

Rete Imprese Italia Position Paper for the Financial Stability Board (FSB)

to be submitted by March 18, 2019 to fsb@fsb.org under the heading "SME financing evaluation"

Introduction

Rete Imprese Italia¹ thanks the FSB for the opportunity granted to the category associations to express their evaluation of the post-crisis effects of regulatory reforms on financing small and medium-sized enterprises (SMEs), providing answers to seven questions and supporting evidence.

The Position Paper was therefore articulated in 3 parts:

- **A general assessment**
- **Responses to 7 specific questions**
- **Evidence in supporting the responses**

A general assessment

The SME supporting factor in the regulatory capital Framework (SME_SF), proposed in the European Union (EU) by ABI² and the main Italian trade associations in 2013 (aimed at compensating for the increase in capital requirements imposed by the new Basel III rules) and consisting of a 23.81% discount on capital absorptions for SME loans (backbone of the UE economies, the Italian in particular), was partially endorsed by the European Commission in 2014 as a temporary measure and limiting it to the exposures up 1.5 million euros.

On 23 November 2016 the European Commission approved the reform of the banking rules (the so-called Basel IV) which provided for two important novelties concerning the "SME support Factor", i.e. : (i) transforming the temporary measure into permanent (ii) eliminating the threshold and reducing the discount from 23.81% to 15% for the part exceeding the previous threshold.

The trade associations which in 2013 had expressed themselves unitarily, were again divided on the second point of the reform, which:

- **partly accepted the request made by Confindustria³ (with the support of ABI), which had demanded in a loud voice the elimination of the threshold, without any reduction of the discount for the surplus part 1.5 million euros;**
- **has totally ignored the proposal made by other Italian associations, including Rete Imprese Italia, whose position was explained in the informal hearing on 22 January 2016 (VI and X United Commission-Chamber of Deputies - resolution Taranto 7 – 00851), summarized in the**

¹ The Category Association grouping Casartigiani, CNA, Confartigianato, Confcommercio, Confesercenti.

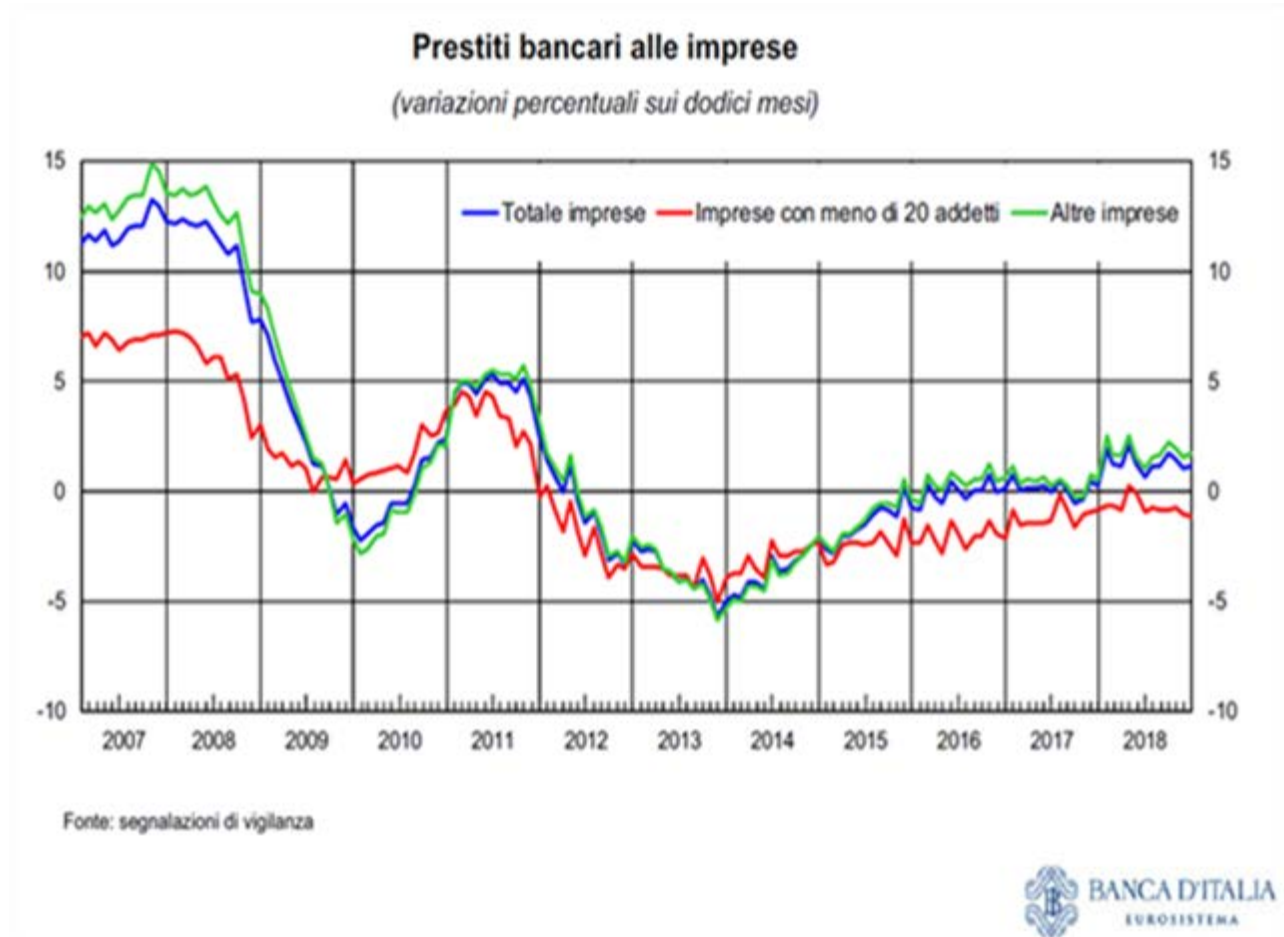
² The Italian main Banking Association.

³ The Italian Association of industrial enterprises, more focussed on large and medium-sized firms.

following two issues: (i) no intervention on the threshold; (ii) an increase to 50% of the discount rate for companies occupying less than 20 employees.

From the inspection of the following Bank of Italy chart, it is quite simple to understand:

- (i) what have been the effects in Italy of regulatory reforms on financing smaller companies;
- (ii) if Rete Imprese Italia proposal had been accepted, it would very likely have reduced or avoided the discrimination against smaller companies.



The seven questions and their answers

1. What have been the main trends in SME financing (i.e. types of financing, volumes, prices and maturities) since the financial crisis? How do these trends differ across jurisdictions (e.g. advanced vs emerging market economies) and sectors (e.g. high-tech vs traditional firms), as well as by firm size (micro vs small vs medium-sized firms) and age (e.g. start-ups vs mature firms)?

The financial crisis in Italy has penalized more: (i) the craft enterprises of every order and rank; (ii) All undertakings occupying less than 20 employees; (iii) in a more stringent manner, all undertakings occupying between 6 and 19 employees, with the sole exception of undertakings in agriculture, forestry and fisheries.

2. What have been the main drivers of the observed trends in SME financing in recent years? How do they differ across jurisdictions, sectors, size and age of firms?

There is a widespread thesis - which tends to justify the bank size discrimination - based on a sample not representative of the Italian productive universe, according to which the credit risk would be inversely related to the size of enterprise. The evidence in support shows a graph on the evolution of the official default rates of the Italian non-financial enterprises "by classes of global fund used", which approximates the different dimensions of enterprise. The results deriving from the graphical inspection are not compatible with such a thesis.

3. Have financial regulatory reforms such as Basel III affected bank financing to SMEs (e.g. in terms of loan volumes, prices, maturities and collateralisation)? If so, how? How important have been their effects vis-à-vis other types of bank lending and compared to the main drivers identified in question 2?

Basel III has had insignificant or void effects. To benefit were only the larger companies, namely those occupying at least 20 employees, responsible for the explosion of Italian doubt loans between 2011 and 2015.

4. How does the impact (if any) of financial regulatory reforms vary across banks operating in different geographies and with different size and business models?

The smaller and cooperative banks, which are more present in the territories and small towns of the country, tend to evaluate companies that demand funding using not only the quantitative automatic rating systems, as the major banks do, but also taking into account qualitative elements acquired from the knowledge of the entrepreneur and the market in which it operates.

5. What other G20 financial reforms or other domestic financial regulations (if any) may have impacted financing to SMEs and how?

The Italian reforms that could have affected the funding for SMEs are essentially two: (i) the Confidi delegated law; (ii) The reforms of the Central Guarantee Fund for SMEs, and in particular that of 2009 and the most recent one (2019), on the basis of which the intensity of the interventions is positively correlated with the credit risk.

6. Have financial reforms prompted a shift in the provision of SME financing, e.g. between banks and other financial institutions (substitution effects)? If so, how?

The main induced substitute effect occurred between the operation of the Confidi and that of the Central Guarantee Fund for SMEs.

7. Are there any other issues or relevant factors that should be considered as part of the evaluation?

It has long been noted, by the Italian associations, of the need for an adequate evaluation of the credit merit of SMEs. The supervisory authority has also, on several occasions, stressed the need to improve the evaluation of the qualitative component of the internal ratings of banks, to which a greater weight should be attributed in the final judgement.

Evidence in supporting the responses

Tavola 1: Evoluzione dei prestiti bancari a imprese non finanziarie per dimensione (milioni di €)				
Riferimento: Fine periodo	Fino a 5 addetti	da 6 a 19 addetti	almeno 20 addetti	TOTALE
	(Fam. Prod.)	(QS <20 addetti)	(SNF e QS maggiori)	Tutte le classi
dic-11	101.170	59.879	800.797	961.846
dic-12	97.852	58.129	773.112	929.093
dic-13	95.363	55.585	727.128	878.076
dic-14	93.242	54.621	721.333	869.196
dic-15	92.332	52.130	711.704	856.165
dic-16	89.148	49.298	698.876	837.322
mar-17	89.242	49.034	700.924	839.199
giu-17	88.341	47.516	687.855	823.711
set-17	86.290	45.004	660.588	791.882
dic-17	86.233	44.405	657.454	788.091
mar-18	86.147	44.140	663.116	793.402
giu-18	83.969	41.882	636.665	762.516
set-18	82.958	40.324	630.391	753.672
dic-18	80.392	39.296	613.901	733.589
DELTA 2011-18	-20.778	-20.583	-186.896	-228.257
..... Variazioni percentuali sui 12 mesi non corrette.....				
dic-12	-3,3	-2,9	-3,5	-3,4
dic-13	-2,5	-4,4	-5,9	-5,5
dic-14	-2,2	-1,7	-0,8	-1,0
dic-15	-1,0	-4,6	-1,3	-1,5
dic-16	-3,4	-5,4	-1,8	-2,2
dic-17	-3,3	-9,9	-5,9	-5,9
mar-18	-3,5	-10,0	-5,4	-5,5
giu-18	-4,9	-11,9	-7,4	-7,4
set-18	-3,9	-10,4	-4,6	-4,8
dic-18	-6,8	-11,5	-6,6	-6,9
Var. % 2011-18	-20,5	-34,4	-23,3	-23,7
FONTE: Banca d'Italia - BASTRA NEW - Sezione 538 - Elaborazioni Ufficio Credito Confesercenti				

Tavola 1A: Evoluzione dei prestiti bancari alle imprese artigiane per dimensione (milioni di €)

Riferimento: Fine periodo	Fino a 5 addetti	da 6 a 19 addetti	almeno 20 addetti	TOTALE
	(Fam. Prod.)	(QS <20 addetti)	(QS>= 20 addetti)	Tutte le classi
dic-11	24.638	29.113	1.863	55.614
dic-12	23.256	27.457	1.755	52.468
dic-13	21.796	25.461	1.686	48.943
dic-14	21.031	24.454	1.570	47.055
dic-15	20.177	23.107	1.494	44.779
dic-16	19.013	21.692	1.424	42.129
mar-17	18.989	21.568	1.409	41.966
giu-17	18.621	20.976	1.421	41.018
set-17	17.947	19.806	1.304	39.057
dic-17	17.881	19.595	1.307	38.782
mar-18	17.805	19.415	1.295	38.515
giu-18	17.167	18.535	1.257	36.959
set-18	16.799	17.818	1.240	35.857
dic-18	16.082	17.546	1.217	34.845
DELTA 2011-18	-8.556	-11.567	-647	-20.769
 Variazioni percentuali sui 12 mesi non corrette.....			
dic-12	-5,6	-5,7	-5,8	-5,7
dic-13	-6,3	-7,3	-4,0	-6,7
dic-14	-3,5	-4,0	-6,9	-3,9
dic-15	-4,1	-5,5	-4,8	-4,8
dic-16	-5,8	-6,1	-4,7	-5,9
dic-17	-6,0	-9,7	-8,2	-7,9
mar-18	-6,2	-10,0	-8,1	-8,2
giu-18	-7,8	-11,6	-11,5	-9,9
set-18	-6,4	-10,0	-4,9	-8,2
dic-18	-10,1	-10,5	-6,9	-10,2
Var. % 2011-18	-34,7	-39,7	-34,7	-37,3
FONTE: Banca d'Italia - BASTRA NEW - Sezione 538 - Elaborazioni Ufficio Credito Confesercenti				

Tavola 1A QdM: Evoluzione delle Quote di Mercato dei prestiti bancari alle imprese artigiane per dimensione (%)

Riferimento: Fine periodo	Fino a 5 addetti	da 6 a 19 addetti	almeno 20 addetti	TOTALE
	(Fam. Prod.)	(QS <20 addetti)	(QS>= 20 addetti)	Tutte le classi
dic-11	24,4	48,6	0,23	5,78
dic-12	23,8	47,2	0,23	5,65
dic-13	22,9	45,8	0,23	5,57
dic-14	22,6	44,8	0,22	5,41
dic-15	21,9	44,3	0,21	5,23
dic-16	21,3	44,0	0,20	5,03
mar-17	21,3	44,0	0,20	5,00
giu-17	21,1	44,1	0,21	4,98
set-17	20,8	44,0	0,20	4,93
dic-17	20,7	44,1	0,20	4,92
mar-18	20,7	44,0	0,20	4,85
giu-18	20,4	44,3	0,20	4,85
set-18	20,3	44,2	0,20	4,76
dic-18	20,0	44,7	0,20	4,75
DELTA 2011-18	-4,3	-4,0	-0,03	-1,03

Tavola 1B: Evoluzione dei prestiti alle imprese dell'agricoltura, silv.+pesca, per dimensione (milioni di €)

Riferimento: Fine periodo	Fino a 5 addetti	da 6 a 19 addetti	almeno 20 addetti	TOTALE
	(Fam. Prod.)	(QS <20 addetti)	(QS+SNF>= 20 addetti)	Tutte le classi
dic-11	26.383	4.463	12.939	43.786
dic-12	26.278	4.599	13.333	44.209
dic-13	25.962	4.702	13.433	44.096
dic-14	25.649	4.892	13.880	44.420
dic-15	25.691	4.969	13.687	44.348
dic-16	24.793	4.898	13.753	43.444
mar-17	24.750	4.919	13.676	43.345
giu-17	24.660	4.840	13.679	43.179
set-17	24.542	4.802	13.412	42.756
dic-17	24.325	4.806	13.790	42.921
mar-18	24.383	4.884	13.781	43.048
giu-18	23.866	4.875	13.258	41.999
set-18	23.766	4.838	13.074	41.678
dic-18	23.079	4.853	13.292	41.224
DELTA 2011-18	-3.304	390	353	-2.562
..... Variazioni percentuali sui 12 mesi non corrette.....				
dic-12	-0,4	3,0	3,0	1,0
dic-13	-1,2	2,2	0,8	-0,3
dic-14	-1,2	4,0	3,3	0,7
dic-15	0,2	1,6	-1,4	-0,2
dic-16	-3,5	-1,4	0,5	-2,0
dic-17	-1,9	-1,9	0,3	-1,2
mar-18	-1,5	-0,7	0,8	-0,7
giu-18	-3,2	0,7	-3,1	-2,7
set-18	-3,2	0,7	-2,5	-2,5
dic-18	-5,1	1,0	-3,6	-4,0
Var. % 2011-18	-12,5	8,7	2,7	-5,9

FONTE: Banca d'Italia - BASTRA NEW - Sezione 531 A - Elaborazioni Ufficio Credito Confesercenti
Tavola 1B QdM: Evoluzione delle Quote di Mercato dei prestiti alle imprese dell'agricoltura, siv.+pesca, per dimensione (%)

Riferimento: Fine periodo	Fino a 5 addetti	da 6 a 19 addetti	almeno 20 addetti	TOTALE
	(Fam. Prod.)	(QS <20 addetti)	(QS>= 20 addetti)	Tutte le classi
dic-11	26,1	7,5	1,62	4,55
dic-12	26,9	7,9	1,72	4,76
dic-13	27,2	8,5	1,85	5,02
dic-14	27,5	9,0	1,92	5,11
dic-15	27,8	9,5	1,92	5,18
dic-16	27,8	9,9	1,97	5,19
mar-17	27,7	10,0	1,95	5,17
giu-17	27,9	10,2	1,99	5,24
set-17	28,4	10,7	2,03	5,40
dic-17	28,2	10,8	2,10	5,45
mar-18	28,3	11,1	2,08	5,43
giu-18	28,4	11,6	2,08	5,51
set-18	28,6	12,0	2,07	5,53
dic-18	28,7	12,4	2,17	5,62
DELTA 2011-18	2,6	4,9	0,55	1,07

Tavola 1C: Evoluzione dei prestiti alle imprese del commercio e turismo per dimensione (milioni di €)				
Riferimento: Fine periodo	Fino a 5 addetti	da 6 a 19 addetti	almeno 20 addetti	TOTALE
	(Fam. Prod.)	(QS <20 addetti)	(QS+SNF>= 20 addetti)	Tutte le classi
dic-11	30.020	32.872	148.174	211.067
dic-12	28.886	32.063	143.151	204.100
dic-13	28.523	30.755	136.603	195.881
dic-14	27.363	29.991	141.359	198.713
dic-15	27.096	28.731	143.809	199.636
dic-16	25.968	27.199	143.275	196.442
mar-17	26.160	27.346	146.844	200.350
giu-17	25.726	26.732	147.211	199.668
set-17	24.650	25.145	141.801	191.596
dic-17	24.631	25.002	142.627	192.260
mar-18	24.636	24.985	144.729	194.350
giu-18	23.890	23.836	141.082	188.808
set-18	23.464	22.983	138.841	185.288
dic-18	22.608	22.695	137.177	182.480
DELTA 2011-18	-7.412	-10.177	-10.998	-28.586
..... Variazioni percentuali sui 12 mesi non corrette.....				
dic-12	-3,8	-2,5	-3,4	-3,3
dic-13	-1,3	-4,1	-4,6	-4,0
dic-14	-4,1	-2,5	3,5	1,4
dic-15	-1,0	-4,2	1,7	0,5
dic-16	-4,2	-5,3	-0,4	-1,6
dic-17	-5,1	-8,1	-0,5	-2,1
mar-18	-5,8	-8,6	-1,4	-3,0
giu-18	-7,1	-10,8	-4,2	-5,4
set-18	-4,8	-8,6	-2,1	-3,3
dic-18	-8,2	-9,2	-3,8	-5,1
Var. % 2011-18	-24,7	-31,0	-7,4	-13,5

FONTE: Banca d'Italia - BASTRA NEW - Sezione 531 (ATECO GIN) - Elaborazioni Ufficio Credito Confesercenti

Tavola 1C QdM: Evoluzione delle Quote di Mercato dei prestiti alle imprese del commercio e turismo per dimensione (%)				
Riferimento: Fine periodo	Fino a 5 addetti	da 6 a 19 addetti	almeno 20 addetti	TOTALE
	(Fam. Prod.)	(QS <20 addetti)	(QS>= 20 addetti)	Tutte le classi
dic-11	29,7	54,9	18,5	21,9
dic-12	29,5	55,2	18,5	22,0
dic-13	29,9	55,3	18,8	22,3
dic-14	29,3	54,9	19,6	22,9
dic-15	29,3	55,1	20,2	23,3
dic-16	29,1	55,2	20,5	23,5
mar-17	29,3	55,8	21,0	23,9
giu-17	29,1	56,3	21,4	24,2
set-17	28,6	55,9	21,5	24,2
dic-17	28,6	56,3	21,7	24,4
mar-18	28,6	56,6	21,8	24,5
giu-18	28,5	56,9	22,2	24,8
set-18	28,3	57,0	22,0	24,6
dic-18	28,1	57,8	22,3	24,9
DELTA 2011-18	-1,6	2,9	3,8	2,9

1. SMEs — basic figures

Class size	Number of enterprises				Number of persons employed				Value added		
	Italy		EU-28	Italy		EU-28	Italy		EU-28		
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share		
Micro	3 538 488	95.1 %	93.0 %	6 567 225	48.0 %	29.8 %	197.5	29.3 %	20.9 %		
Small	159 637	4.3 %	5.8 %	2 869 837	20.1 %	20.0 %	140.5	20.8 %	17.8 %		
Medium-sized	18 082	0.5 %	0.9 %	1 781 052	12.5 %	16.7 %	118.5	17.6 %	18.2 %		
SMEs	3 716 207	99.9 %	99.8 %	11 218 114	78.6 %	66.6 %	456.5	67.7 %	56.8 %		
Large	3 140	0.1 %	0.2 %	3 055 831	21.4 %	33.4 %	217.7	32.3 %	43.2 %		
Total	3 719 347	100.0 %	100.0 %	14 273 945	100.0 %	100.0 %	674.2	100.0 %	100.0 %		

These are estimates for 2016 produced by DIW Econ, based on 2008-14 figures from the Structural Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

Principali aggregati e indicatori economici delle imprese industriali e dei servizi per classi di addetti (1) - Anno 2016

CLAS SI DI A DDETTI	Imprese	Addetti	Fatturato	Valore aggiunto	Prestiti bancari vivi (2)	Produttività (3)
	numero	numero	miliardi di €	miliardi di €	€	migliaia di €
Fino a 9 addetti= Microimprese	4.085.324	7.424.181	746,41	220,20	n.d.	29,7
Da 10 a 19 addetti	130.714	1.716.297	316,54	76,27	n.d.	44,4
Imprese con meno di 20 addetti	4.216.038	9.140.478	1.062,95	296,47	85,88	32,4
Da 20 a 49 addetti	51.610	1.535.996	348,87	82,09	n.d.	53,4
Da 10 a 49 addetti= Piccole Imprese	4.267.648	10.676.474	1.411,82	378,56	n.d.	35,5
Da 50 a 249 addetti= Medie Imprese	21.718	2.102.173	612,24	133,88	n.d.	63,7
Ameno 250 addetti= Grandi Imprese	3.601	3.334.152	926,75	238,00	n.d.	71,4
Imprese con almeno 20 addetti	76.929	6.972.321	1.887,85	453,97	589,52	65,1
Imprese Totali	4.292.967	16.112.799	2.950,80	750,44	645,40	46,6

FONTE: ISTAT - Competitività - Statistiche ufficiali diffuse il 9 novembre 2018. BANCA D'ITALIA - Statistiche ufficiali sui restiti bancari vivi.

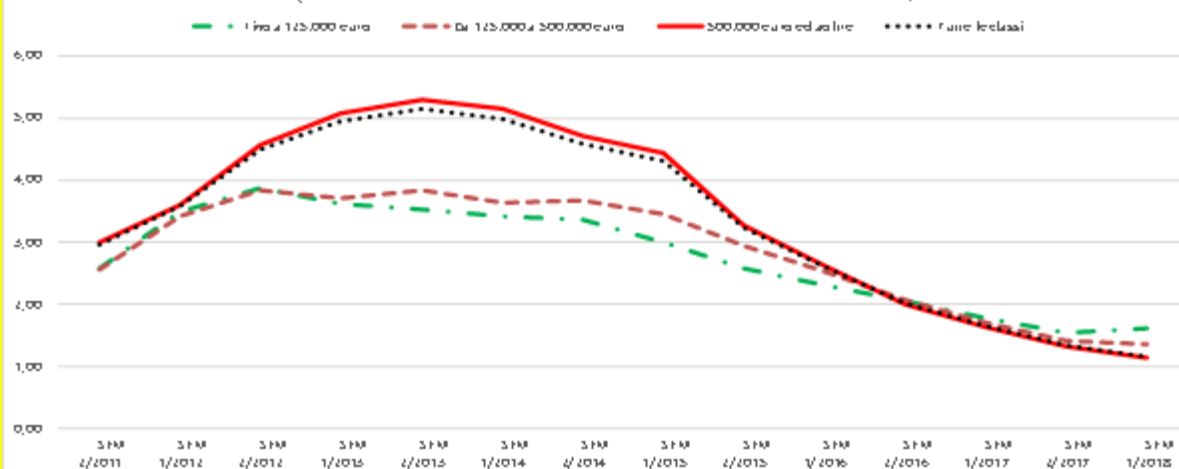
(1) Escluse le aziende agricole.

(2) Esclusi i prestiti vivi alle imprese dell'agricoltura, silvicoltura e pesca, pari a 37,15 miliardi di euro al 31 dicembre 2016.

(3) Valore aggiunto per addetto.

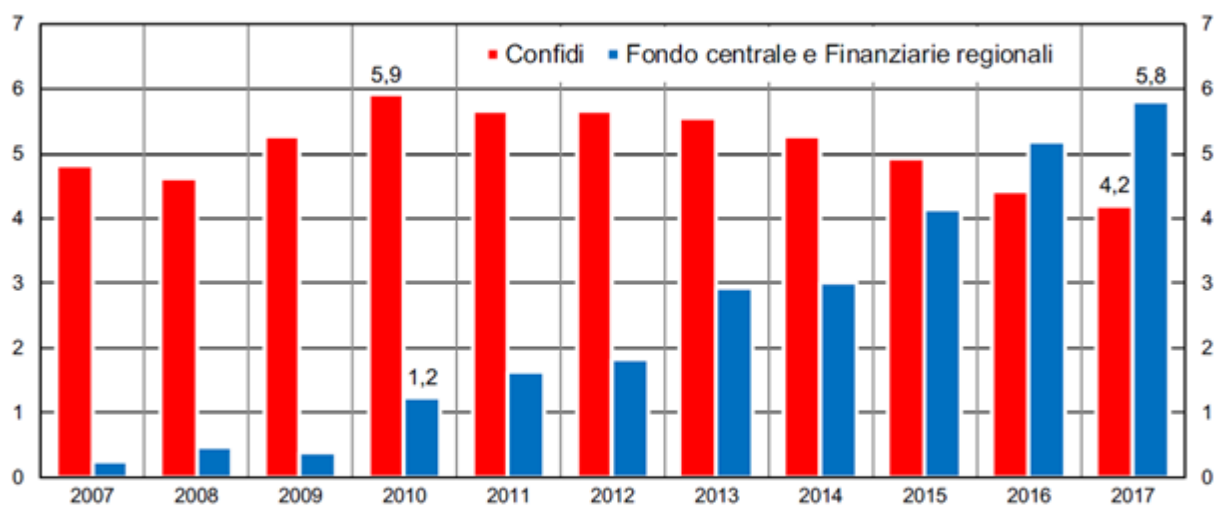
CLAS SI DI A DDETTI	Incidenza percentuale sul totale.....					Numeri Indici
	Imprese	Addetti	Fatturato	Valore aggiunto	Prestiti bancari vivi	Totale=100
Fino a 9 addetti= Microimprese	95,2	46,1	25,3	29,3	n.c.	64
Da 10 a 19 addetti	3,0	10,7	10,7	10,2	n.c.	95
Imprese con meno di 20 addetti	98,2	56,7	36,0	39,5	13,3	70
Da 20 a 49 addetti	1,2	9,5	11,8	10,9	n.c.	115
Da 10 a 49 addetti= Piccole Imprese	99,4	66,3	47,8	50,4	n.c.	76
Da 50 a 249 addetti= Medie Imprese	0,5	13,0	20,7	17,8	n.c.	137
Ameno 250 addetti= Grandi Imprese	0,1	20,7	31,4	31,7	n.c.	158
Imprese con almeno 20 addetti	1,8	43,3	64,0	60,5	86,7	140
Imprese Totali	100,0	100,0	100,0	100,0	100,0	100

Tasso di decadimento % a 12 mesi delle Società non finanziarie per classi di Utilizzato Globale
(Fonte: Banca d'Italia - Centrale dei rischi - Limitatamente al Sistema Bancario)



Quota sul totale delle garanzie personali rilasciate alle imprese

(valori percentuali; dati di fine periodo)

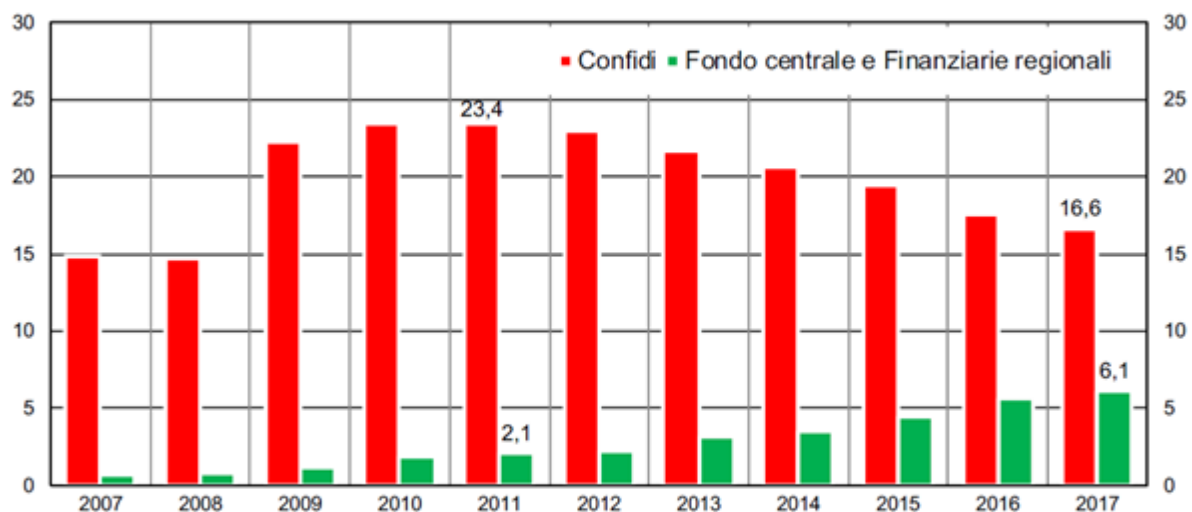


Fonte: Centrale dei Rischi



Quota sul totale delle garanzie personali rilasciate alle piccole imprese

(valori percentuali; dati di fine periodo)



Fonte: Centrale dei Rischi

