

The EIF SME Access to Finance Index

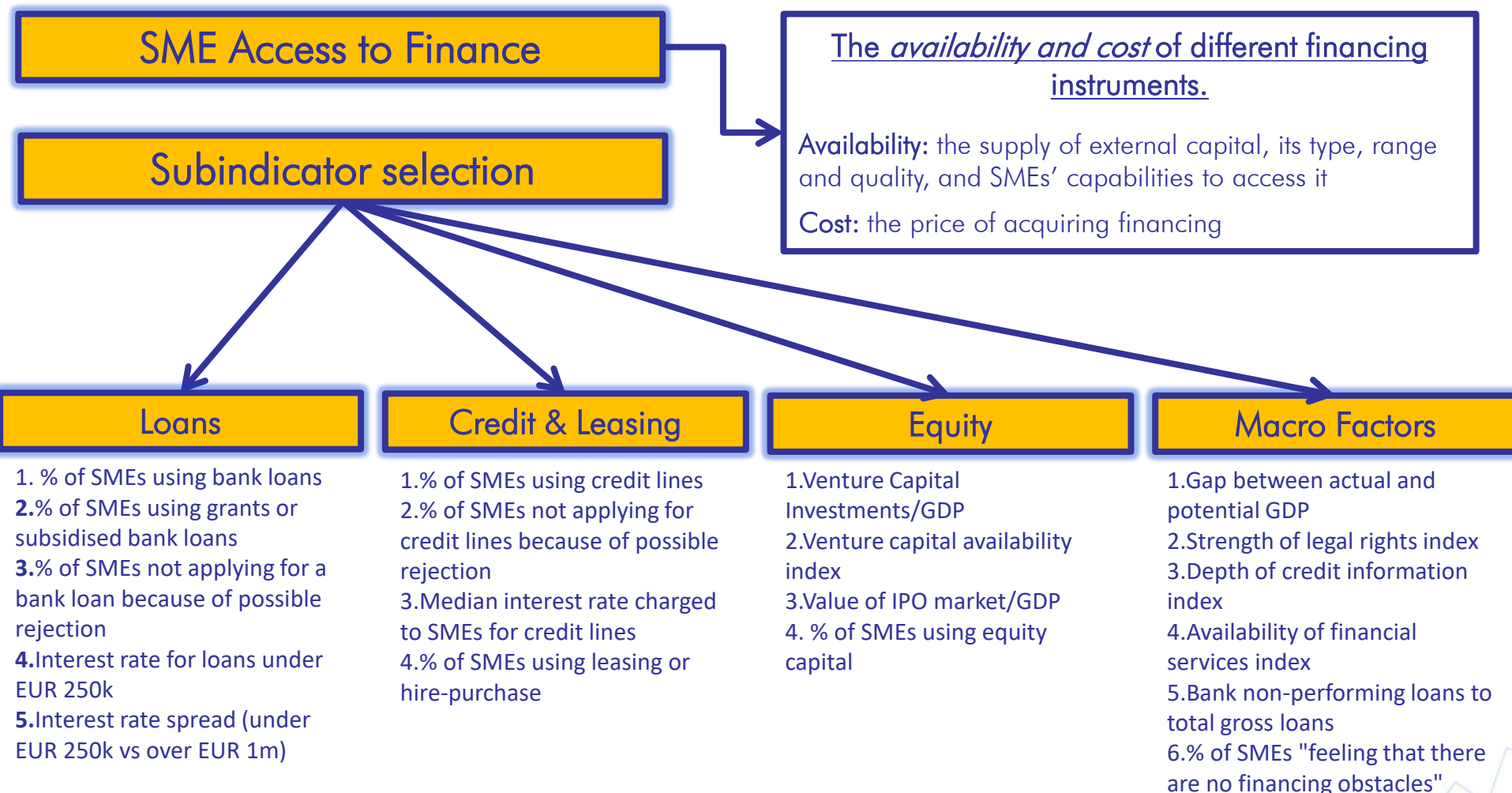
Method, dissemination, use & challenges

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- ESAF – Raison d'être
 - Convenient monitoring tool
 - No such index existed
 - Before: Commission's SMAF index
 - Related: ECB's "Perceived External Financing Gap Indicator"
- Product of a cooperation with London School of Economics
 - Developed by 5 students + EIF's RMA team
 - 3 phases: literature overview, evaluation of existing indexes, construction of the index + report
- Brief summary of methodological choice, dissemination of results and challenges faced in construction and use of the index.

Methodological considerations

Definition & Variable selection



Methodological considerations

Normalisation, Weighting & Aggregation

Min-Max Normalisation

$$= \frac{\text{observation value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}}$$

Geometric Aggregation

- Choice for limited compensability
 - very low scores on individual indicators get punished disproportionately
 - underlying theoretical assumption: different access to finance instruments are not perfect substitutes.
- Good overall results only possible if a country scores well across the entire spectrum of financing sources

Equal Weighting

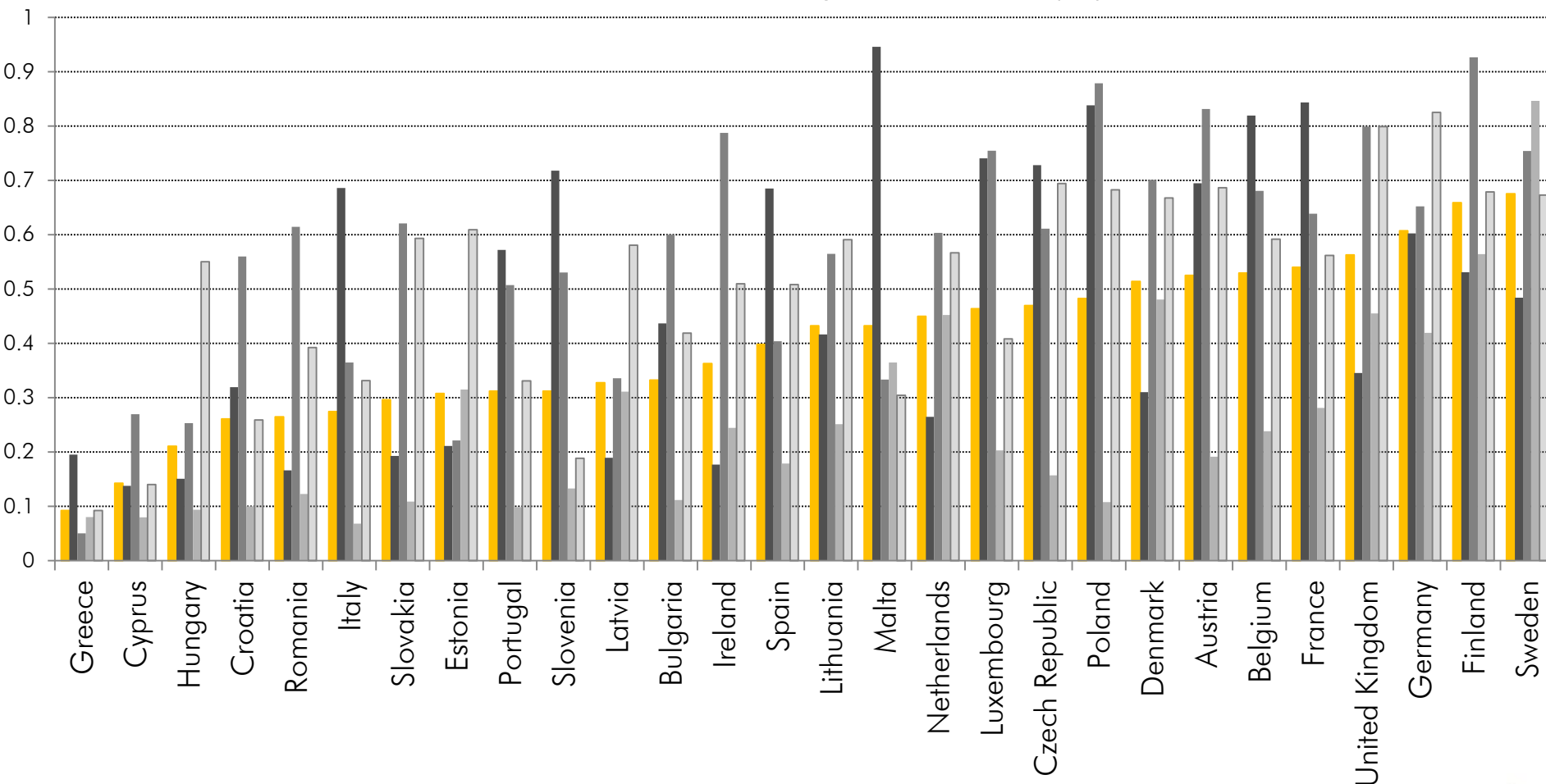
- Each subindicators equal weight in the final result
- **PRO:** Choice for transparency
- **CON:** Does not take into account the relative importance of different finance instruments
 - BUT: no objective weighting scheme based on measurements
 - *Eg, equity might be less important in quantity, but is more important in growth potential*
 - Difficult to derive weights that incorporate such factors

- Yearly updates around June
- Construction semi-automated
 - Excel templates
 - Data wherever possible imported using Stata's SDMX command
- Graphical representation
 - Top down approach – ensure full transparency
 - Highlight anomalies or unintuitive results
 - Some examples...

Graphic representation options

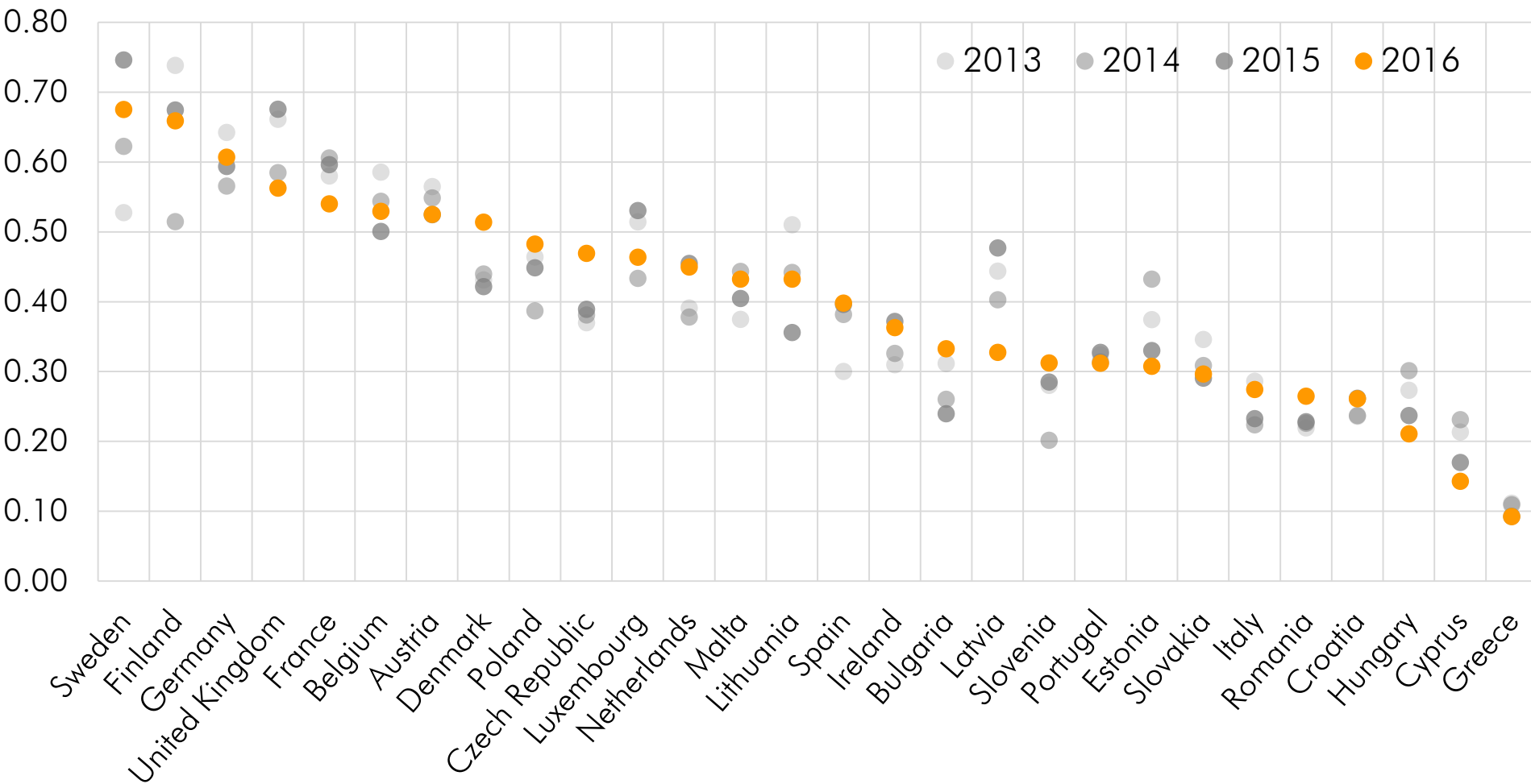
(1) General overview

■ ESAF Index ■ Loans Subindex ■ Credit and Leasing Subindex ■ Equity Subindex ■ Macro Subindex



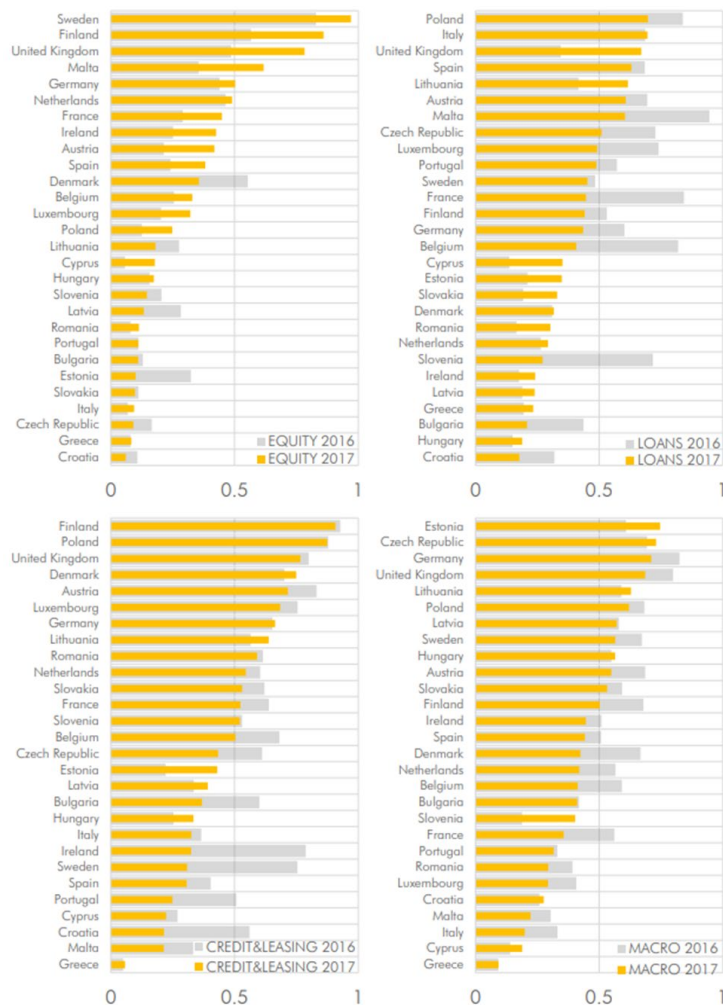
Graphic representation options

(2) Evolution over time



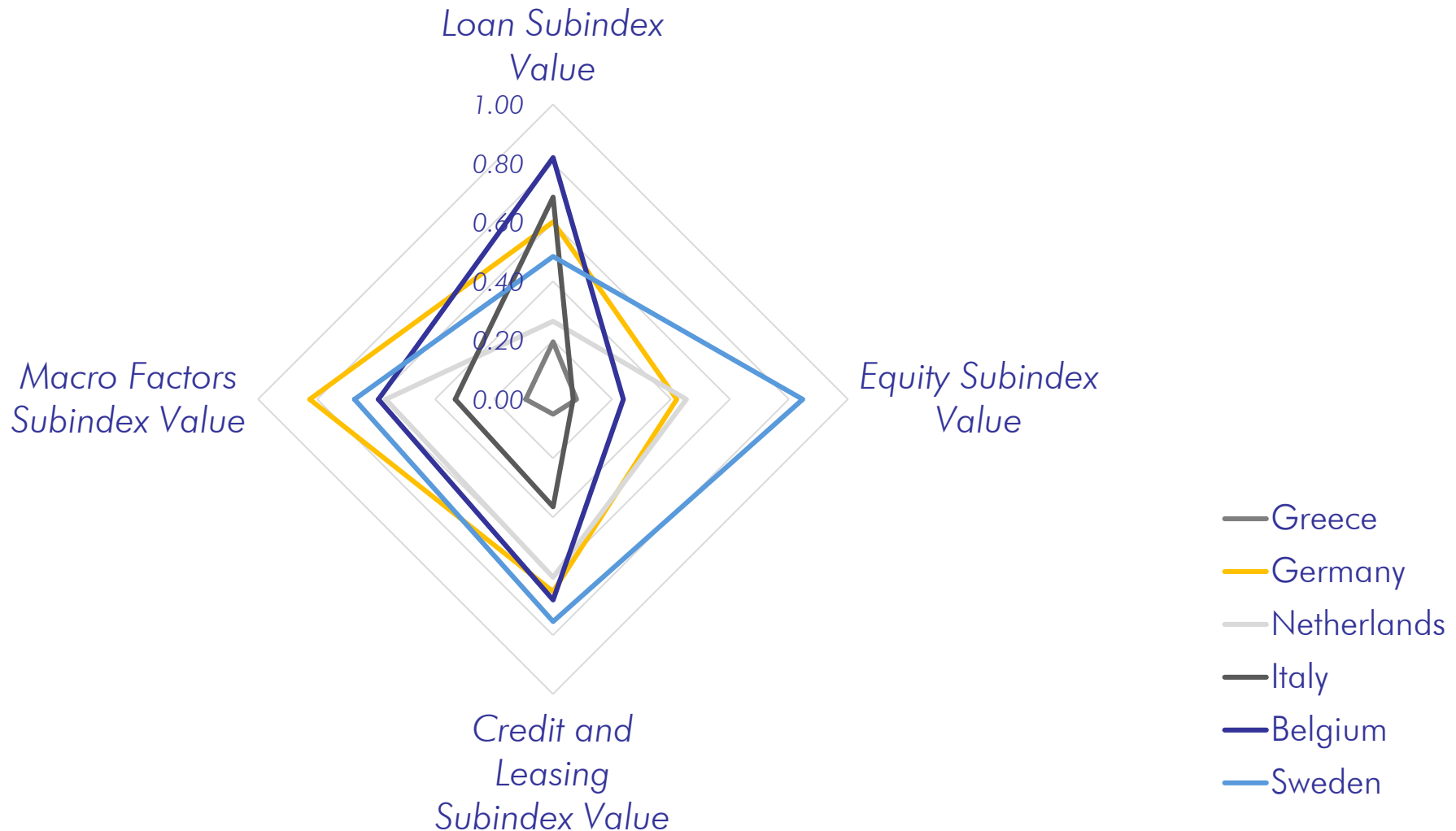
Graphic representation options

(3) Evolution over time, sub-indicator focus



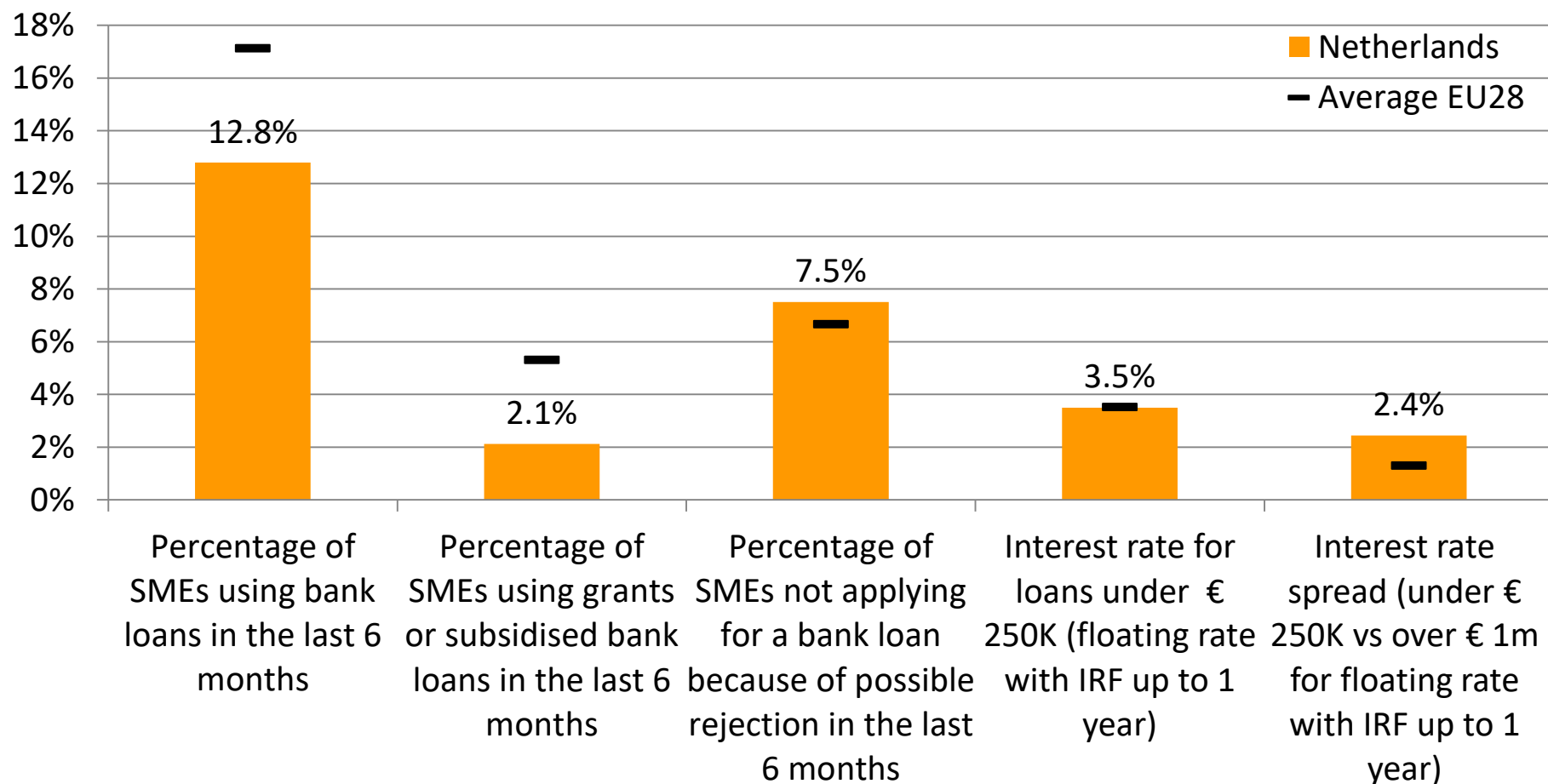
Graphic representation options

(4) Selected country comparison



Graphic representation options

(5) Country focus



External dissemination / use

- Dedicated publication on the update
 - Around 10 pages, updated every June
 - Updated every June
- Relatively new indicator (first published late 2016)
 - European Commission thematic fact sheet on SME access to finance

Internal dissemination / use

- Circulate results internally to relevant counter parties (EIB Group)
 - Presentations
 - Workshops
 - Country pages

Challenges

- (Recent) data availability
 - *to be relevant = to be up to date*
 - *Limited to $t-1$ data series that are available mid year t*
 - *Missing data*
- Limited man-hours
 - Update, quality check, writing out results: 1 person, +-2 weeks
 - Not all data available through website's API
- Policy sensitivities
 - (ab)use of results, guided by "do's & don't's"
 - Unintuitive results?
 - Importance of methodological simplicity...

- The ESAF fills a void left by the discontinuation of the Commission's SMAF index
- Updated annually and published in the European Small Business Finance Outlook
- Importance of methodological simplicity
 - Credibility stems from transparency
 - Transparency stems from simplicity & consistency
- Go to indicator for European policy makers and academics working on issues related to Access to Finance?

Thank you ...



Research & Market Analysis, EIF

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