

Gwybodaeth Ychwanegol at Atebion Gweinidogion Information Further to Ministerial Answers

Cyhoeddir ymatebion gan Weinidogion yn yr iaith y'u darparwyd, gyda chyfiethiad Saesneg o ymatebion yn y Gymraeg.

Ministerial responses are published in the language in which they are provided, with a translation into English of responses provided in Welsh.

Gwybodaeth ychwanegol at OAQ(3)1321(BB) a gyhoeddwyd gan Ieuan Wyn Jones, y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth, ar 24 Chwefror 2011
Information further to OAQ(3)1321(BB) issued by Ieuan Wyn Jones, the Deputy First Minister and Minister for the Economy and Transport, on 24 February 2011

At/To Brian Gibbons:

During Questions to the Minister for Business and Budget on 9 February you asked for an update on the work we are taking forward to ensure that businesses in Wales, particularly SMEs, have access to finance.

Ensuring that businesses in Wales have sufficient access to start up and growth investment is key to our economic renewal and as part of *Economic Renewal: a new direction* I committed to identify and address gaps in provision, and to continue to support businesses to become 'proposition ready'.

Whilst there is existing provision in Wales for SME companies seeking both investment and loan finance, there would appear to be some gaps in the market place as acknowledged in the UK Government's Rowlands Review which identified a specific gap at the UK level in the provision of growth capital between £2m and £10m. In addition it is generally recognised that SMEs find it harder to access finance due to information asymmetries, transaction costs and lack of collateral. Though evidence suggests that the majority of businesses with a good proposition seeking external finance (including SMEs) currently obtain some mainstream finance, there is consistent feedback that businesses in growth mode are unable to achieve the optimal level of finance in putting together financial packages and increased problems with 'gap financing', particularly given increased bank caution.

The new UK Business Growth Fund will go some way to addressing this gap. However I am concerned about the extent to which Welsh businesses will be able to access it, especially in terms of the lower threshold for turnover of £10m which would exclude the vast majority of Welsh businesses. I am raising this as an issue with the UK Government and my officials are meeting with the British Banking Association shortly.

That is why I am considering investing alongside the private sector to address this gap and I have commissioned a market testing exercise to determine whether there is sufficient private sector interest and how this investment could be best delivered.

Alongside this work to ensure sufficient supply, I recognise the importance of helping businesses be in the best position to access the finance available to them. The Council for Economic Renewal has tasked its working group to give further thought to the barriers businesses face, including lack of awareness of what is available and what is required to secure it, and my officials are working closely with them to identify what additional action can be taken – by businesses, by the financial and professional services sector and by government – to address these barriers.