was the highest - 48.6%, followed by 'Existing shareholders' - 14.6% and 'Family, friends or other individuals' - 9.5%. In 2010 the 'Banks' and 'Existing shareholders' retain their positions as main sources of equity financing - 38.3% and 22.1% respectively.

The success for seeking and obtaining the equity finance varied by years, for each year by sources and for each source by success rate. Only the data of the 'Banks' were stable, with a tendency for improvement.

Figure 8. Success rate in obtaining equity finance by sources, 2007 and 2010

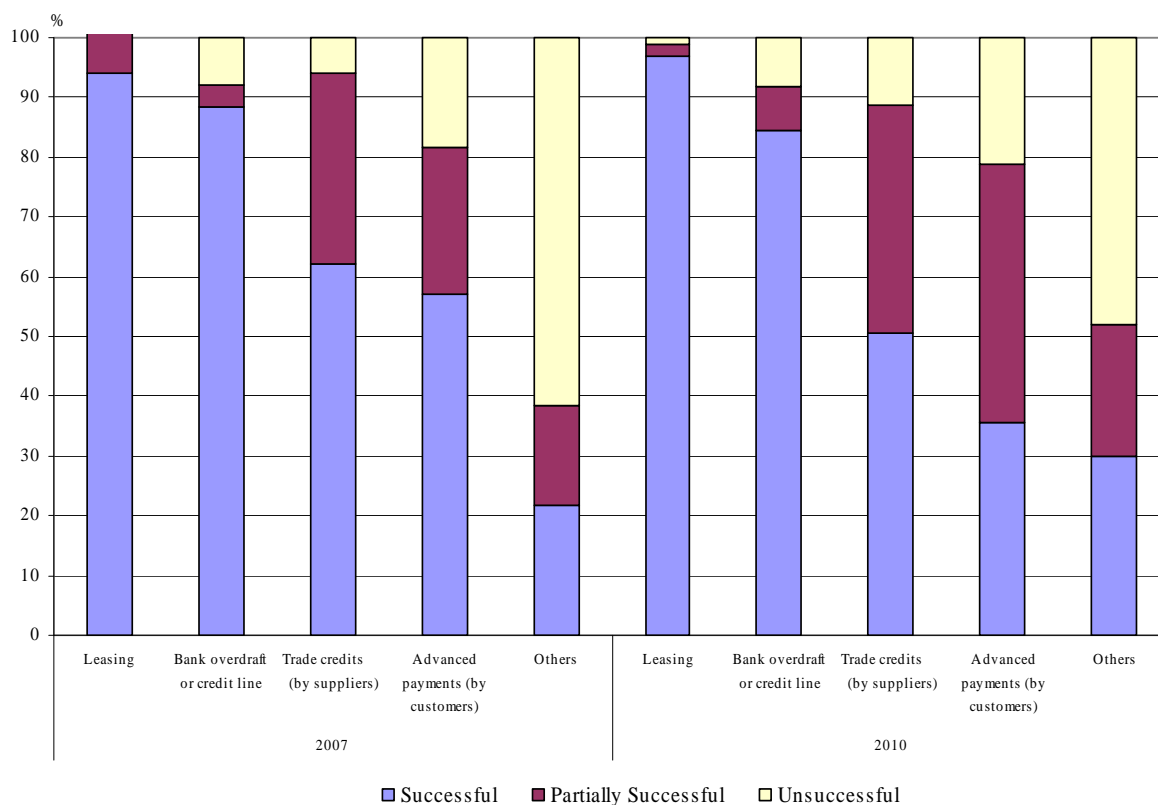


Other Types of Financing

This was the type of funding for which more than half of the enterprises were interested in both observed years. The ‘Bank overdraft or credit line’ and the ‘Leasing’ were the most preferred sources which together formed 67.5% of the total demand in 2007 and 65.4% in 2010. Other sought forms were ‘Trade credits (by suppliers)’ and ‘Advanced payments (by customers)’ - about 20% in the both years.

In seeking and receiving the other types of finance, more enterprises have achieved the full success, compared to loan finance and equity finance, and what was more important - remained almost constant for each source in both years.

Figure 9. Success rate in obtaining other types of finance by sources, 2007 and 2010

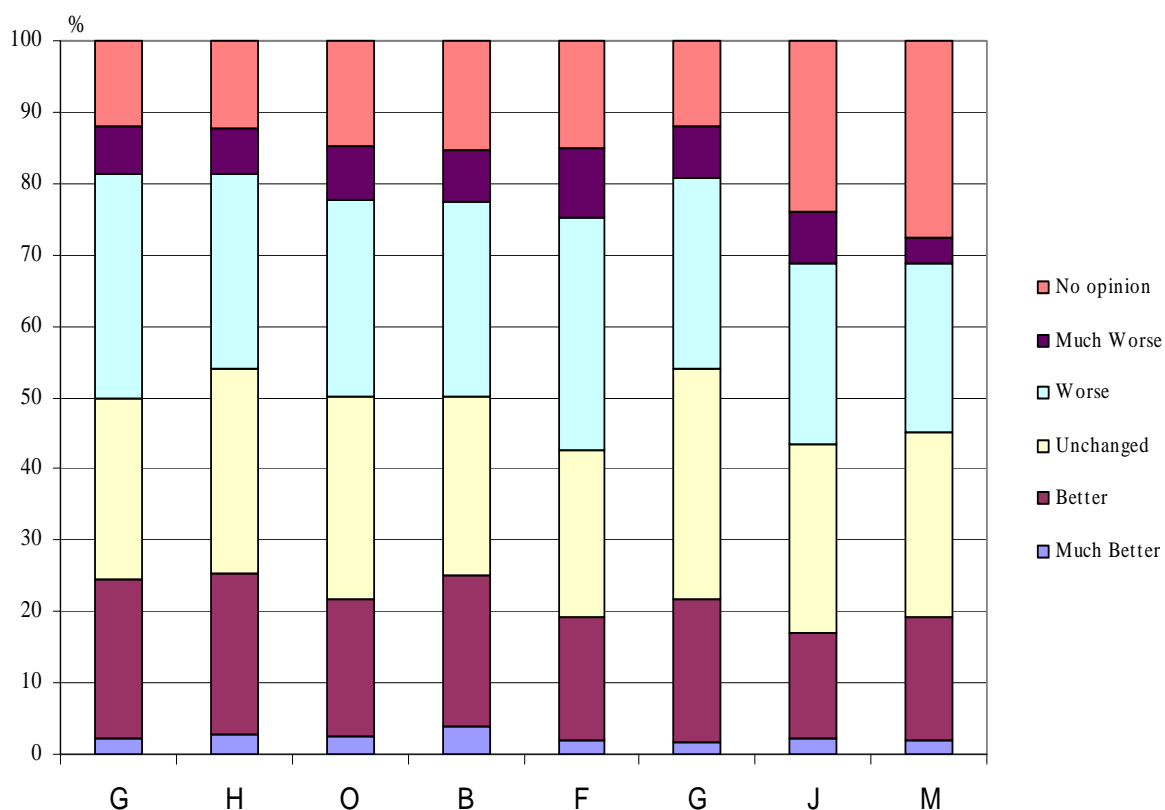




Assessment of the changes for the period 2007 - 2010

The analysis of the data showed that the assessment of the economic conditions for the business development was not affected either by the grow types or by the economic activities. The assessment 'Much Better' was given only by 2.6% of the enterprises and 'Better' assessment - 19.7%. The situation was assessed as 'Much Worse' and 'Worse' by 7.4% and 27.7% respectively, and the neutral position 'Unchanged' - 28.4%.

Figure 10. Assessment of the changes in economic situation by grow types and activity groups, 2007 - 2010



G - Gazelles (The enterprises born in 2003, 2004 or 2005, where the employment rose with about 20% per annum over the years 2006 - 2008);

H - Other high growth (The enterprises born before 2003, where the employment rose with about 20% per annum over the years 2006 - 2008);

O - Other businesses in scope of the survey.

B - Industry (NACE Rev. 2 codes B, C, D and E);

F - Construction (NACE Rev. 2 code F);

G - Services (NACE Rev. 2 codes G to N, excluding J, K and M);

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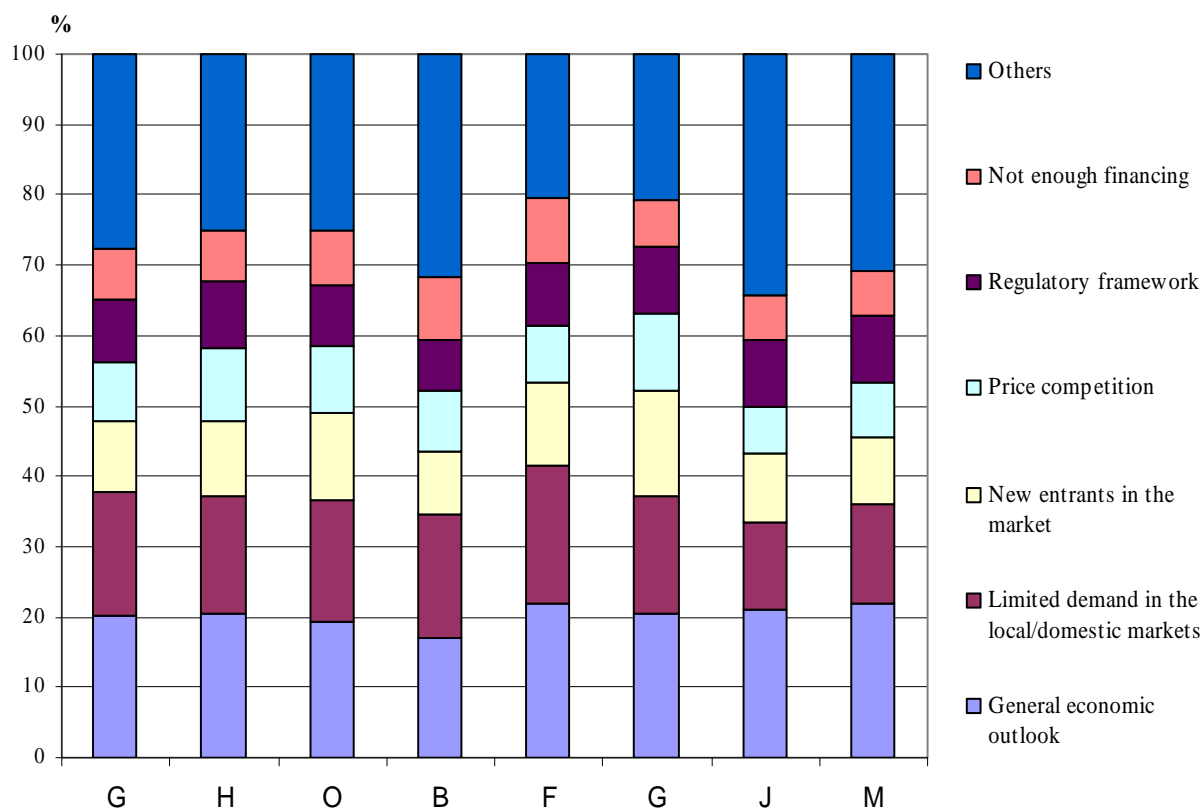
M - Professional, scientific and technical services (NACE Rev. 2 code M).



The factors, limiting the growth of the business for the period 2011 - 2013

The enterprises have indicated all factors, defined in the questionnaire. Those, which restricted the business were: 'General economic outlook' - 19.5%, 'Limited demand in the local/domestic markets' - 17.2%, 'New entrants in the market' - 12.1%, 'Price competition' - 9.6%, 'Regulatory framework' - 8.7% and 'Not enough financing' - 7.8%. The positive fact was that only 0.1% indicated the factor 'Difficult access to information technologies'.

Figure 11. The main factors, limiting the growth of the business, by grow types and activity groups, 2011 - 2013



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