

# 3C4SME

## Analysis of the survey on access to credit guarantee instrument in Molise

### V.01

This report is based on a first wave of questionnaires. A consolidated version of the report will be available as soon as the second wave of questionnaires will end and data will be integrated into a single dataset.

#### General Data

N. of firms that answered the questionnaire: 18.

Economic sectors represented in the sample of firms that answered the questionnaire:

- Building
- Insurance
- Architecture
- Handicraft
- Food industry
- Sport, leisure and tourism
- Wellness
- Beverage distribution
- Electrical systems
- Agri-food and territorial marketing
- Marketing
- ICT

## Background

Following the 2008-2009 global financial crisis and the subsequent flexion of the credit market, public credit guarantee schemes have gained popularity as a tool to try to increase access to credit for firms. Credit guarantee schemes are mechanisms in which a third party —the guarantor— pledges to repay some or the entire loan amount to the lender in case of borrower default. The guarantor assumes part or all of the credit risk, reducing the risk faced by financial intermediaries and thus making it possible for firms to obtain credit or improve the terms and conditions under which they can borrow. Such schemes have been designed as to allow financial intermediaries to give entrepreneurs the necessary kick-start to launch or expand their businesses and carry out their ambitions.

However, the benefits produced by financial intermediation are not being spread widely enough throughout the population and across economic sectors, with potential negative impacts on growth, income distribution and poverty levels. This is even more true if we take into consideration neighbouring countries. Cross-border cooperation in this field appears to be momentous, especially in terms of support to financial intermediaries in participating to such schemes and provide inclusive services.

## Guarantee schemes available in Molise

In order to understand the data collected through the survey, it seems useful to analyse the supply side of public guarantee schemes.

With D.G.R. n. 140 dell'11/2016, the Molise Region approved provisions for the establishment of a “Single Fund for the Development of Molise” and a related Regional Fund of Direct Guarantee. The Fund was allotted financial resources equal to 15,000,000.00 €, from the 2007/2013ERDF Regional Operation Plan.

The Fund could provide direct grant guarantees covering a maximum 60% (80% in case of startups) of the total financing granted to local SMEs. It was subdivided into 5 operational direct guarantee lines on loans aimed at: new investments; supporting corporate liquidity, working capital and the disposal of receivables from the PA; consolidating long-term debts; supporting start-up business initiatives; deferring social security contributions.

The Fund was made available through agreements with the local lending institutions:

- Banca di Credito Cooperativo di Gambatesa
- Banca di Credito Cooperativo Terra di Lavoro
- Monte dei Paschi di Siena
- ConfeserFidi Società Consortile a.r.l.
- Banca Popolare delle Province Molisane
- Banca Intesa San Paolo
- Banca Popolare dell'Emilia Romagna
- Nuova Banca dell'Etruria e del Lazio S.p.A.
- Banca di Credito Cooperativo della Valle del Trigno
- Banca Popolare Pugliese

The Fund expires on 31/12/2020 (31/12/2022 in case of guarantees aimed at deferring social security contributions).

According to the EU's access to finance website, overall in the region there are 7 financial intermediaries that provide credit guarantee services by means of different sources of finance such as European direct (COSME, InnovFin under the Horizon 2020 programme) and indirect funds (European Structural and Investment Funds), national sources of finance, or funds from the European Investment Bank (e.g. European Fund for Strategic Investment, European Investment Fund, SME Initiative).

These are:

- Banca Popolare di Bari
- Unicredit
- Unione di Banche Italiane
- Banca Popolare di Puglia e Basilicata, Società Cooperativa Per Azioni
- Finmolise
- Banco di Napoli
- Banca di Credito Popolare

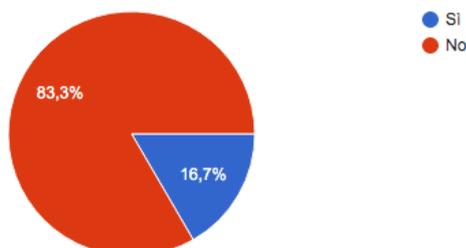
These intermediaries generally serve all companies categories (start-ups or self-employed, micro-entreprises (< 10 employees), SMEs (10-249 employees) and Small mid-cap enterprises (250-499 employees). Only Finmolise has a much more limited range of sources of finance (only Structural Funds and national sources) and works with only micro enterprises or SMEs.

## Access to credit guarantee in Molise

Collected data reveal that access to credit guarantee in Molise is underdeveloped. When asked if in the past firms have used credit guarantee instruments, the biggest majority of respondents (83,3%) give a negative answer.

### 2. La sua azienda ha utilizzato in passato strumenti di garanzia per l'accesso al credito ?

18 risposte



Firms who have acceded credit guarantee did so in order to establish a new business or to cover the cost of innovation.

Respondents reported that they acceded through both private and public intermediaries:

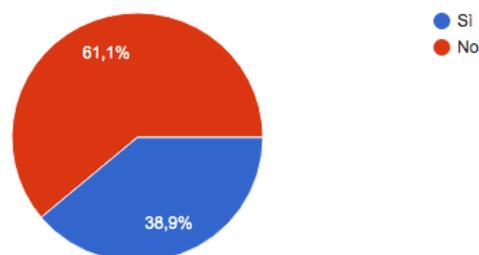
- Finanziaria Regionale per lo sviluppo del Molise (FinMolise S.p.A.) is a private company established under Regional Law (Molise Region) n. 11/1979 as a tool of regional planning and territorial development through the promotion of the birth, growth, modernisation and economic consolidation as well as the mutual collaboration among companies in Molise;
- Consorzio di garanzia collettiva dei fidi (Confidi) is an Italian umbrella association establish with Legislative Decree n. 385/1993 (known as Consolidated Banking Act) which was established with the goal of facilitating businesses in accessing finance, in the medium and long term.

Entrepreneurs perceptions and motivations in accessing guarantee instruments variate as follows: 50% of entrepreneurs feel that they do not need to access guarantee. 16% state that they have found “enormous” difficulties in dealing with banks, due to lack of knowledge, skills or willingness to activate such type of instruments, 16% do not have a structured or promising investment projects and the rest of respondents do not highlight problems in acceding to credit guarantees.

With 40% of respondents planning to undertake new investments in the next three years, new investments prospects are not promising. Moreover, not all of these entrepreneurs, even in case of new investments, would try to apply for guarantee instruments and, in any case, if they did, they would only if they found a bank willing to intermediate.

### 3. Prevede di dover effettuare altri investimenti per attività da realizzare in Molise nel prossimo triennio per la sua azienda ?

18 risposte

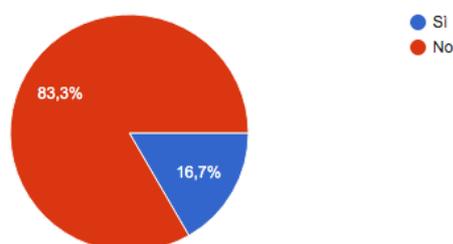


Only 17% of the responding companies foresee to cooperate, invest or establish joint ventures in Albania or Montenegro in the next three years or, in one case, in the following three-year period. 7% of those not willing to establish links with the two cooperation countries are not interested, 70%, provide as motivation the lack of knowledge of the countries/markets, 20% do not know any reliable partner with which establish possible relations and only 7% cite as motivation the lack of access to credit.

The 17% willing to invest in Albania or Montenegro, would to do so in order to develop innovation or R&D projects or in order to find external expertise, and they would work with both public bodies or companies. The services they would look for, in this case, include market research or training. Among the financial instruments, companies would prefer bank credit or insurance guarantees. Hence, again, credit guarantee is not taken into consideration.

### 4. Prevede di effettuare investimenti, joint venture, cooperazioni con società, in Albania e/o in Montenegro, nei prossimi 3 anni per la sua azienda?

18 risposte



## Conclusions

As far as Molise, although credit guarantee schemes are present they may be underused. Firms feel underserved by private financial intermediaries, whereas the decision to access finance and the actual use of related credit guarantee instruments are mainly linked to the establishment of a new business or innovation-driven.

The case of Molise clearly highlights that, in order to understand the trends in access to credit guarantee, we have to distinguish between the use of and actual access to financial services. As emerged from the survey, firms may have access to finance, but choose not to use credit guarantee because they do not feel they need them or because they don't find competent or willing intermediaries, or even for lack of awareness. The non-users also include firms that do not have promising investment projects. In fact, on the other hand, firms that use guarantee instruments are those that invest in research and development or in innovation.

The creation international partnerships is a possibility that the majority of firms do not take into consideration, both for the lack of knowledge of foreign markets or for the lack of willingness to internationalise. Access to guarantees in this field won't be taken into consideration, too.

What is not considered in the answers is however financial exclusion. Determining whether the firms that are excluded from credit guarantee simply chose not to use it or are excluded from it because of the complexity of requirements (income level, lending risk, regulatory barriers).

The general lack of demand of access to credit guarantee in Molise, in fact, could apparently be interpreted as a lack of awareness of the benefits of using credit guarantee or as due to cultural barriers. However, supply-side insufficient competences or lack of willingness to apply for guaranteed financing or to activate financial inclusion measures (e.g. simply through information) can also explain part of the issue.