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Survival of SME's during the Economic Crisis

Dr. Georg Silber | Salzburg | 13.09.2009

The financial situation of Austrian SME's: A shift of needs towards working capital

- **Uncertainty about the markets**
- **Orders decrease or stagnate at low level**
- **Larger investments postponed or cancelled**
- **Fixed costs remain high**

Result:

- **Short term liquidity becomes crucial for surviving the crisis**

The relation of SME's to their bank: Tightening the credit terms

- It started a while before „Lehman Brothers“ with „Basel II“
- Banks increase collateral demand
- Banks request significantly more information during a loan application
- SMEs are on average not well prepared to meet these needs.
- SMEs pay significantly higher interest rates than large enterprises, if they get funded at all.

Measures via the aws Economic Stimulus Package I (Oct. 2008)

- Low-interest loans from the ERP-Fund
 - 2009: EUR 600 mio.; 2010: EUR 600 mio.; +50% (2007)
- Microcredit Programme
 - EUR 50 Mio. (new)
- Guarantee scheme for short-term and long-term loans
 - Total EUR 5.2 bn; +100%(2008)
- Equity Fund for SME
 - EUR 80 mio. (new)

First positive results

- Boost in the applications for guarantees
 - 1-6/ 2009 +27%
- Microcredit Programme started successfully
 - More than 500 applications up to now
- Equity Fund for SME established per 1.9.
 - 20 projects in pipeline

Conclusions and outlook

- Credit terms will remain tight in the near future
- SMEs will have to prepare better in terms of controlling and management
- State Aid measures help SMEs in accessing finance, but they cannot be the single screw to turn
- All successful measures will be continued in 2010
- The financing needs will slightly start to shift to innovation and growth again

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