

THE PURPOSE AND CHARACTERISTICS OF FINANCIAL INFORMATION FOR SME: EUROPEAN EXPERIENCE

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The need to extend the credit system leads to the need to review some of the key positions of information component. The fact that the rules for accounting of various European countries are governed by their own specific standards. That information, which is understandable for an accountant, should be supplemented with information that will satisfy the information needs of a wide range of stakeholders in the above privacy - creditors.

The financial information of the SMEs they choose and how they provide information is crucial. While standard business reporting may be encouraged, it should not be enforced. The aspect of standardization of financial information of SMEs extensively and subject to different views has been discussed.

Very important qualitative information about features of the entrepreneur and the team as relevant, besides standard information on the SMEs business performance. However, sometimes it is difficult to find relevant information on these aspects, while financial data is easier to obtain.

Besides financing, it could also be used in B2B (customers and suppliers) relationship, such as in the case of trade credit. One important aspect was also the timing of information, which needed to be as updated and accurate as possible. This is often not the case for SMEs.

Nevertheless, the classification of data might be of value (common data definitions, and data types to be shared for lending purposes) but only really have relevance for larger SMEs, whose in-house capacity should already be able to provide the information. Micro-SMEs which make up 90%± of the SME lending market in most states will not be obvious candidates for cross-border lending/investment. Regarding cross-border data sharing, it is very unclear how banks can handle the divergent legislation that applies in each state.

Banks' assessment of SME information (scoring/rating) should not be standardized across European banks as the diversity of SME customers and markets within and between Member States does not support a one-size-fits-all solution.

Very small firms are the ones which are more difficult to be assessed, due to lack of information. Micro-companies count for the largest number of companies (in terms of number of companies belonging to the SME segment). However, most of them are difficult to assess, mainly due to a lack of available information.

Too much standardization financial information of the SMEs is not seen as a good way forward: the risk is that such path would standardized not only definitions of the variables needed to assess the creditworthiness of SMEs, but also the outcomes of the evaluation, thus failing to properly address the distinctive features of the businesses. If to be pursued, any standardization should be based upon what is already in place and should be built on a simple set of data.