

Slovak Republic

SME lending

The Slovak Republic joined the OECD Scoreboard on financing SMEs and entrepreneurs in 2010. It is in the process of amending its methodology to collect statistics on SME financing. Thus, the data in the current Scoreboard are likely to change as data collection improves. The current framework uses the EU definition for an SME which is an enterprise with less than 250 employees. However, not all banks use this definition. As Table 4.51 shows, SMEs dominate the Slovak economy.

Table 4.51. **Distribution of enterprises in the Slovak Republic, 2007**

| By size of enterprise | | |
|-----------------------------|---------------|--------------|
| Enterprise size (employees) | Number | % |
| All enterprises | 57 805 | 100.0 |
| SMEs (1-249) | 57 286 | 99.1 |
| <i>Micro (1-9)</i> | 42 281 | 73.1 |
| <i>Small (10-49)</i> | 12 964 | 22.4 |
| <i>Medium (50-249)</i> | 2 044 | 3.5 |
| Large (250+) | 519 | 0.9 |

Note: Data include ISIC Rev. 3 Categories C, D, E, F, G, I and K. Non-employer enterprises are not included.

Source: OECD Structural and Demographic Business Statistics Database.

StatLink  <http://dx.doi.org/10.1787/888932580158>

The data for SME sector are currently collected from the database of financial statements (balance sheets) available from the tax authorities. The data are aggregated into categories according to the size of the firm represented by number of employees. After a revision of the methodology used for collecting bank statistics, it will be possible to obtain more detailed and accurate data on SME financing from the banking sector.

Both SME and total business lending continued to increase in 2008. While they stagnated in 2009, they suffered no serious declines. The SME share in total business loans increased from 66% (2007) to 79% (2009). Surprisingly, the share of SME long term loans in total SME loans grew between 2007 and 2009 indicating that investment was still taking place. However, the rate of growth in long-term loans slowed in 2009 along with the rest of the economy.

Credit conditions

SME interest rates declined from 6% (2007) to 3.5% (2009) but rose again in 2010 to 4.45%. According to Slovak authorities SMEs were required to provide collateral for development and expansion loans. Operating loans do not usually require specific collateral as they are covered by the framework of the funding agreements which are collateralised.

Venture capital and other indicators

While at very low levels, venture capital grew between 2007 and 2009 and then declined in 2010. At the same time, bankruptcies doubled.

Table 4.52. Breakdown of venture capital investments in SMEs in the Slovak Republic according to investment stages, 2007-10

| | In EUR | | | |
|--------------|------------------|------------------|-------------------|-------------------|
| | 2007 | 2008 | 2009 | 2010 |
| Seed | 215 760 | 3 845 847 | 2 099 247 | 61 988 |
| Start-up | 46 471 | 451 437 | 3 895 833 | 10 896 510 |
| Development | 6 771 559 | 3 693 587 | 8 370 533 | 459 500 |
| Total | 7 033 791 | 7 990 872 | 14 365 613 | 11 417 998 |

Source: National Agency for Development of Small and Medium Enterprises.

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Government policy response

There are special government SME loan programmes operated by specialised state banks and the National Agency for SME Development (NADSME). During the financial crisis, government guaranteed loans and SME government direct loans increased 36% to EUR 157 million (2008). Direct loans to SMEs by the government increased 37% between 2007 and 2008 up to EUR 160 million. This was a temporary anti-crisis measure in response to the decline in loans by commercial banks.

Table 4.53. **Financing SMEs and entrepreneurs: Scoreboard for the Slovak Republic, 2007-10**

| Indicators | Units | 2007 | 2008 | 2009 | 2010 |
|-----------------------------------|--|--------|--------|--------|--------|
| Debt | | | | | |
| Business loans, SMEs | EUR millions | 9 136 | 12 092 | 12 032 | .. |
| Business loans, total | EUR millions | 13 906 | 15 679 | 15 156 | 15 174 |
| Short-term loans, SMEs | EUR millions | 4 609 | 4 797 | 4 981 | .. |
| Long-term loans, SMEs | EUR millions | 4 528 | 7 295 | 7 050 | .. |
| Government loan guarantees, SMEs | EUR millions | 82 | 99 | 81 | 70 |
| Government guaranteed loans, SMEs | EUR millions | 115 | 157 | 143 | 139 |
| Direct government loans, SMEs | EUR millions | 117 | 160 | 139 | 147 |
| Interest rate ¹ | % | 6.07 | 4.92 | 3.51 | 4.45 |
| Collateral, SMEs ² | % of SMEs required to provide collateral on latest bank loan | 100 | 100 | 100 | 100 |
| Equity | | | | | |
| Venture capital, SMEs | EUR millions | 7.0 | 8.0 | 14.4 | 11.4 |
| Venture capital, SMEs | Year-on-year growth rate, % | n.a. | 14 | 80 | -11 |
| Other | | | | | |
| Payment delays | B2B (days) | 19.7 | 8 | 13 | 17 |
| | B2C (days) | 21.8 | 8 | 10 | 15 |
| Bankruptcies, total | Number | 169 | 251 | 276 | 344 |
| Bankruptcies, total | Year-on-year growth rate, % | n.a. | 48.5 | 10.0 | 24.6 |
| Bankruptcies, total | Per 10 000 firms | 16.75 | 21.05 | 21.78 | 24.15 |

1. Figures represent the general interest rate for all business. Specific rates for SMEs are not available at this time.

2. Figures relate to development loans, for working capital loans collateral is usually not requested.

Sources: Refer to Table 4.54 "Definitions and sources of indicators for the Slovak Republic's Scoreboard".


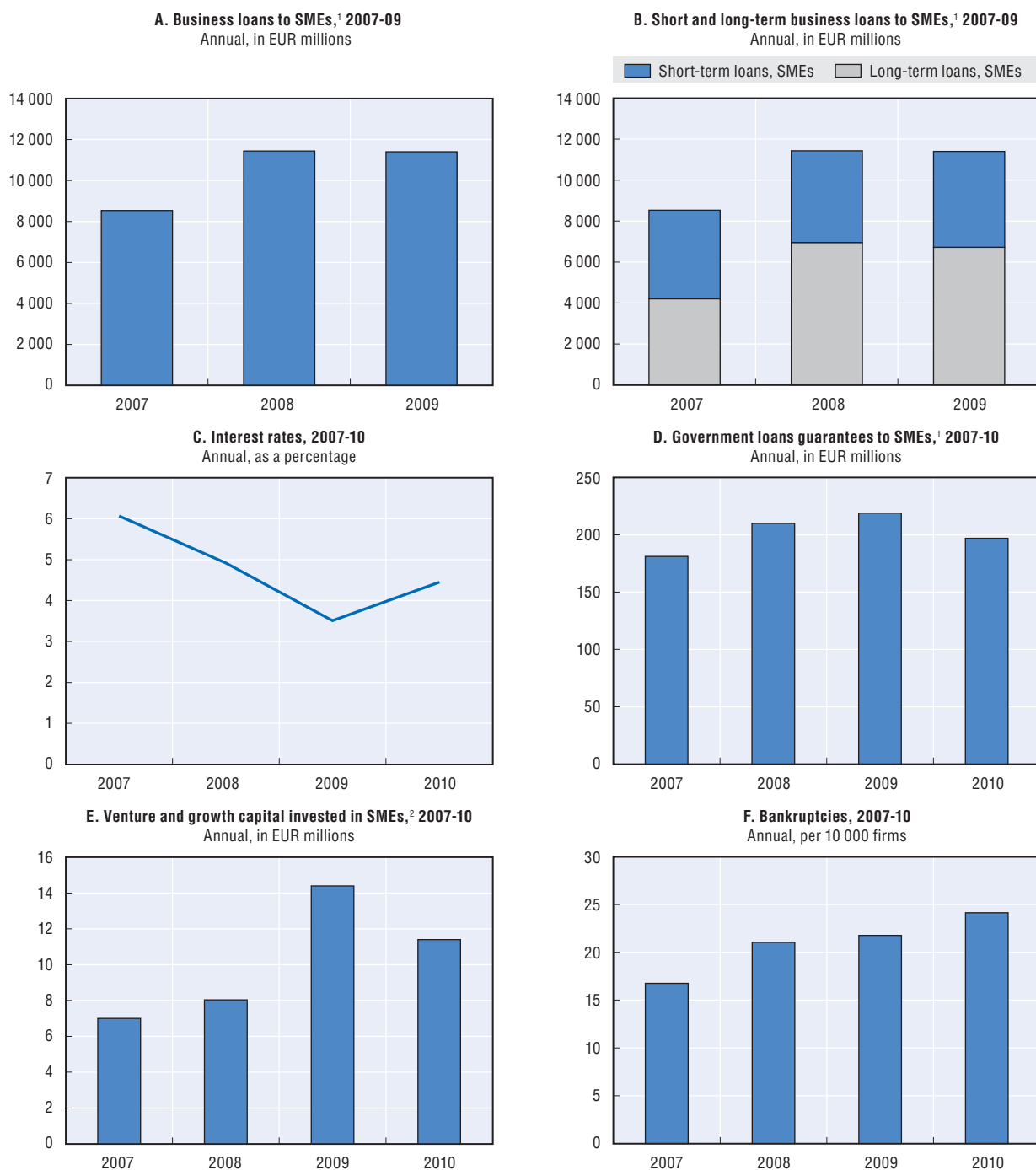
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Figure 4.24. Trends in SME and entrepreneurship finance in the Slovak Republic



1. Enterprises with less than 250 employees, including natural persons – entrepreneurs.

2. SMEs defined following the EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC).

Sources: Chart A: Tax Authority/financial statements (balance sheets) database. Chart B: Corporate financial statements (balance sheets) database, National Bank of Slovakia. Chart C: National Bank of Slovakia. Chart D: Annual reports on the state of SMEs in the Slovak Republic (National Agency for Development of Small and Medium Enterprises), Slovak Guarantee and Development Bank, Export-Import Bank. Chart E: National Agency for Development of Small and Medium Enterprises. Chart F: Conversion based on business database of the Statistical Office of the Slovak Republic.

StatLink  <http://dx.doi.org/10.1787/888932579094>

Table 4.54. Financing SMEs and entrepreneurs: Definitions and sources of indicators for the Slovak Republic's Scoreboard

| Indicators | Definition | Source |
|--|--|---|
| Debt | | |
| Business loans, SMEs | Bank and financial institution loans to SMEs, amount outstanding (stocks) at the end of period; by firm size using the national definition of SME (enterprises with less than 250 employees, including natural persons – entrepreneurs). | Tax Authority/financial statements (balance sheets) database |
| Business loans, total | Bank and financial institution business loans to all non-financial enterprises, including natural persons – entrepreneurs, stocks | National Bank of Slovakia |
| Short-term loans, SMEs | Loans equal to or less than one year by firm size using the national definition of SME (enterprises with less than 250 employees, including natural persons – entrepreneurs). | Corporate financial statements (balance sheets) database, National Bank of Slovakia |
| Long-term loans, SMEs | Loans for more than one year by firm size using the national definition of SME (enterprises with less than 250 employees, including natural persons – entrepreneurs). | Corporate financial statements (balance sheets) database, National Bank of Slovakia |
| Government loan guarantees, SMEs | Guarantees available to banks and financial institutions – new by firm size using the national definition of SME (enterprises with less than 250 employees, including natural persons – entrepreneurs). | Annual reports on the state of SMEs in the Slovak Republic (National Agency for Development of Small and Medium Enterprises), Slovak Guarantee and Development Bank, Export-Import Bank |
| Government guaranteed loans, SMEs | Loans guaranteed by government – new. SMEs defined following the EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC) | Slovak Guarantee and Development Bank |
| Direct government loans, SMEs | New loans guaranteed by government, (state owned banks) by firm size using the national definition of SME (enterprises with less than 250 employees, including natural persons – entrepreneurs). | Annual reports on the state of SMEs in the Slovak Republic (National Agency for Development of Small and Medium Enterprises), Slovak Guarantee and Development Bank, Export-Import Bank |
| Interest rate | Interest rate for all businesses. | National Bank of Slovakia |
| Collateral, SMEs | Percentage of SMEs that were required to provide collateral on latest development bank loan. SMEs defined following the EU definition (less than 250 employees and annual turnover below EUR 50 million and/or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC) | National Bank of Slovakia, National Agency for Development of Small and Medium Enterprises survey, |
| Equity | | |
| Venture capital, SMEs | Actual amounts invested in SMEs: seed and start-up phase. SMEs defined following the EU definition (less than 250 employees and annual turnover below EUR 50 million and/ or balance sheet below EUR 43 million, Com Recommendation 2003/361/EC) | Annual reports on the state of SMEs in the Slovak Republic (National Agency for Development of Small and Medium Enterprises) |
| Other | | |
| Payment delays | Average number of days delay beyond the contract period for Business to Business (B2B) and Business to Customer (B2C). | European Payment Index reports (Intrum Justitia) |
| Bankruptcies, total (number) | Number of enterprises ruled bankrupt. | Statistics of the Ministry of Justice |
| Bankruptcies, total (per 10 000 firms) | No. bankrupt per 10 000 enterprises. | Conversion based on business database of the Statistical Office of the Slovak Republic |



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