

INSTITUTO NACIONAL DE ESTADISTICA



Access to Financing Survey (AFS)

Methodology

Index

Access to Financing Survey:

Methodology

1	Objectives and need for the operation.....	3
2	Research scopes	4
3	Statistical units.....	5
4	Classification variables.....	6
5	Variables and analytical indicators.....	7
6	Survey processes.....	8
7	Dissemination and results tables.....	9
8	Glossary.....	13

Access to Financing Survey (AFS)

1. Objectives and need for the operation

The fundamental objective of this survey is to have information available regarding the problems and limitations of companies being able to access financing, analysing the different alternatives and types of financing, and evaluating their situation in the reference period, the year 2010, the changes as compared with the situation in 2007 and their future prospects, both in the industrial sector and in that of construction and services.

This operation is considered to be of interest since, on occasions, access to financing constitutes a significant limitation to companies, and the problem is subject to debate when devising political, economic and financial strategies in the majority of Member States and in the European Union as a whole. There exists the belief that European companies suffer from insufficient financing, particularly if they grow rapidly or it concerns newly-formed companies. Therefore, there need to be statistics available that provide contrasting data for this phenomenon, and that allow analysis of the particular situation of high-growth and recently-created companies as compared with small and medium companies as a whole.

For this reason a decision was made to carry out a survey on a European level regarding "Access to financing", which has been the first statistical investigation carried out within the framework established in the flexible module of Regulation (EC) 295/2008 of the European Parliament and of the Council of 11 March 2008 in relation to the structural statistics of companies (hereafter Regulation SBS).

The main objective of Regulation SBS is to produce harmonised data on the structure, activity, competitiveness and performance of companies in the European Union. With the inclusion in said regulation of a flexible module, the aim is to make available an agile tool that can quickly and reliably meet the new needs of users deriving from the increasingly dynamic, innovative and complex nature of the economy. Furthermore, the creation of a link between ad hoc data compilation and data collected periodically in the scope of company structural statistics brings added value to the information obtained in both types of survey, and makes it possible to reduce the total response burden on those surveyed, avoiding duplications in data collection.

The inclusion of the flexible module for carrying out specific and limited ad hoc compilation of data regarding specific features of companies appears in article 3 (section 2, letter j) of Regulation SBS. In this same article, in section 4, it is specified that use of this flexible module will be determined in close cooperation with the Member States, and that it will be set by the Commission by means of a Regulation determining its application scope, the list of features, the reference period, coverage regarding the activities and quality requirements. This Regulation is to come into force with a minimum of 12 months in advance with regard to the beginning of the reference period.

Moreover, it is indicated that, in order to limit the burden for companies and the costs for the different Member States, data compilation should refer to no more than 20 features (or questions), with a maximum of 25,000 companies surveyed in the

European Union, and such that the average time taken by each informant company in completing the questionnaire is no more than an hour-and-a-half.

Regulation SBS likewise establishes that ad hoc data compilation should include a representative number of Member States. When only aggregate results on a European level are needed, the Commission may resort to a sampling procedure not requiring representativeness for all countries, so that the burden and costs are as low as possible.

As of 2 February 2009, the Commission Regulation (EC) no. 97/2009 (on executing Regulation SBS) relating to the use of the flexible module was approved. In it is established that the first application thereof will be production of statistics on company access to financing.

2. Research scopes

POPULATION SCOPE

The population being studied by the survey, as agreed in the European scope, is formed of non-financial companies (sections from B to N of CNAE 2009, except section K), which meet a triple condition:

- a) that they had between 10 and 249 employees in the year 2005
- b) that they continued to carry out their activity in 2008
- c) and that they had a minimum of 10 employees in the current reference period (2010).

Those companies that are subsidiaries, of both foreign and Spanish companies, have been removed from the population, since the way in which they are financed differs from that of independent companies. Group leaders with a total of between 10 and 249 employees (including staff at their subsidiaries within and outside Spain) are included.

In order to carry out a more detailed analysis of certain situations, in this investigation particular relevance has been given to the following company subpopulations:

1. High-growth companies: Those whose annual employment growth average was above 20% annually between 2005 and 2008.
2. Companies known as "gazelles": High-growth companies, that are a maximum of five years old. That is, within the previous subgroup of high-growth companies, those created in 2003 or 2004 are considered.

The listing of the activities (sections) of CNAE-09 comprising the population scope of these statistics is as follows:

- B Extractive industries
- C Manufacturing industry
- D Supply of electrical energy, gas, steam and air conditioning
- E Water supply, sewage, waste management and remediation activities

- F Construction
- G Wholesale and retail trade; repair of motor vehicles and motorcycles
- H Transport and storage
- I Accommodation
- J Information and communications
- L Real estate activities
- M Professional, scientific and technical activities
- N Administrative and support services activities

GEOGRAPHICAL SCOPE

All statistical units included in the population scope in which they are situated are the subject of investigation.

On a European level, the geographical scope of this operation includes twenty countries of the European Union.

TIME FRAME

The reference period of the survey is the year 2010, although the majority of the questions in the questionnaire are also considered in the year 2007, making it possible to compare the pre-crisis situation with the situation at the time of conducting the survey.

Due to the fact that the survey was not carried out at the same time in the year 2010 in all countries, in order to guarantee the comparability of the length of the 2010 reference period, it was specified to informants that the information should refer to two months prior to the time of completion of the questionnaire (in the case of Spain, collection was carried out between September and December 2010).

3. Statistical units

The basic unit used for the survey is the company.

A company is considered to be all legal entities that constitute an organisational unit that produces goods and services, and that enjoys a certain autonomy in decision-making, mainly at the time of using the available current resources.

For the purposes of the survey, the company is also the informant unit, that is, the unit responsible for providing the data requested, and the observation unit, that is, the unit to which the data obtained in the survey refers.

4. Classification variables

The main classification variables of the statistical units investigated in the survey will be economic activity and the type of company, by growth.

ECONOMIC ACTIVITY

The economic activity carried out by a company is defined as the creation of added value through the production of goods and services.

The statistical units (companies) frequently carry out several activities that may be classified in different heading of the National Classification of Economic Activities. In general, the activities carried out by an economic unit may be one of three types: main, secondary and auxiliary activities. The main activity is differentiated from the secondary, as it is the activity which generates the greatest added value. In turn, auxiliary activities are those which generate services that are not sold on the market and which only serve the unit on which they depend (administration department, transport or storage services).

Companies are classified in this survey depending on their main activity, in other words, on that generating the greatest added value. Nevertheless, faced with the difficulty which, on occasions, calculating added value causes companies, the possibility of considering as the main activity the one generating greater turnover, or in its absence, the one employing most persons is offered as an alternative. This information will be subsequently contrasted, so long as it is considered necessary, in order to verify the main activity of the company.

The three sectors for which information is provided from this survey are Industry (sections B to E of CNAE2009), Construction (section F) and Non-financial services (sections G to N, except K).

TYPE OF COMPANY

Company type by growth is considered a classification variable, specifically the belonging to a group of high-growth companies (except gazelles), to the so-called "gazelles" group of companies, or to the remaining companies included in the scope of the survey.

High-growth companies for the purposes of this survey is a term used for those companies whose annual employment growth average was greater than 20% annually between 2005 and 2008.

"Gazelles" is used to refer to high-growth companies no older than five years old in the growth period studied, in other words, within the previous subset, those created in 2003 or 2004.

In the high-growth category of companies (except gazelles) therefore, high-growth companies older than five years old, that is, those created before 2003 are included.

5. Variables and analytical indicators

European Regulation 97/2009 which applies to the flexible module, refers to the set of features to be investigated in the data collection.

The compulsory features to be investigated, and which are specified in the Regulation, are the following:

- the importance of the structure of the property, at the time of creation of the company and at the current moment, for accessing financing.
- the degree of success of the different attempts to obtain financing, both internal and external, as well as, where appropriate, the reasons for not obtaining said financing.
- the extent of guarantees for loans to companies.
- perception by the owner/director of the cost and the burden of obtaining loans for companies and of the financial situation of the company.
- the importance of the choice of financial institution (geographical proximity, in particular cross-border situations, national as compared with foreign ownership, already being a client, etc).
- debt/turnover relationship and other correlations of financial features in company and its importance for future growth of the latter.
- the perceived need for financing in the future, its forms and the reason for said need.
- the perceived relationship between financing options and their availability and growth prospects.
- the perception of the general administrative burden on companies.
- the effort needed to answer the questionnaire regarding access to financing

Once these general lines had been set, a Europe-wide uniform questionnaire was then designed, its questions detailed below:

Section A. Company features

Section B. Financing by means of financial loans

Degree of success in obtaining financial loans in the years 2010 and 2007

Need for guarantees in obtaining financial loans in the years 2010 and 2007

Reasons preventing or hindering the granting of financial loans in the years 2010 and 2007

Reasons for the choice of banks in the years 2010 and 2007

Section C. Financing of capital

Degree of success in obtaining financing of capital in the years 2010 and 2007

Reasons preventing or hindering the financing of capital in the years 2010 and 2007

Section D. Other types and sources of financing

Degree of success in obtaining other types of financing in the years 2010 and 2007

Section E. Perception on changes occurring between 2007 and 2010

Section F. Future perspectives on the 2011-2013 period

Future perspectives on the financing need between 2011 and 2013

Future perspectives on the types of financing that will be needed between 2011 and 2013

Future perspectives on the purpose to which financing will put between 2011 and 2013

Section G. Observations and administrative burden

6. Survey processes

SURVEY FRAMEWORK AND DESIGN

The information necessary for the compilation of the survey framework is obtained from the Central Companies Directory of the INE (CCD), which contains data on the companies located in Spain that belong to a group of companies of a supra-national scope. In addition to the identification and localisation data of the different statistical units, the CCD contains information regarding the economic activity and employment of the different companies, which enables including these concepts in the process of stratification.

The target population is formed of 96,035 units. In order to conduct this survey, a sample of 3,001 units has been extracted.

Stratified sampling has been used as the sampling method. Stratification is carried out taking into account the different subpopulations by type of company, activity groups and company size.

The subpopulations by type of company are:

- Gazelles: companies whose annual average growth in employment was higher than 20% annually between 2005 and 2008 and a maximum of five years old at the end of the growth observation period, that is, that they were created in 2003 or 2004.
- High-growth companies (except gazelles): companies whose annual average growth in employment was higher than 20% annually between 2005 and 2008 and which were created prior to 2003.
- Remaining companies

The CNAE 2009 activity groups considered are:

- B to E (industry)
- F (construction)
- G to N, except K (financial services), J and M
- J (ICT services)
- M (professional, scientific and technical services)

The size groups considered were:

- Fewer than 50 wage-earners
- 50 employees or more

The allocation used in stratified sampling was intermediate between uniform and proportional.

DATA COLLECTION

The information collection necessary for the compilation of these statistics is framed within the general collection scheme of the structural surveys.

Collection was carried out in the last four months of the year 2010.

FILTERING AND ANALYSIS OF THE INFORMATION

The initial stage of the general survey filtering process has been conducted in the fieldwork itself and has been carried out in parallel to collection during the entire duration thereof. The recording modules include error controls whose basic objective is to establish levels of quality that are sufficient in the information collection, which allows for the adequate development of the subsequent phases designed for the processing and publishing of the data. On carrying out this first control, by the units in charge of the collection themselves, this enables the contact with the informant units, and makes it possible to achieve better, and above all, faster action in the resolution of problems.

In the subsequent general publishing process, a detection and filtering are carried out, of all of the possible errors and inconsistencies that affect the primary data, both referring to the identification and classification variables of each register, and regarding the content variables of the survey.

7. Dissemination and results tables

The results of the Survey on Access to Finance (SACF) are disseminated in three groups of tables, the first one containing the results for the total number of companies, and the other two referring to the results by activity sector (industry, construction and services) or by type of company (gazelles, high-growth (except gazelles) and remaining companies).

The tables provided in the statistics are presented with percentage data and are structured in three differentiated blocks of information within each of the previous groups, one of results referring to the years 2010 and 2007, another of perception of changes occurring in the 2007-2010 period, and another of the outlook in the 2011-2013 period:

1. Total results

The tables published are as follows:

- **2010 and 2007 results**

1.1 Financing need by type of finance and year

- *Results by type of finance*
 - Financing by means of loan finance

1.2 Applications for loan finance by source and year

(Percentages calculated over the total number of companies in each year that sought loan finance)

1.3 Degree of success in obtaining loan finance by sector and year

1.4 Need for a guarantee in case of granting of loan finance by year

1.5 Guarantee requirements for loan finance by guarantor and year

(Percentages calculated over the total number of companies in each year that needed loan finance)

1.6 Reasons preventing or hindering the granting of loan finance by source and year

(Percentages calculated over the total number of companies in each year that unsuccessfully sought loan finance or that were partially successful)

1.7 Reasons for the choice of bank in loan finance by year

(Percentages calculated over the total number of companies in each year that sought loan finance)

- Capital finance

1.8 Capital finance sought by source and year

(Percentages calculated over the total number of companies in each year that sought capital finance)

1.9 Degree of success in obtaining capital finance by source and year

1.10 Reasons preventing or hampering capital finance by year

(Percentages calculated over the total number of companies in each year that unsuccessfully sought capital finance or that were partially successful)

- Other types of finance

1.11 Other types of finance sought by source and year

(Percentages calculated over the total number of companies in each year that sought other types of finance)

1.12 Degree of success in obtaining other types of finance by source and year

▪ ***Relative perception of changes in the 2007-2010 period***

1.13 Perception on the evolution of factors relating to access to finance between 2007 and 2010

▪ ***Future perspectives on the 2011-2013 period***

1.14 Future perspectives on the financing need between 2011 and 2013

1.15 Future perspectives on the types of financing that will be needed between 2011 and 2013

(Percentages calculated over the total number of companies that considered that they needed finance)

1.16 Future perspectives on the sources of financing that will be needed between 2011 y 2013

(Percentages calculated over the total number of companies that considered that they needed finance)

1.17 Future perspectives on the purpose to which financing will put between 2011 and 2013

(Percentages calculated over the total number of companies that considered that they will need finance)

1.18 Future perspectives on possible factors limiting the growth of the business between 2011 and 2013

(Percentages calculated over the total number of companies)

2. Results by Sector of Activity

The tables included in this block are as follows:

- **2010 and 2007 results**

- 2.1 Financing need by type of finance, activity sector and year

- *Results by type of finance*

- Financing by means of loan finance

- 2.2 Degree of success in obtaining loan finance by activity sector and year

- 2.3 Need for a guarantee in case of granting of loan finance by activity sector and year

- Capital finance

- 2.4 Degree of success in obtaining capital finance by activity sector and year

- Other types of finance

- 2.5 Degree of success in obtaining other types of finance by activity sector and year

- **Relative perception of changes in the 2007-2010 period**

- 2.6 Perception of companies on changes occurring between 2007 and 2010 by activity sector

- **Future perspectives on the 2011-2013 period**

- 2.7 Future perspectives on need for financing between 2011 and 2013 by activity sector

- 2.8 Future perspectives on the types of financing that will be needed between 2011 and 2013 by activity sector

(Percentages calculated over the total number of companies that considered that they will need finance)

2.9 Future perspectives on the purpose to which financing will put between 2011 and 2013 by activity sector

(Percentages calculated over the total number of companies that considered that they will need finance)

3. Results by type of business

This offers the following tables:

- **2010 and 2007 results**

- 3.1 Need for finance by type of financing, type of business and year

- *Results by type of finance*

- Financing by means of loan finance

- 3.2 Degree of success in obtaining loan finance by business and year

- 3.3 Need for a guarantee in case of granting of loan finance by year

- Capital finance

- 3.4 Degree of success in obtaining capital finance by type of business and year

- Other types of finance

- 3.5 Degree of success in obtaining other types of finance by type of business and year

- **Relative perception of changes in the 2007-2010 period**

- 3.6 Perception of companies on changes occurring between 2007 and 2010 by business type

- **Future perspectives on the 2011-2013 period**

- 3.7 Future perspectives on need for financing between 2011 and 2013 by company type

- 3.8 Future perspectives on the types of financing that will be needed between 2011 and 2013 by company type

- (Percentages calculated over the total number of companies that considered that they will need finance)

- 3.9 Future perspectives on the purpose to which financing will be put between 2011 and 2013 by business type

- (Percentages calculated over the total number of companies that considered that they will need finance)

8. Glossary

A series of terms are provided below, which are used in the questionnaire and when publishing the results of this survey:

Loan finance: any debt that the business has to pay back. The business receives an amount of money that it has to pay back in a specified time with the corresponding interest.

The lender acquires no entitlement to the property of the business, and the obligations of the business are limited to settling the outstanding amount in full upon the expiry date of the loan. This involves financing by means of a debt.

Overdrafts, credit lines, and equity lines, subsidised or subordinated, included within other types of financing, are not considered loan finance.

Partial success: this means that, once an attempt has been made to access finance, the total amount sought was not obtained, or it was not obtained in the desired form and with desired conditions.

Guarantee: asset guaranteeing payment of a loan.

Guarantor: individual or legal entity covering loan risks. The lender or guarantor risks losing said asset if the loan is not paid in accordance with the terms of the contract.

Reciprocal Guarantee Company (RGC): financial institution constituted by SMEs with the help and support of public bodies, business organisations and savings banks, in order to enable access by SMEs to loans, thereby improving their financing. An RGC provides services such as provision of guarantees, negotiation with the financial institution and consultancy on the most suitable financing instruments.

Capital finance: this consists of receiving money or other assets in exchange for company shares. The company obtains an allotment of funds in capital, thereby bringing about the granting on behalf of the company's shareholders.

Risk-capital funds (RCF): capital provided by a group of investors who act jointly in a fund created for financing new business projects or businesses which have to tackle a process of growth or restructuring. This taking of participation in company capital is usually of a minority nature, such that the power to make decisions remains in the hands of the company, sometimes with a predetermined timeframe, since the objective of funds is to obtain a significant profit with the sale of shares in the medium to long term, albeit to original partners or to third parties.

Risk-Capital Entities are usually participated in by institutional investors and those interested in investing in innovative sectors and high-technology sectors. They generally offer a management consultancy and support service, providing solvency and credibility regarding third parties.

Business Angels: individual businesspersons who contribute capital and knowledge for the development of new business projects in exchange for a share in the company. These individual private investors, normally businesspersons or executives, have broad technical knowledge of specific sectors, as well as a large investment capability, thereby contributing capital and added value to management, in terms of experience, contact network, etc. to businesspersons who wish to implement a new venture to start-up companies.

With their contribution of capital, business angels become fully-fledged members of the company, although their share is usually a minority one, with the team in charge retaining decision-making power. Their objective is to invest in a new, highly-successful business project, allowing them a medium-term payment and to make a profit.

Investments, both by business angels and by risk-capital funds, are particularly targeted at business projects with forecasts of relevant medium- and long-term profits, since these members waive periodic recovery of their capital and charging interest in order to obtain significant profit upon selling their shares.

Initial Public Offer: first offer of shares by a company to the public before being floated on the stock exchange.

Other types and sources of financing: types of financing other than financial loans or capital finance are included in this section. Below the other types of finance considered are described:

- *Leasing*: this is a financial leasing contract allowing the company to have at its disposal rented movable or fixed assets, with a purchase option at the end of a set period. The lessor may enjoy the asset during the period stipulated in the contract in exchange for a consideration (periodic quotas). On completion of the established validity period, the lessor will be offered three options: 1. Acquisition of the asset by exercising the purchase option (the price will be residual and will be specified in the contract). 2. Signing of a new lease contract on the asset. 3. Return of the asset to the leasing institution.
- *Factoring*: it is based essentially on the granting or sale of a factor (generally a financial institution) of the accounts receivable by the company. Granting consists of leaving as a security the accounts receivable as a guarantee of a loan granted to the businessperson by the *factoring* company, a loan which in turn will entail payment of corresponding interest and commission. The sale is based selling the factor the accounts receivable from the clients, with the latter assuming responsibility for receiving these, in exchange for the charges and interest stipulated for the service rendered.
- *Overdraft*: finance granted by a banking institution in the use of a bank account above a higher amount than the available balance. Overdrafts may be authorised by the institution without entering into an express agreement with the client, or may be subject to may be subject to an agreement on the amount, interest and the maximum term of the overdraft. Its costs are interest on the overdraft and the overdraft commission.
- *Credit (or credit line)*: financial instrument by means of which a financial institution grants a company the right to incur debt up to a specified amount during a pre-established period of time, such that interest will only be paid for amounts actually used, and not for the full amount of the loan granted.
- *Subsidised loans*: loans at any interest rate below market rate, granted in order to promote a specific activity.

- *Aid and subsidies from administrations:* subsidies are non-refundable contributions by administration to businesses in order to promote fulfilment of a specific objective, such as promoting the hiring of unemployed persons, providing finance for production investments, enabling the incorporation of new technologies, etc, ...
- *Trade loans and payments from clients:* this is the obtaining of automatic finance generated by the actual business activity, by means of its clients or suppliers, with methods based on the bringing forward of receipt of payments and delay of payments.
- *Facilities of international trade or exports*
- *Others:* this includes other types of finance not previously included. An example, included in the questionnaire, may be *mezzanine or hybrid financing*, also known as *equity loans*: this is a long-term subordinated loan transaction, which shares features in common with finance by debt and capital finance. Therefore, it is a hybrid finance between those types of finance and is commonly uses for company expansion. This type of finance entitles the lender to convert the debt into company capital in the event of non-payment.