Access to Finance of SMEs in CEE Countries and Supportive Measures

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Abstract: The access to finance is very important for the proper functioning and development of the enterprises. But, unfortunately, the access to finance is one of the major problems faced by the SMEs from all the European Union countries. Moreover, the recent financial crisis has brought even more challenges for these enterprises, because thedeterioratingmacroeconomic environmentand the uncertaintyabout themacroeconomicoutlookcaused creditors toshow agreaterreluctancein lending tothese enterprises.Thus, the objective of our paper is toanalyze the problems faced by the SMEs from ten Central and Eastern European (CEE) countries when trying to obtain the financial resources they need in current times, after the recent financial crisis. Another objective is to highlight the reforms adopted by these countries to sustain SMEs financing.The main findings of our paper are the fact that the current financial crisis had major negative implications onSMEs' accesstofinance andthe measures taken bythe decision makers to supportlendingofthese enterprises are not enough, they must extend, in order to achieve a level of the access to finance of SMEs similar to the one in the developed European countries.

Keywords:SME; access to finance; doing business; CEE countries; reforms

JEL Classification: G01; G32.

1 Introduction

Given the importance of the Small and Medium Sized Enterprises (SMEs) in all the economies, they are essential for the economic recovery from the recent economic and financial crisis. The access to finance was problematic for the firms, especially for SMEs, even before the crisis. But, the recent crisis has brought even more challenges for SMEs, regarding their financing activity. The firms from CEE countries have fought hard to face the challenges arouse by the crisis that began in 2008. However, the effects of the crisis are still being felt today.

In the post crisis period, although the economies from CEE are starting to recover, the SMEs are still facing serious problems in accessing external financing. The willingness of banks, to provide loans, is still reduced (European Central Bank, 2014a), so the CEE countries have to take measures in order to stimulate SME's financing.

The lack of credit is still observed in many countries from the European Union. Financing conditions vary significantly across the member states, in the countries that have been less affected by the recent crisis, bank lending being available for solid SMEs, but in the countries severely affected by the crisis, the firms are facing important constraints when trying to obtain financial resources. However, the internal market for bank credit remains fragmented. To address this situation, most countries have adopted measures to strengthen loan guarantee systems, and many

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are facilitating both access to and transfer of financial information.Access to alternative financing sources has also improved in many countries. Although direct access to capital markets is mostly limited to large businesses, efforts have been made to improve access to the corporate bond and alternative funding markets, and to facilitate the listing of SMEs.

Besides stimulating bank loans (which represents the most important source of financing used by SMEs - 85% of SME's loans, in 2013, were obtained from a bank(European Central Bank, 2014a), the decision makers are trying to sustain the access to other sources of financing (such as venture capital) which are still underdeveloped in the CEE countries. Also, some countries have created new institutions which are intended to regulate, control and stimulate enterprise financing, especially SME's.

In order to overcome the lack of credit flows, in June 2014 the European Central Bank took a series of monetary policy measures and signalled that it is ready to use unconventional instruments if necessary. The favourable monetary policy environment makes it easier for the banking system to make credit available to businesses, and for enterprises to use credits for investment (European Commission, 2014).

Starting from those stated above, the primary objective of this paper is to analyze the problems faced by the SMEs from CEE countries when trying to obtain finance, after the recent financial crisis, and also the measures taken by ten CEE countries (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia, Slovakia) to sustain SMEs financing in this uncertain times.

Our paper proceeds as follows. In the second section we briefly discuss the streams of literature that relate to our analysis: the literature on SME financing and on the impact of financial crisis on SME's access to finance. In Section three we describe the challenges faced by the SMEs in CEE countries in the post crisis period. In Section four we present the measures taken by the authorities in order to sustain SMEs access to finance after the current financial crisis. In the last section we present some concluding remarks.

2 Literature review

In terms of financing structure, SMEs are typically more dependent on bank lending than larger enterprises. Most of the times, SMEs face significant constraints when seeking the financing resources theyneed for their activities, constraints which are more important than those faced by larger firms (Barth *et al.*, 2011; European Central Bank, 2011). SMEs are usually perceived both to have a higher probability of default than larger firms and to be more informationally opaque. For this reason, in particular, SMEs are more hard-pressed to find alternative sources of financing to bank lending, such as debt issuance (European Central Bank, 2014b).

As for the factors affecting the availability of external financing, survey data distinguish between factors related to the characteristics of the firms, such as credit history, their own capital, and firm outlook in terms of sales, profitability and business plans, and external factors, such as the general economic activity as perceived by firms and the importance of access to public support, including guarantees. More firms in distressed countries have reported that the deterioration of these factors has an impact on the availability of external financing (European Central Bank, 2014b).

Beck, Demirguc-Kunt, Laeven and Maksimovic show that size, age and ownership are the most reliable predictors of firms' financing obstacles. These authors find also that older, larger and foreign-owned firms report lower financing obstacles (Beck *et al.*, 2006). The data also show that small firms finance just a smaller share of their investment with formal sources of external finance (Beck *et al.*, 2004).

Thus, the access to finance is a major challenge for SMEs in normal times; it was much more so during the financial crisis as credit sources for small firms tended to dry up more rapidly than for large firms, thereby disrupting the business and investment activity of SMEs to a greater extent. Moreover, the sovereign debt crisis and the subsequent fragmentation of financial markets along national lines affected banks' funding conditions and their ability to provide credit to non-financial corporations, especially in those countries with a high proportion of bank-dependent SMEs (European Central Bank, 2014b). The crisis has had a major negative effect on bank lending. When bank lending is reduced, SMEs tend to be more vulnerable and affected than larger corporations (OECD, 2009) and credit sources tend to dry up more rapidly for small firms than for large enterprises during economic downturns (European Central Bank, 2013).

De la Torre, Martinez Peria and Schmukler and Hernandez-Canovas and Martinez-Solano showed that despite the differences in the economic environment of countries in termsof rules, regulations, and ease of doing business, SMEs have become a strategic segment for most banks in the European Union. Because of this, banks have begun to target SMEs due to significant competition both in the corporateand the retail sectors. Currently, banks have started to perceive the SME market as being a large, highly profitable market and with very good prospects (De la Torre *et al.*, 2008; Hernandez-Canovas& Martinez-Solano, 2010). Furthermore, after the recent financial crisis SMEs need more help in order to access finance because of the fact that the lack of credit is still observed in many countries and the willingness of bank to provide loans is still reduced (European Central Bank, 2014a).

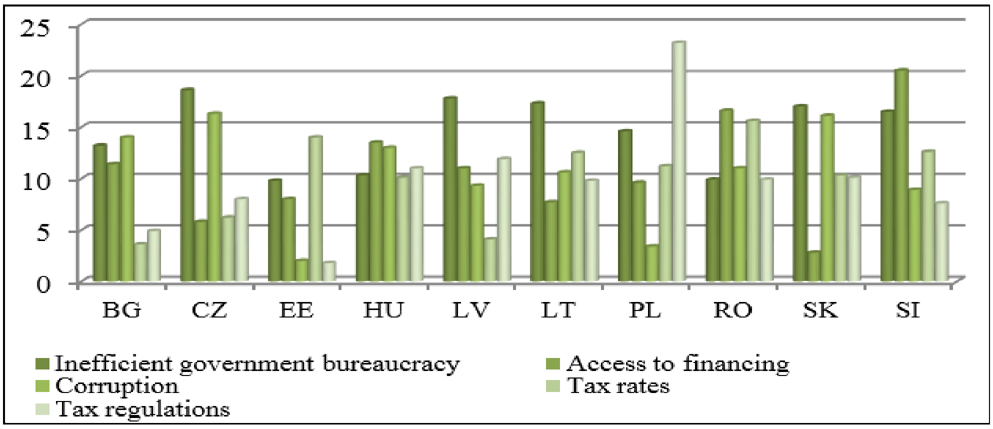
The measures put in place by countries, in order to sustain SME sector, can be classified in three different groups: (a) measures supporting sales and preventing depletion of SMEs' working capital such as export credit and insurance, factoring for receivables, tax reductions and deferrals, and better payment discipline by governments, (b) measures to enhance SME's access to finance, mainly to credit through bank recapitalisation and expansion of existing loan and credit guarantee schemes; (c) measures aimed at helping SMEs to maintain their investment level and more generally their capacity to respond in the near future to a possible surge in demand through investment grants and credits, accelerated depreciation, and R&D financing (OECD, 2009). Further, we will analyze in detail the measures adopted by each country to support access to finance for SMEs in the post crisis period.

3 Current Challenges in SME's Access to Finance

A sound financial market realizes a proper assessment of risk and it channels the resources to those entrepreneurial or investment projects that have the highest expected rates of return. Business investment is also critical to productivity. Therefore economies need sophisticated financial markets that can make capital available for private-sector investment from such sources as loans from a sound banking sector, well-regulated securities exchanges, venture capital, and other financial products. In order to fulfil all those functions, the banking sector needs to be trustworthy and transparent, and financial markets need appropriate regulation to protect investors and other actors in the economy at large (Schwab, 2014).

CEE countries still need some time to reach this level, especially now, in the post crisis period, when they have, not only to make efforts to catch up with the developed EU countries, but also have to remove the negative effects of the crisis. At this moment, SMEs in CEE countries face a series of problems in doing business; the most problematic factors are presented in Figure 1.

Figure 1. The five most problematic factors for doing business 2015 (in %)



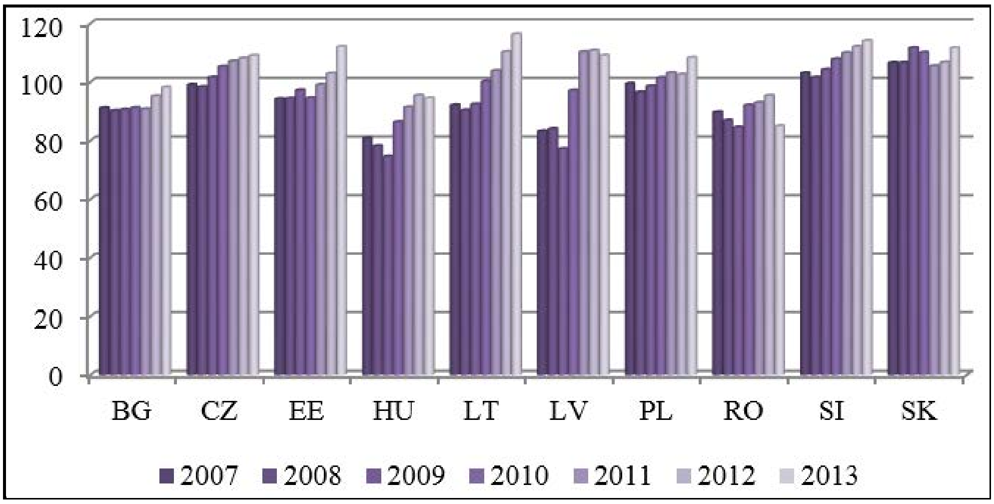
Source: processed data after European Commission, 2014.

The access to finance is the most problematic factor in doing business in Hungary, Romania and Slovenia. The share of this factor's influence is smaller than 5% for Slovakia, but for the other countries it still remains an important problem in doing business, in 2015.

Tax regulations represent the biggest problem in doing business for Poland, but they also have an important share in the other analyzed countries, except Estonia. Also, except Bulgaria and Latvia, tax rates represent an important problem in doing business in CEE countries, in 2015. So, we observe that, besides access to finance, the taxation problems are still important obstacles in doing business in CEE countries. Another factor with an important share in all the countries is inefficient government bureaucracy. Corruption is also mentioned as being one of the five most problematic factors in doing business in CEE, in 2015.

To observe if really the access to finance is an important problem for SMEs, we analyze the SMAF index. The SME Access to finance index (SMAF index) offers information about the changing conditions of SMEs' access to finance over time, for all the member states of the European Union. The index is calculated using a baseline of EU 2007=100, and so allows comparison between countries and across time. It was chosen the reference of 2007 because it is the moment before the onset of the financial crisis.

Figure 2. SMEs access to finance index, 2013 (100 = the EU average in 2007)



Source: processed data after Enterprise Finance Index.

The value of SMAF for many CEE countries has increased since 2008 when the EU average for SMAF hit its lowest point. For 9 out of ten analyzed CEE countries, the SMAF score has registered an increase in 2013 compared to 2007. Romania was the only country, from those considered in our analysis that registered a decrease of the SMAF index in 2013 compared to 2007 – 2008 (see figure 2). The key factor that influenced the increase seems to be the fall in interest rates for loans and overdrafts starting with 2009 for many EU countries, and so this has contributed to an improvement in the debt finance sub-index score for all nine countries from CEE between 2007 and 2013; the only country that have registered a decrease of this sub-index is Romania (Enterprise Finance Index).

Figure 2 shows the changes in the overall SMAF index for the countries in CEE in the period 2007 to 2013. In total, 9 countries have shown improvements in their access to finance environments over the seven year period to 2013. In particular, significant improvements have been made by Latvia, Lithuania and Estonia. Just one country has experienced a decline in its access to finance environments since 2007, this country is Romania. The countries to consistently have an index value of over 100 in the last years were Czech Republic, Latvia, Lithuania, Poland, Slovenia and Slovakia. It is important to note that Slovenia and Slovakia are the strongest CEE states in terms of access to finance, with scores above the EU28 average during the whole period 2007-2013 (Enterprise Finance Index). While Bulgaria, Hungary and Romania have maintained over the whole period the value of SMAF index under the EU average and under the reference value (100 = EU average in 2007).

Venture capital investment declined significantly between 2007 and 2009, and has remained relatively stable ever since. Business angel investment has slightly increased between 2007 and 2013, though for some countries there was a peak in 2009 before falling levels in the last years. As a result of these trends, the equity finance sub-index of 2 CEE countries (Czech Republic and Romania) has slightly declined since 2007. The improvement in the debt finance sub-index has outweighed the decline in the equity finance sub-index.

3 Reforms Adopted to Improve SME's Access to Finance in CEE countries

In order to improve the business environment, the CEE countries have adopted a series of reforms. According to the World Bank the number of reforms varies from 10 in Estonia, to 23-25 in Romania, Poland and Czech Republic.

In getting credit Romania had made the biggest number of reforms (four reforms) and Slovenia hasn't made any. Estonia has improved access to credit only by one reform, by amending the Code of Enforcement Procedure and allowing out-of-court enforcement of collateral by secured creditors. The other countries have applied 2 or 3 reforms. Also a big number of reforms were adopted in starting a business, paying taxes and resolving insolvency. In starting a business the biggest number of reforms was registered in Bulgaria and Lithuania (six reforms) and the smallest number in Estonia and Poland (only two reforms). The reforms in this area were directed mainly to reducing the cost of registration and the minimum capital requirement.

Table 1. Doing business reforms in CEE between 2006-2015

Economy	*BG*	*CZ*	*EE*	*HU*	*LV*	*LT*	*PL*	*RO*	*SK*	*SI*
Total	**20**	**25**	**10**	**18**	**21**	**21**	**25**	**23**	**15**	**17**
Starting a Business	6	4	2	4	3	6	2	3	4	3
Registering Property	1	3	1	3	3	1	5	1	1	2
Getting Credit	2	3	1	2	2	3	2	4	3	-
Paying Taxes	5	7	2	4	3	3	3	5	2	3
Trading Across Borders	1	1	-	2	2	1	2	1	1	1
Enforcing Contracts	2	3	2	-	1	1	3	3	2	1
Resolving Insolvency	2	2	2	2	4	4	4	3	2	3

Source: processed data after Doing Business Reforms.

Also, in the last years, were adopted some financial regulation in order to facilitate the financing of SMEs. The Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV) of 27 June 2013 include a correcting factor to lower the capital requirements related to credit risk for exposures to SMEs (European Central Bank, 2014b).

In the following we will analyze the measures taken by the each one of the analyzed countries from CEE for sustaining the access to finance of SMEs after the recent financial crisis.

*Bulgaria'*s ranking for obtaining credit improved by 17 places in the last years (to 23th in 2015 from 28th in 2014 and 40th in 2013) (World Bank, 2013, 2014 and 2015), while its legal rights index rose by 1 point to 9 out of 12, and the coverage of the public credit registry increased from 56.3% of adults in 2012 to 62.9% in 2015 (World DataBank).

The government has emphasized the need of the banking sector to play a more active role to help firm's access European funds. Already the loan guarantees of European structural funds have helped SMEs to improve their access to bank lending. Bulgaria performs better than the EU average on the banks' willingness to provide loans, being the country with the second best improvement in 2014 (European Central Bank, 2014a). However, the banking sector has problems with SME lending, as loan losses are relatively high. In addition, venture capital investments are almost non-existent. Venture capital investments (supported by EU structural funds) have helped to kindle entrepreneurial activity, in particular in information and communications technology. There is potential to further expand venture capital investments, including to other high-growth sectors. There are few alternative financing instruments available, and further development of business angel and venture capital financing is needed.

Estonia has improved SMEs' access to finance, and has made the first steps towards moving from a financing model based on grants to one relying on financial instruments. Banks are more willing to provide loans (with the exception of the too risky projects), Estonia registering a small improvement of only 4% but being around the EU average (3%) (European Central Bank, 2014a). Estonia's ranking for obtaining credit has worsened in 2014, with two places and in the last year has improved with twenty places (being ranked the 23th in 2015 from 42th in 2014 and 40th in 2013)(World Bank, 2013, 2014 and 2015), while its legal rights index is 9 out of 12, and the coverage of the public credit registry is maintained zero for the last five years (World DataBank).

The Baltic Innovation Fund, a Baltic initiative based on fund-to-fund investments, is encouraging cross-border investment and it already has three active funds that are ensuring better coverage of private equity and riskier projects, including start-ups, for which access to finance is more difficult. Moreover, the activities of the Finance Estonia Cluster and the Estonian Private Equity and Venture Capital Association contribute to the development of capital markets in Estonia (European Investment Fund).

The *Czech Republic* suffers from a lack of programmes providing early stage equity financing to SMEs. The government has planned to sustain seed and venture capital funding during the 2014-2020 programming period. A new law on investment companies and investment funds, in force from 1 January 2014 is encouraging more involvement from private investors in funding SMEs in their different stages of development.The ranking for obtaining credit in Czech Republic has improved in the last years with thirty places (being ranked the 23th in 2015 from 55th in 2014 and 53th in 2013)(World Bank, 2013, 2014 and 2015).

Hungarian access to finance it is still a problematic aspect. Lending conditions in the economy have worsened in the past period significantly due to the high level of non-performing foreign currency loans, high external indebtedness, as well as the special levies maintained in the financial sector. To respond to these challenges, the Hungarian Central Bank has introduced in 2013 its Funding for Growth scheme. A positive sign is that 98 % of the transactions in this programme are new loans and 60 % are loans for investment. Three quarters of the loans has been made available in the agriculture, processing industry, retail and repair sectors.

The Szechenyi card programme, which provides credit-card based low-interest loans for micro- to medium-sized enterprises at Hungarian credit institutions, continues to be an important tool in the financing of SMEs. However, according to stakeholders, its attractiveness has been somewhat affected by the Funding for Growth scheme, due to the discrepancy of interest rates (European Commission, 2014).

Regarding the access to venture capital, it has improved over the last years, having changed from being below the EU average to slightly above. The JEREMIE scheme of the structural funds continues to be the most important source of venture capital in Hungary.

Most indicators measuring the access to finance in *Latvia* are considerably better than the EU average. They include access to public financial support, the perceived willingness of banks to give a loan, the strength of legal rights and the interest rate difference between loans above or below EUR 1 million (European Central Bank, 2014a; World DataBank). The World Bankranks Latvia among the top performers for ease of getting credit and the legal rights for borrowers and lenders (World DataBank). The traditional financial instruments used are: loans aimed at increasing competitiveness and growth, credit and export guarantees, venture capital, seed capital and start-up capital funds, 'mezzanine' loans, start-up loans and grants.

Obtaining credit is not among the major issues for enterprises (the use of bank products in 2014 was 45% (European Central Bank, 2014a)); however, SMEs and in particular start-up firms continue to face challenges in getting access to finance. As deleveraging in commercial banks continues, the government has taken some measures to improve the effectiveness of public support for financing.

According to a market gap analysis, which pointed to the need to focus finance programmes more on SMEs, the "Financial engineering instruments" have been reorganised, a new micro financing programme for loans up to EUR 25.000 added and a new call for financial intermediaries specialised in micro lending launched to improve the offer for start-ups. In addition, the "mezzanine" programme has been refitted, interest rates for the start-up lending programme cut and the limits on government intervention in lending operations reduced. To improve the availability of equity financing, the government has supported the creation of the Baltic innovation fund, which has operated at macro-regional level since 2012. In 2013 three financial intermediaries became operational and three new risk capital funds were launched to provide growth capital for SMEs and promote the development of Latvia's venture capital market. Finally, a new pilot project for a business accelerator has been publicly funded (European Commission, 2014).

The banking sector in *Lithuania* remains stable and applies strict lending standards; around 35% of the SMEs that applied for a loan in 2014 were rejected (European Central Bank, 2014a). Uncertainty about the external economic environment has dampened demand for credit. At the same time many enterprises have sufficient cash reserves to finance investments internally. According to the most recent research carried out by the Lithuanian business support agency, the most common barriers to obtaining credit are tight financing requirements, lack of collateral and the high cost of obtaining finance (interest rates, guarantee fees, administrative costs, etc.). There is also a reluctance to lend to start-up enterprises. Over three-quarters of SMEs that received external funding with supplementary conditions indicated that they had to pledge additional assets, provide additional personal guarantees, provide state guarantees or guarantees from other institutions, or had to increase their capital share in an investment proposal. However, the SME Access to Finance Index improved significantly in 2013 compared to 2008, situating Lithuania among the best 10 countries in the EU (Enterprise Finance Index).

Lithuania runs several programmes that support access to finance for SMEs, primarily the INVEGA Fund, the Jeremie Guarantee Fund and the Entrepreneurship Promotion Fund, which are supported by EU structural funds. The Jeremie Guarantee Fund supports the provision of risk capital through a variety of instruments. The INVEGA Fund provides debt instruments for SMEs to support business expansion. The Jeremie Guarantee Fund finances guarantees for SMEs, and the Entrepreneurship Promotion Fund provides microcredit for the purpose of starting-up businesses.

In order to improve access to credit, Lithuania strengthened its secure transactions system by: broadening the range of movable assets that can be used as collateral; making it possible to include a general description in the security agreement of the assets pledged as collateral; and permitting out-of-court enforcement.

Access to finance in *Poland*is relatively good and continues to improve. The World Bank report ranks Poland as being the second in the European Union. The banks provide some finance for SMEs and, in general, do not ask prohibitive interest rates on loans (World Bank, 2014). According to the European Central Bank survey, 11 % of SME loan applications were rejected compared to 13 % in the EU as a whole. On interest rates, 33 % of Polish SMEs reported a decrease and only 14 % a rise, compared with 32 % and 23 % in the EU as a whole. On the other hand, equity finance remains underdeveloped, only 1% of the firms have used this type of financing in 2014 (European Central Bank, 2014a).

In March 2013, Poland started a programme of *de minimis*guarantees for loans on working capital as a counter-crisis measure, replacing an earlier ineffective system. The scheme was very well received and in November 2013 was extended to cover investment loans. Actions were also taken to support equity financing. The Polish Growth Fund of Funds, established to stimulate equity investment in venture capital, private equity and mezzanine funds, came into operation, signing transactions with two private funds. The National Capital Fund is being refocused on venture capital funds supporting the start-up phase of innovative SMEs (European Commission, 2014).

Access to finance for SMEs in *Romania* remains difficult and expensive. Romania ranked 18nd out of 28 countries in the 2014 access to finance index (being almost around the EU average) (European Central Bank, 2014a). The average interest rate for loans up to and including EUR 1 million is the second highest in the EU. The cost of credit for small businesses is about 17 % higher than for larger firms (European Central Bank, 2014a). A survey conducted by the National Bank of Romania in 2013 identified the following as the main problems encountered by SMEs in contracting bank loans: the cost of credit, collateral requirements, contractual clauses, bureaucracy and the lack of transparency. Furthermore, national and EU-funded support programmes continue to be difficult to access due to lengthy bureaucratic procedures (National Bank of Romania, 2013).

In recent years, public support for SMEs has mainly taken the form of state guarantees to help businesses obtain credit from banks. Other government measures included the *de minimis*scheme for SMEs, a support programme for young entrepreneurs and a programme to encourage female entrepreneurship. Romania’s risk capital market remains underdeveloped, and the low level of investment in new businesses in particular is hampering the growth of innovative enterprises. Venture capital investment has been in constant decline since 2007. In 2012, Romania was the fourth worst performer out of all Member States of the European Union in terms of total venture capital investment (European Commission, 2014).

Slovakia has improved SMEs’ access to finance, but has made limited progress in moving towards a financing model based less on grants and more on financial instruments. Despite the decrease in lending rates, the year on year growth of loans to non-financial corporations turned negative in the last years (European Central Bank, 2014a). However, the share of loan applications rejected by banks is still higher than the EU average, 17% and the EU average being 13% (European Central Bank, 2014a). There is limited growth in venture capital financing: from the three available JEREMIE instruments in the financing period 2007-2013, only the First Loss Portfolio Guarantee has become fully operational in this country.

The banking system from *Slovenia* continues to be fragile, with an unprecedented credit crunch affecting mostly SMEs. The continuing decrease in loans given to domestic non-banking sectors was caused by banks’ eroded capital base, the worsening of their asset quality combined with the high level of enterprise indebtedness, and the worsening economic environment which lowered enterprise income and increased risk (European Commission, 2014). Slovenia is among the countries that reported an increase of the interest rates on loans (European Central Bank, 2014a).

Equity instruments are only now being developed and thus more time is needed before their effectiveness can be fully assessed. Support to start-ups and micro enterprises, has been limited (e.g grants). A significant gap in seed finance was identified as affecting mostly innovative enterprises, and therefore a seed instrument was launched in June 2014.

In this context and taking into account SMEs’ high dependence on bank lending and debt finance in general, the situation continues to negatively affect small viable enterprises from Slovenia.

4 Conclusions

The current globalcrisishas had anextremely negative impactonthe SME sectorinmost countries because SMEs are morevulnerable to the economicand financialturmoil. The deteriorationof the economic activityand hence of thefinancial situation ofSMEs, the increased costof financingresourceson the international financialmarkets and increasingrisk aversionhaveledbanks to be reluctant tograntloans,tighteningcredit standardsand rising the interest rates.However, the reluctanceof banksin providingcredit,especially forSMEswasdriven bystrong increases innon-performing loansandthe relatedrisk, guarantees.

The access to finance was one of the big problems for the SMEs even before the crisis. But, the recent crisis has brought even more challenges for these firms, regarding their financing activity. The firms from CEE countries have fought hard to face the challenges arouse by the crisis that began in 2008. However, the effects of the crisis are still being felt today.

In the post crisis period, although the economies from CEE are starting to recover, the SMEs are still facing serious problems in accessing external financing, and the lack of credit is still observed in many countries. The willingness of banks to provide loans is still reduced, so the CEE countries have to take measures in order to stimulate SME’s financing.

The vital role ofSMEs inthenational economy andthe implicationsof the current crisis have imposed the adoption of measuresby public authoritiesto supporttheir activities and, in particular, their access to bank financing. Thus, most countries have adopted measures to strengthen loan guarantee systems, and many are facilitating both access to and transfer of financial information. Access to alternative financing sources has also improved in many countries. Although direct access to capital markets is mostly limited to large businesses, efforts have been made to improve access to the corporate bond and alternative funding markets, and to facilitate the listing of SMEs.

Also, besides stimulating bank loans the CEE countries are trying to sustain the access to other sources of financing which are still undeveloped in this geographical area. Also, some countries have created new institutions which are intended to regulate, control and stimulate enterprise financing, especially SME’s.

In order to overcome the lack of credit flows, in June 2014 the European Central Bank took a series of monetary policy measures and signalled that it is ready to use unconventional instruments if necessary.

However, for now, the serious situation of the SME sector inCEE and the timidrecoveryofbanklendingshows thatthe effectiveness of thesemeasuresis reduced. We consider that CEE countries should continue their efforts in order to improve business environment and the access to finance of SME, not only to overcome the negative effects of the recent crisis but also to catch up with developed countries.

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