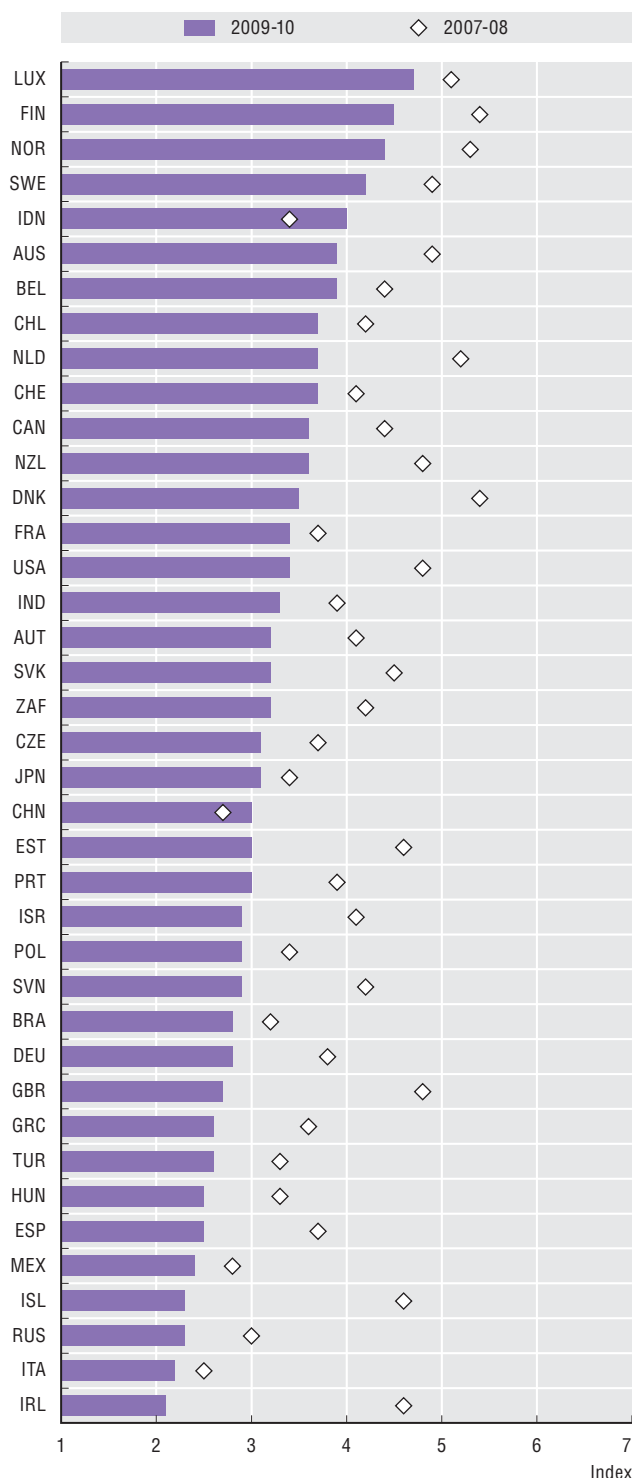


## 5. UNLEASHING INNOVATION IN FIRMS

### 7. Access to capital

#### Ease of access to loans, 2007-08 and 2009-10

Scale from 1 to 7 from hardest to easiest, weighted averages



Source: World Economic Forum (2010), *The Global Competitiveness Report 2010-2011*; and World Economic Forum (2008), *The Global Competitiveness Report 2008-2009*, World Economic Forum, Geneva.

StatLink <http://dx.doi.org/10.1787/888932487343>

Bank loans are an important source of financing for starting a new business or expanding an existing one. The World Economic Forum's Global Competitiveness Report, which collects data through executive opinion surveys, provides insight on individuals' views on access to bank loans in different countries. The data show that bank financing became more difficult to obtain between 2007 and 2010 in all countries owing to the financial crisis.

Debt financing is the most common source of financing for small, young firms, although innovative and high-growth firms seek equity financing more than other types of small firms (OECD, 2010). Often entrepreneurs seeking equity investment start with their own funds and those of friends and family. Depending on the size and scope of the venture, entrepreneurs may need other external sources of equity seed capital such as angel investment or venture capital.

Venture capital differs significantly among countries and is very sensitive to market cycles in terms both of amounts invested and stages of investment. Under conditions such as today's financial environment, venture capital funds may invest in later stages, leaving gaps at the pre-seed and seed stages where profit expectations are less clear and risks much higher.

Business angels, who are often experienced entrepreneurs or business people, are increasingly recognised as an important source of equity capital at the seed and early stage of company formation. Angel investors have sought to fill the financing gap left by venture capitalists by investing with other angel investors through groups and syndicates and increasing the deal size for companies seeking early stage financing.

#### Definitions

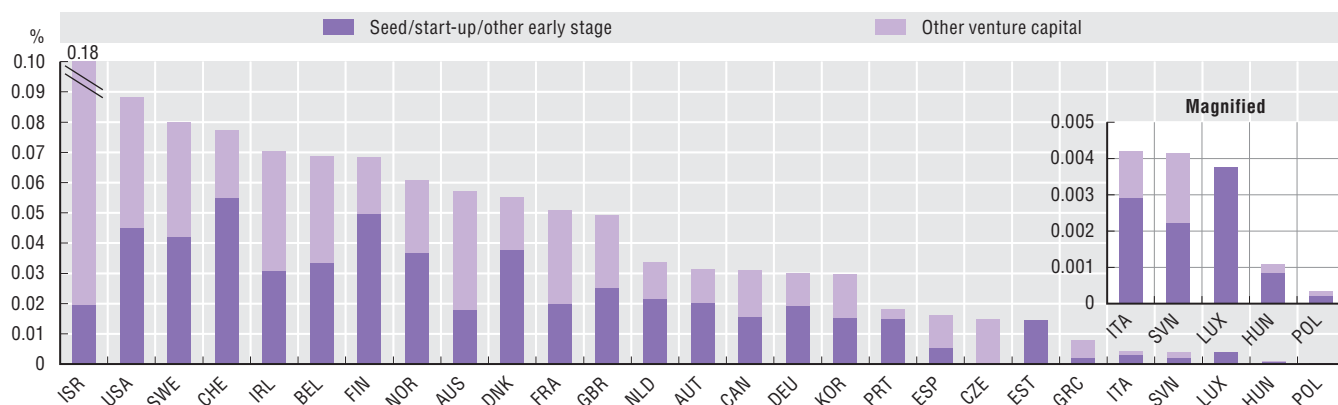
The *ease of access to loans* indicator measures how easy it is to obtain bank loans with only a good business plan and no collateral on a scale of one to seven; higher values suggesting easier access. *Venture capital* is private capital provided by specialised firms acting as intermediaries between primary sources of finance (insurance, pension funds, banks, etc.) and private start-up and high-growth companies whose shares are not freely traded on any stock market. A *business angel* is a private investor who generally provides finance and business expertise to a company in return for an equity share in the firm. Some business angels form syndicates or networks in order to take on larger deals and spread risk.

*Business angel groups* are formed by individual angels joining together with other angels in order to evaluate and invest in entrepreneurial ventures. The angels can pool their capital to make larger investments.

A *business angel network* is an organisation whose aim is to facilitate the matching of entrepreneurs with business angels.

## Venture capital investment, 2009

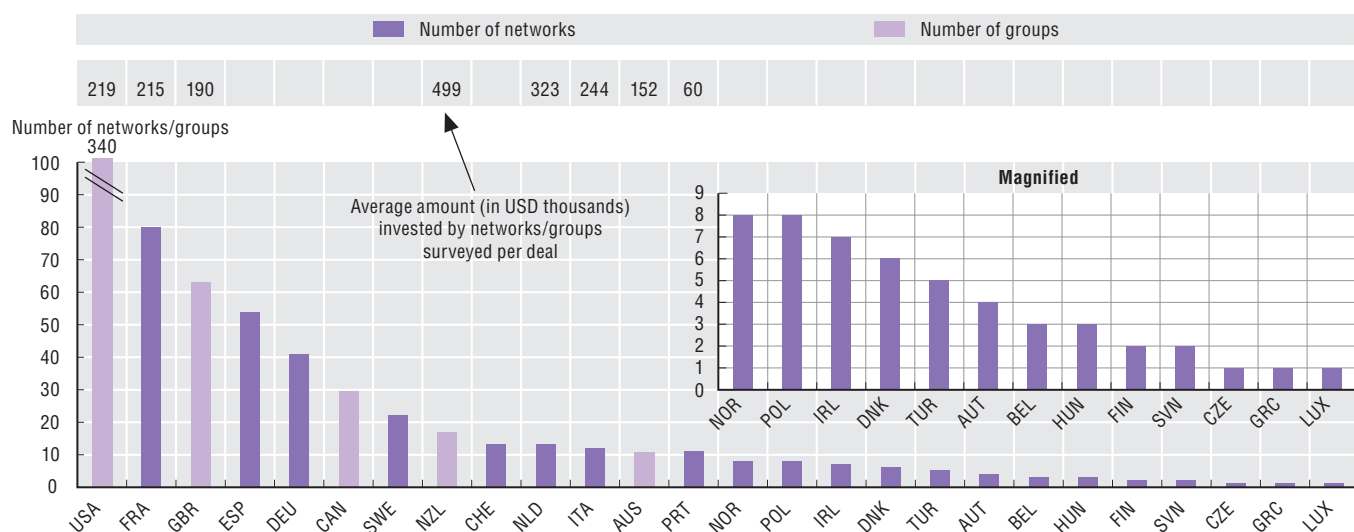
As a percentage of GDP



Source: OECD (2011), *Entrepreneurship at a Glance 2011*, OECD Publishing, Paris, based on OECD Entrepreneurship Financing Database, June 2011. See chapter notes.

StatLink <http://dx.doi.org/10.1787/888932487362>

## Business angel networks/groups, 2009



Source: OECD, calculations based on EBAN (The European Trade Association for Business Angels, Seed funds and other Early Stage Market Players), ACA (Angel Capital Association), NACO (National Angel Capital Organization) and AANZ (Angel Association New Zealand), March 2011. See chapter notes.

StatLink <http://dx.doi.org/10.1787/888932487381>

## Measurability

The access to loan index is based on the World Economic Forum's Executive Opinion Survey of business executives' views of their operating environment. In collaboration with 150 partner institutes in 139 countries, 13 607 surveys were conducted in 2010 with an average of 98 respondents per country. National and regional venture capital associations collect data from members. Until recently, these data were not fully comparable internationally, owing to differences in definitions and classification methods. Given recent changes in methodology, comparability has improved: inward and outward flows are treated the same way across countries and comparability of industry classifications has improved (OECD, *Entrepreneurship at a Glance 2011*). National and regional angel capital associations are beginning to collect data on the informal angel investment sector. The US Angel Capital Association (ACA) and the European Business Angel Network (EBAN) work to expand the set of angel investment statistics beyond those currently available. Angel investment is growing in Asia and other regions, although data are not yet collected in a way that allows for cross-country and regional comparisons.



From:

## OECD Science, Technology and Industry Scoreboard 2011

Access the complete publication at:

[https://doi.org/10.1787/sti\\_scoreboard-2011-en](https://doi.org/10.1787/sti_scoreboard-2011-en)

### Please cite this chapter as:

OECD (2011), "Access to capital", in *OECD Science, Technology and Industry Scoreboard 2011*, OECD Publishing, Paris.

DOI: [https://doi.org/10.1787/sti\\_scoreboard-2011-50-en](https://doi.org/10.1787/sti_scoreboard-2011-50-en)

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).