

# Access to finance for SME: Which firms are discouraged?

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Abstract:

In this study, we use a representative data set for Swiss SME in 2017 to analyze the access to finance. We model the credit-allocation process for SMEs into a sequence of three steps and differentiate between the “need credit vs. no need credit” firms, the “apply for a credit vs. discouraged borrowers” SME and the group of “approved firms vs. denied firms”. We set a specific focus on discouraged firms. Discouraged firms are those which reported a need for credit but failed to apply because they feared being turned down or thought that interest rates and collateral requirements were too unfavorable. Discouraged firms have so far only received scant attention in the literature. However, discouraged firms outnumber firms that are denied credit. Our results show that discourage firms are more aware of their financing situation, as opposed to those who lack knowledge thereof.