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PRESS RELEASE

The financing of Belgian firms in a European perspective

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When analysing corporate finance, it is necessary to take account of various factors which may cause significant disparities between firms, such as their size and their sector of activity.

Taking account of the size aspect, by neutralising sectoral disparities, there are few differences between the debt levels of small, medium-sized and large firms. Conversely, the debt structure appears to depend on the firm's size: small firms are more dependent on bank loans. That is confirmed by the high degree to which they make use of credit facilities. Nonetheless, surveys indicate that access to finance is not a major constraint for SMEs, be they Belgian or European: they perceive access to finance, and more specifically access to bank finance, as relatively easy.

In contrast, the financial structure of firms differs widely between sectors, and depends to a great extent on the associated intrinsic activity and the scale of the investments. Sectors with high investment ratios, such as the transport and communication sector or the energy sector, mainly use long-term finance. Ample equity capital enables them to maintain a balanced financial situation. Conversely, highly labour-intensive sectors, such as construction or trade, display much higher debt-to-equity ratios; their debts are mainly short term and they make extensive use of trade credit.

A more detailed analysis of the manufacturing sector also reveals differences of financial structure between firms which are classed as innovative and those which are not. In particular, if the chemical industry is excluded, the firms in the innovative sectors make less use of bank loans and record more short-term debt than firms in non-innovative sectors. That may reflect the lenders' desire to limit the risk incurred, particularly by using the threat of non-renewal of the loan to encourage the manager to behave efficiently.

The qualitative surveys appear to indicate that the financial constraint is felt more by innovative firms than by SMEs in general. That expresses a financing need specific to innovative SMEs. At the early stages in their development, they depend almost exclusively on the entrepreneur's personal resources and those of his friends and family, and venture capital only takes over in the later stages.

Finally, a comparison between Belgian firms and their European counterparts, after neutralising the specific effects of size and sector, indicates that, as regards the financing structure, the former issue larger amounts of capital. Abundant intra-group financial flows and a favourable institutional context are conducive to that situation.

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