The state of business finance

PART 1: FACTS AND FIGURES

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 170,000 members and 436,000 students in 180 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of 91 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development.

This is the first of a series of three reports on the state of business finance worldwide.

It uses quantitative data from ACCA's member surveys to discuss members' experiences of raising finance for their organisations and clients."

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The state of business finance

ACCA's review of the state of business finance is an ambitious global investigation into the challenges faced by businesses when trying to raise finance and the ways in which finance professionals in industry, practice and financial services help them along the way.

The outcomes of this review have been presented in three reports.

- *The State of Business Finance, Part One: Facts and Figures*, presents an analysis of two sets of quantitative data taken from the ACCA–IMA Global Economic Conditions Survey.
- *The State of Business Finance, Part Two: Case Studies*, brings together twelve in-depth studies of business financing seen through the eyes of ACCA members around the world.
- *The State of Business Finance, Part Three: Reflections on the Evidence*, summarises ACCA's findings and issues a call to action for governments, the financial services industry and, most of all, finance professionals around the world.

The three reports are available from the ACCA website together with ACCA's other works on access to finance.

www.accaglobal.com/businessfinance

Contents

1. Introduction

This report presents an analysis of two sets of quantitative data taken from the ACCA–IMA Global Economic Conditions Survey (GECS), the largest regular economic survey of accountants in the world.

The first data set looks at the incidence of financing constraints among large corporates and SMEs around the world, building on over 40,000 responses to the quarterly survey since it first launched in early 2009.[1] It uses statistical analysis in order to deduce a set of common drivers for business' access to finance throughout the recovery and across regions, and maps trends in business financing against macro-economic conditions and developments.

The second data set considers the experience of business financing. In order to learn more about members' involvement in business financing, ACCA introduced an Access to Finance module into the GECS, starting from Q1 2014 onwards. The module invites those participants with recent experience of raising finance for their own organisations or clients to discuss their involvement and share their impressions. All respondents who had been personally involved in efforts to raise finance for businesses (either their own or their clients') in the 12 months prior to taking the survey were then invited to provide further details. Members still qualified if these efforts had been unsuccessful, and all respondents were invited to comment with all of their recent financing activity in mind – therefore, where individuals have been involved in raising funds for multiple businesses, or multiple rounds of financing for the same business, their responses should reflect their total experience, as opposed to one specific instance.

As of Q2 2014, the Access to Finance module had collected 626 responses from ACCA members involved in accessing finance. The information they provided included:

- Whether they had been involved in raising finance for their own business or clients
- The types of finance they were involved in trying to raise
- Their personal involvement in securing finance
- Their level of satisfaction with the financing process overall
- Whether they would be happy to be interviewed by an ACCA partner and feature in an ACCA case study about their experience of financing businesses.

Since respondents were asked to discuss their efforts to raise finance over the last twelve months, responses received during the first half of 2014 refer to financing efforts taking place between February 2013 and June 2014, with the period between Q2 2013 and Q1 2014 covered in both waves of the survey. Because of this overlap, and of the uncertainty regarding the precise timing of financing applications, quarter-on-quarter comparisons have been generally avoided, and the sample is treated as a single snapshot of access to finance globally.

1. An overview of the GECS and the first five years' worth of GECS data can be found in *Five Years of the Global Economic Recovery*, <http://www.accaglobal.com/content/dam/acca/global/PDF-technical/global-economy/tech-ms-gec5yr.pdf>, ACCA, 2014.

2. The story so far: a history of access to finance in the recovery

Through the GECS, ACCA has monitored its members' experiences of financing problems throughout the global economic recovery. The five-and-a-half year GECS time series to Q2 2014 makes it possible to extrapolate key trends among the SME and corporate populations at both the global and regional levels.[2]

Unsurprisingly, access to finance was comparatively very difficult in 2009, as the world emerged from a global recession. Depending on the region, between 33% and 47% of large corporates and 35% and 63% of SMEs reported problems. However, broadly speaking, financing became easier for businesses across the globe in the following five years, with developed markets benefiting the most (see Figures 1 and 2).

Figure 1: % of large corporates reporting financing problems throughout the recovery

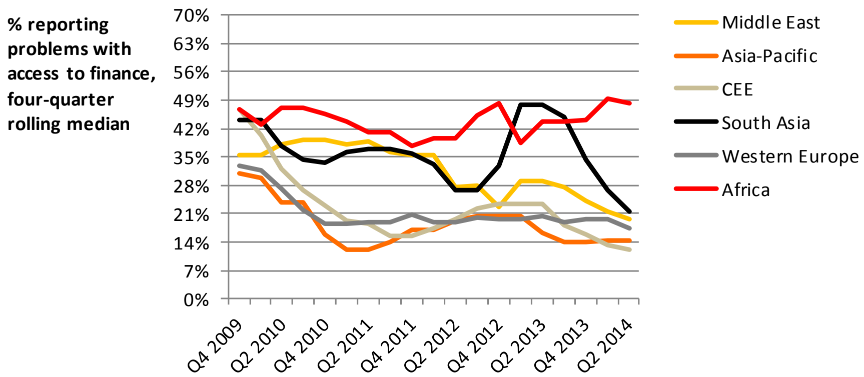


Figure 2: % of SMEs reporting financing problems throughout the recovery

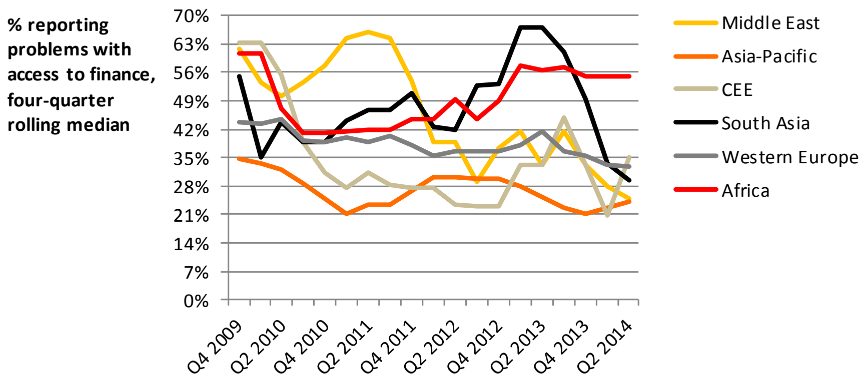
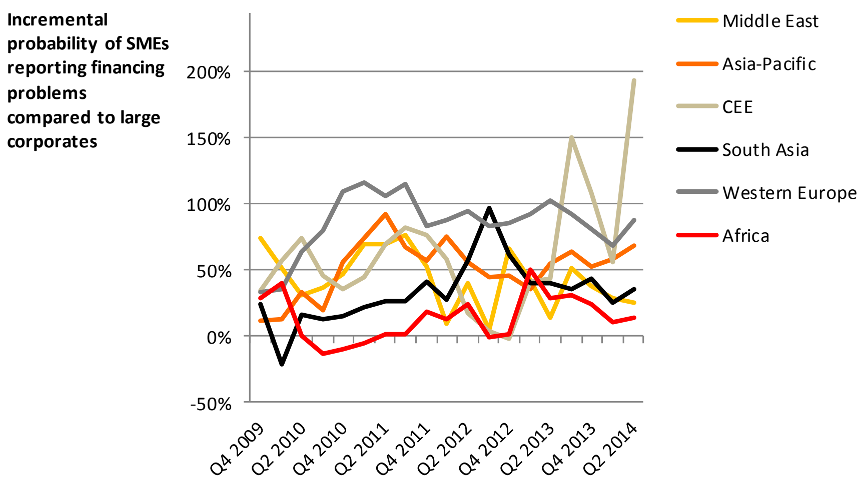


Figure 3: How much more likely are SMEs to face financing problems?



2. Since regional time series for specific sectors can be very volatile, this analysis uses four-quarter rolling medians instead of quarterly observations. This creates a smoother time series while still capturing the underlying trends.

SMEs have in almost all instances found it harder to raise finance than large corporates (see Figure 3), but the gap in financing constraints between the two groups can vary greatly from region to region and from one quarter to another. This reflects changes across a number of variables, but is particularly related to four key factors:

- The structure of the banking and broader financial industry, including the development of countries' capital markets and their shadow banking sectors (which will favour corporates and SMEs respectively).
- The prices of assets pledged as collateral, especially real estate (with rising asset values favouring SMEs)
- Domestic and foreign finance providers' risk appetite (where a rising risk appetite will favour SMEs).[3]
- The level of discouragement among would-be borrowers during economic downturns (SMEs are more likely to put off applying for external finance as a result of discouragement).

Because the first set of factors cannot change very rapidly, it is better at explaining the long-term differences between regions. The gap in constraints is relatively large in Western Europe, where large corporates can turn to deep and liquid capital markets and are thus only about half as likely as SMEs to face financing issues. The gap is smallest in Africa and South Asia, were financing is difficult for all businesses regardless of size, and SMEs are only 20-30% more likely to report problems. Short-term shifts in the financing gap are best interpreted in terms of risk appetite, while demand and asset prices will tend to explain medium-term trends best.

SAFE LENDING VS RISKY FINANCING: EXPLAINING GLOBAL FINANCING CONDITIONS

Principal component analysis[4] of the quarterly GECS data suggests that a large share (ca. 44%) of the shifts to the financing environment as recorded by GECS is best explained by a 'core' global financing narrative. This is driven partly by global liquidity and partly by the value of available collateral, and thus mostly reflects the environment for low-risk lending to businesses: it is particularly relevant to large corporates in the developed markets of Europe and the Asia-Pacific region, and larger SMEs (possibly with strong government links) in the Far East (see Figure 4).

3. For a further discussion on the role of collateral and risk appetite in the supply of finance to businesses, see 'ACCA's Four Inputs Framework', <http://www.accaglobal.com/uk/en/technical-activities/technical-resources-search/2014/april/four-inputs-framework.html>, ACCA, 2014.

4. Principal component analysis is a statistical procedure that reveals the internal structure of, and explains the variance in, data by creating a group of standardised, mutually-uncorrelated variables (principal components) that variance can be attributed to. The analysis for this report used 456 data points, reflecting all quarterly moving median estimates for the incidence of financing constraints among a) SMEs and b) Large Corporates, plus the incremental financing constraints for SMEs compared to large corporates expressed as c) percentage margins and d) incremental probabilities. Observations on the above four time series were included for each of the six major regions mentioned earlier in this report, covering the period Q1 2009 to Q2 2014. Three of the resulting factors were named after the regions in which they influenced the spread between Corporate and SME access to finance conditions, while the two remaining factors were interpreted based on the global factors they correlated with most – central bank liquidity and global property prices respectively.

This narrative suggests that liquidity constraints and falling collateral values held back access to finance coming out of the global recession (with 30%-33% of 'safe' businesses citing problems). But collateral values have recovered throughout the recovery and liquidity increased substantially between early 2010 and mid-2011, as banks recapitalised, capital markets thawed and asset prices recovered. Particularly important was the global stimulus agreed by the London G20 summit of 2009, $1.1 trillion of which focused directly on supporting trade finance. By mid-2011, only 12%-24% of 'safe' businesses, depending on region, were citing financing problems (see Figure 5).

Liquidity conditions gradually tightened again in response to a slowing global economy and the added stress of the Eurozone debt crisis, reaching their worst level in late 2012 (with 20–30% of 'safe' businesses citing problems). In some emerging markets, however, the demand for safe-haven assets also boosted property and other asset prices, enabling businesses to pledge more collateral until an inevitable correction in late 2012. In 2013, financing conditions were boosted by a wave of liquidity from central banks and then by rising property prices in Western countries, fuelling a strong recovery. Despite the Federal Reserve's Taper[5] announcements (and possibly China's liquidity crunch) limiting effective liquidity throughout the second half of 2013, the broad trend persisted. As of mid-2014, financing conditions for 'safe' businesses were easier than ever before in the recovery.

Figure 4: Explaining the changes in access to finance

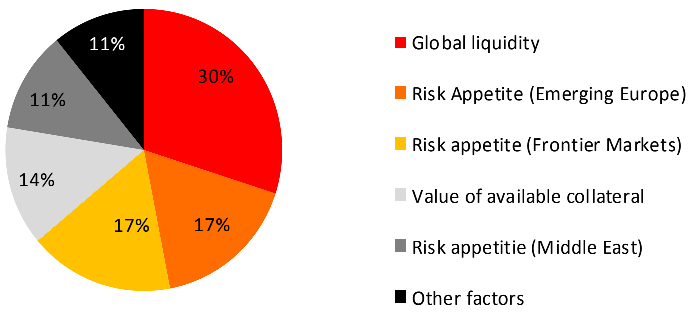


Figure 5: The relative ease of 'low-risk' business financing over time

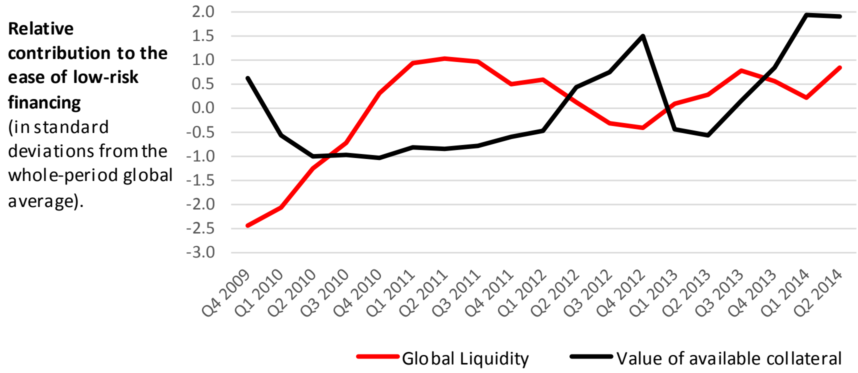
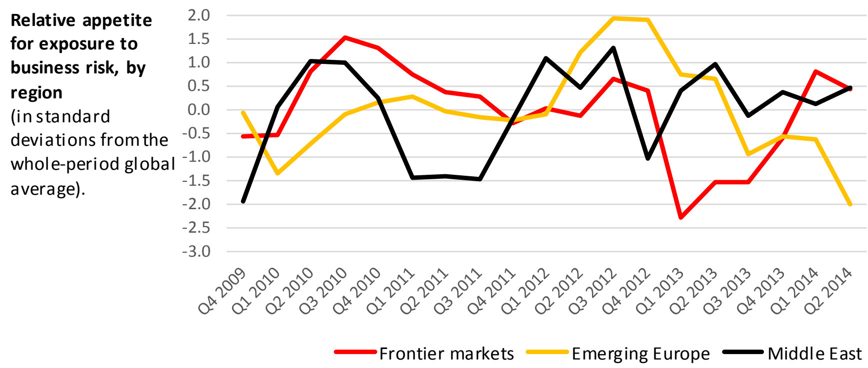


Figure 6: Risk appetite patterns in the recovery, by region



5. The term refers to the US Federal Reserve's initiative to gradually phase out its programme of asset purchases.

In addition to the global financing narrative, three regional risk appetite narratives account for another 46% of the variation in financing conditions (see Figure 6). The first pattern reflects an appetite for exposure to business risk in Emerging Europe; this was initially low coming out of the recovery, reflecting the disruption caused by the global recession to a set of highly financially-integrated and open economies. The region's appetite for risk recovered slowly until 2012, when there was a significant burst of risk appetite coinciding with a surge of Chinese and other foreign investment in the region. But risk appetite in the region has been falling ever since, and reached lower levels in mid-2014 than it had coming out of the financial crisis.

The second pattern reflects an appetite for exposure to frontier markets and commodity-rich regions in Sub-Saharan Africa and South Asia, which grew rapidly in the early recovery and peaked alongside commodity prices in late 2010. Just as with commodity prices, this trend has never fully recovered, and in fact dipped significantly in response to the Taper and the recovery of Western economies in early 2013, which prompted many investors to move funds out of emerging economies. Conditions only returned to normal levels in mid-2014. Finally, risk appetite in the Middle East took a blow during the recession and also in early 2011 as the events of the Arab Spring started to unfold, but has since returned to more normal levels.

Long-term structural problems could explain as much as 10% of the variation in regional financing constraints over the last five and half years. For example, structural factors have no doubt held back businesses' access to finance in Africa; in fact the incidence of financing problems among Africa's corporates has barely shifted in the five years to Q2 2014, with a near-constant 40%-45% reporting problems. For SMEs in the region, financing conditions were relatively benign between 2010 and 2012 (with incidences of problems rising slowly from 41% to 48%), but returned to crisis-era levels (ca. 60% reporting problems) from 2013 onwards.

3. Helping businesses raise finance – the experience of ACCA members

WHO IS INVOLVED IN BUSINESS FINANCE? WHY, AND WHERE?

Between Q1 2013 and Q2 2014, 31% of ACCA members were involved in raising finance either for their own organisations or for clients. Most active of all were members in Africa, with 40% personally involved in raising finance, and 31% trying to raise finance for their own organisations. Members in the Middle East and Asia-Pacific follow closely, with 37% and 35% of members respectively trying to source funds for their businesses or clients. Indeed the two major ACCA markets where the membership was most active in raising finance were the UAE (42%) and Malaysia (41%). It is worth noting that ACCA members in emerging markets are about twice as likely to be involved in raising finance for their own organisations, due to a combination of seniority and higher growth prospects.

At the sector level (see Figure 8), the variation is even greater. Most active of all were members working in small and medium sized practices (SMPs), followed by those working in the finance functions of small and medium sized enterprises (SMEs) – 55% and 41% respectively were involved in raising finance. When looking at members seeking finance for their own organisations only, it is members in SMEs that were most engaged, but involvement peaks at the medium size band: 41% of members in medium-sized enterprises or the mid-market sought funds for their own organisations during the period in question.[6]

Figure 7: ACCA members' involvement in raising finance, by region

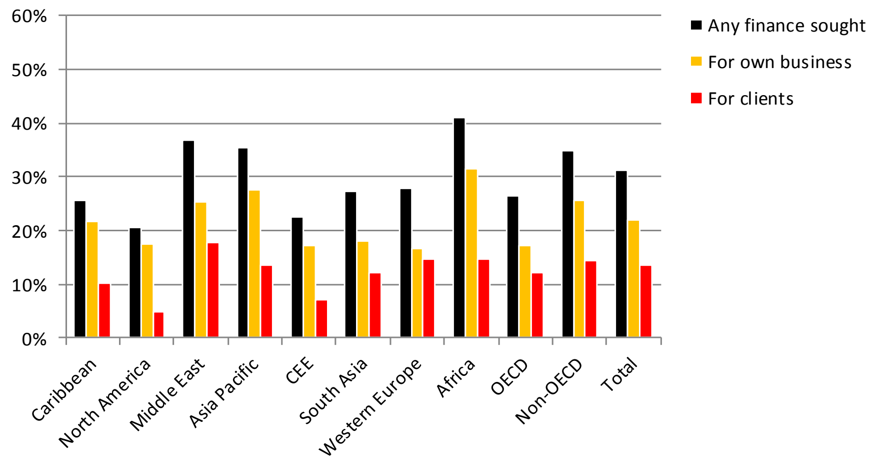
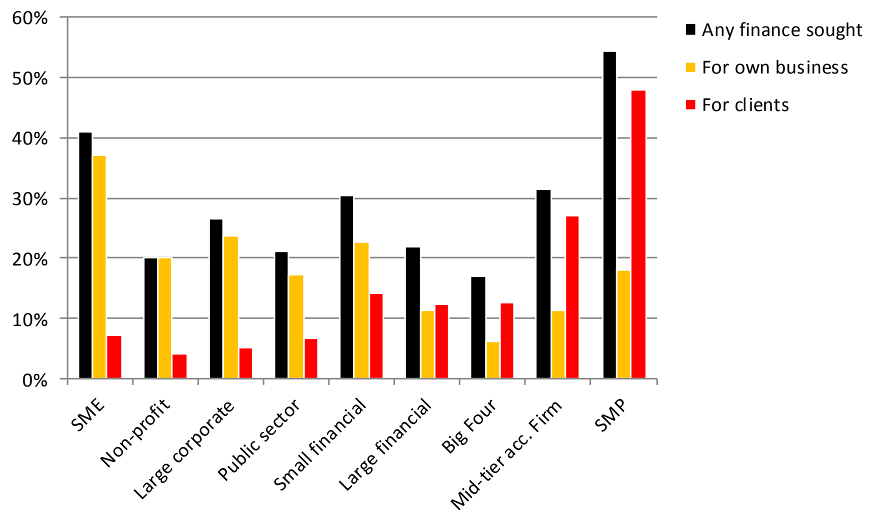
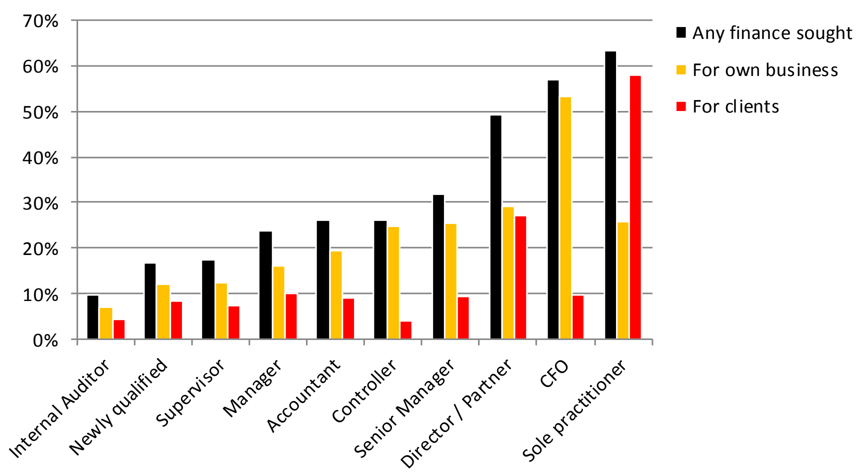


Figure 8: ACCA members' involvement in raising finance, by sector



6. For a further discussion of the mid-market and its importance to the global economy, see *Surviving the Recession and the Recovery: The SME Story*, <http://www.accaglobal.com/content/dam/acca/global/PDF-technical/small-business/pol-tp-stra.pdf>, ACCA, 2013.

Figure 9: Involvement in access to finance by role and level of seniority



As a rule, practitioners are more likely to be involved in financing businesses, because they assist clients – that makes them typically 2–2.5 times more likely to seek finance for a client than for their own practice, and the smaller the practice, the more likely practitioners are to be involved in helping finance their clients. Auditor independence could provide part of the explanation for this; larger practices have a disproportionately high share of the audit market, and audited companies account for a disproportionate share of formal external financing. But an accountancy firm's responsibilities as auditors would not allow them to be involved in securing finance for clients (except insofar as a set of audited accounts are instrumental to raising finance).

Accountants' involvement in access to finance therefore appears to be a combination of their industry and seniority; the underlying demand for finance, driven by growth; the relative difficulty of accessing finance, which drives the need for professional advice; and the adequacy of financing structures in their countries. ACCA research confirms that, at least among SMEs, businesses around the world see finance professionals as the foremost experts in financial management and business financing.[7]

One surprising finding emerges from Figure 8. A small but persistent share of ACCA members are actively involved in helping raise finance for clients, even in sectors that are not expected to offer financial or professional services. A number of these are in effect offering insurance services to clients or working in the customer financing departments of major companies, including utilities, healthcare providers and shipping organisations. What is very notable, however, is that the incidence of such customer financing by SMEs and corporates (and, to a lesser extent, non-profits and the public sector) is much greater in developing countries (10%) than developed countries (2%). As a result of the much tougher financing conditions they face, businesses and individuals in emerging markets are much more likely than their counterparts in advanced economies to turn for financing to non-financial organisations which are highly creditworthy or have access to the capital markets and with whom they have other commercial relationships.

At the individual level, seniority tends to dictate the level of involvement with raising finance, whether for one's own business or for a client. More than half (57%) of all CFOs are involved in raising finance, mostly for their own organisations. Professionals at the partner or director level are also very likely to be raising funds in any given year, and sole practitioners tend to be very substantially involved in financing clients.

7. E. Schizas, R. Jarvis and N. Daskalakis, *SMEs and their Advisers: Measuring Trust and Confidence*, ACCA research report no 127, <http://www.accaglobal.com/content/dam/acca/global/PDF-technical/small-business/rr-127-001.pdf>, ACCA, 2012.

4. The right finance?

Different types of finance are not interchangeable, and the types of finance raised matter at least as much as the incidence of fundraising. As Table 1 demonstrates, traditional bank lending is still the most common type of finance raised by members, particularly on behalf of clients. Some types of finance, including venture capital, commercial mortgages and peer-to-peer finance, are more commonly raised by ACCA members in developed countries, and for some the accountant is more likely to act as an intermediary than as a direct applicant (eg capital market issues in emerging markets, commercial mortgages, or directors' funds). The latter example is very important, because it demonstrates an important aspect of raising funds related to corporate governance: what is often very difficult on the basis of board consensus can be a lot easier when the recommendation of a trusted external adviser comes into play.

Finally it is clear that in-house accountants tend to have (or seek) access to fewer types of finance than practitioners, and this effect is more pronounced in developing countries.

Because the data for this study is taken from the GECS, it is possible to examine relationships between the demand for particular types of finance and the macro-economic environment, the challenges and opportunities facing individual businesses, as well as the characteristics of applicants and individual finance professionals themselves. Therefore, the analysis that follows draws on a battery of binary regression analyses to explain not only the popularity of specific financing methods but also the uses funds are put to and actions taken alongside fundraising by the organisations involved.

Table 1: Types of finance raised by members

	For own business		For clients	
	OECD	Non-OECD	OECD	Non-OECD
% of all members involved in raising finance, of which	17%	26%	12%	14%
Bank loan/overdraft	63%	74%	78%	70%
Commercial mortgage	22%	11%	40%	20%
Venture capital or business angel investment	22%	16%	27%	17%
Long-term debt or equity from capital markets	22%	24%	10%	30%
Liquidity from capital markets	7%	7%	5%	8%
Mezzanine finance	7%	4%	3%	6%
Factoring/invoice discounting/trade finance	22%	18%	27%	20%
Government loans, grants or guarantees	20%	17%	18%	19%
Supply chain finance	11%	13%	4%	14%
Specialist export/import finance	4%	6%	3%	6%
Crowdfunding/peer-to-peer loans	6%	1%	16%	3%
Debt or equity from directors, friends and family	15%	12%	22%	21%
Average number of different types of finance	2.2	2.0	2.4	2.3
Note: the 'own business' and 'client business' groups overlap; members raising finance for both their own businesses and clients are counted in both totals				

Of the 31% of members who were involved in raising finance between Q1 2013 and Q2 2014, the majority (71% of all fund-raisers, or 22% of the total ACCA membership) were helping businesses secure bank loans and overdrafts, which are still the form of formal external finance most commonly raised by finance professionals, especially those working in SMPs. ACCA's analysis of the drivers of demand suggests that bank lending involved a substantial amount of adverse selection for lenders, with would-be borrowers likely to include a mix of businesses with genuine investment opportunities and businesses trying to shore up liquidity, especially when faced with rising costs. It is also clear that access to bank lending was important to the health of supply chains; members who had helped businesses raise bank loans were more likely to report healthy suppliers.

Bank borrowing appeared to be more common among mid-market companies, and only one major ACCA market (Canada) showed signs of subdued demand. However, ACCA's analysis also found that demand for bank loans was strongly correlated with government spending plans, suggesting that state-owned or state-influenced banks play a significant role in financing business in member countries.

Despite the dominance of bank loans among the financing mix, more specialist types of financing were also well represented among the membership's fundraising efforts:

A quarter (25%) of ACCA fund-raising members (or 8% of the total membership) sought funds from the capital markets, usually on behalf of clients. These members were more likely to work in boutique financial services and advisory firms, and were most common in emerging and frontier markets.

Capital market funding was most commonly sought in order to finance major capital spending initiatives, but was conditional on restructuring: members reported significant cost-cutting drives to make the issuers more attractive to investors. Contrary to what might be expected, would-be equity issuers were likely to report fewer opportunities to profit from innovation, suggesting a trade-off between making their financials and risk profile more attractive for investors and investing in innovation.

Just as many finance professionals (25% of all fundraising members or 8% of all members) were involved in raising **supply chain finance** in the broader sense, including invoice discounting, factoring, reverse factoring and trade finance. This type of financing appeared to be more commonly sought by businesses in troubled supply chains, and was correlated with weak orders, loss of businesses confidence, late payment problems and failing suppliers, but also with significant untapped investment opportunities. As a rule, access to supply chain finance facilities encouraged employment, and released cash flow for the exploration of new and/or niche markets.

Governments were a significant source of finance for businesses across regions, either directly or through guarantees. One in six (18%) of all fundraising members (or 6% of the total membership) reported trying to raise finance through government support, with members working in the public sector particularly likely to be helping businesses access government grants or aid of some sort. Among ACCA markets, a disproportionate level of demand for government funding was evident in Cambodia, Cameroon and Kazakhstan. Government funding was more likely to be sought by organisations that needed to adjust to shifting demand patterns, were building or defending market niches, and had access to profitable investment opportunities. Often, however, government subsidies faced adverse selection, helping to salvage endangered capital spending plans or protect businesses whose customers were failing.

Specialist **export/import finance** was closely related to supply chain finance in terms of its users. One in eight (12%) fund-raising members (or 4% of all members) attempted to secure such funding for businesses. Members in larger SMEs were more likely to report applying for such funding, and those in Saudi Arabia stood out in particular.

This type of funding was more likely to be used by businesses concerned about the viability of their suppliers, and was also more likely to be used in order to explore new and niche markets. Applicants were less likely to invest in quality control and standards, possibly because they already conformed to quality standards, which may even be a pre-requisite in the granting of finance. Applicants were less likely to report declining orders or to cut jobs, either as a result of the funding itself, or as a result of conditions attached to the funding.

Venture capitalists and **business angels** were engaged by 18% of fundraising members (or 6% of the total membership), and it appears that interest in them rises during economic downturns, at least among the healthiest businesses. Members reporting rising confidence in their organisations, plenty of profitable investment opportunities or a worsening national economy were more likely to turn to venture capital. That said, the stereotype of venture capitalists funding tiny innovative start-ups and disruptive businesses doesn't necessarily hold true. Demand was just as strong across all size-bands below 1,000 employees, and if anything, it was the mid-market that was most engaged. ACCA's analysis further suggests that this funding was mostly used to capture niche markets and reposition businesses in the face of changing customer preferences. It also necessitated a change in policies towards suppliers and a reallocation of resources; members who approached venture capitalists and business angels were more likely to report a scaling back of capital spending and less investment in supply chain relationships. It's worth noting that venture capital investments are a highly illiquid asset class, and investors know it; thus private investors of this sort were less likely to be engaged during periods of severe exchange rate fluctuations, when most investors would normally choose to stay liquid and nimble.

Another popular source of funding were **company directors** and their friends and families, with 14% of fundraising members (or 4% of all members) involved in these transactions. While friends-and-family financing is a very common source of funding for businesses, it was surprising to see the extent to which it is formalised and requires the involvement of professional accountants. These funds also came with strings attached: ACCA's analysis suggests that injections of cash from friends and family or the directors themselves were motivated by a desire to maintain headcount and strengthen supply chain relationships – possibly by continuing to underwrite cash-negative operations and credit lines to key customers.

Newly-popular methods such as **crowdfunding** and **peer-to-peer lending** were only sought out by about 4% of all fund-raising members, or just over 2,000 members overall (1% of the total membership). Almost all instances of crowd and peer-to-peer fundraising among the ACCA membership were recorded in Europe, although a number of cases were also recorded in Africa, where more established forms of micro-financing and mutual funding can often fall under the term 'peer-to-peer.' As a rule, these types of finance were still treated as substitutes, with members turning to them when availability of capital was down. The businesses raising funds did, however, report growing investment opportunities and as such were probably not seeking funds simply to stay afloat. Mid-tier accountancy firms appear to have taken a particular interest in this sector, probably by providing assurance services to the fundraising platforms or intermediaries.

5. The right people for the job

The most common way in which members were involved in raising finance was to prepare accounts, forecasts, application forms and other documentation – as Table 2 demonstrates, 69% of fundraising members (or 21% of the total membership) did this. Almost half (46%) of all fundraising members (or 14% of the membership) liaised with investors and/or credit providers, and an equal number advised on the types and amounts of finance needed. About 23% of fundraising members (7% of the total membership) made final decisions on behalf of either a business or a finance provider.

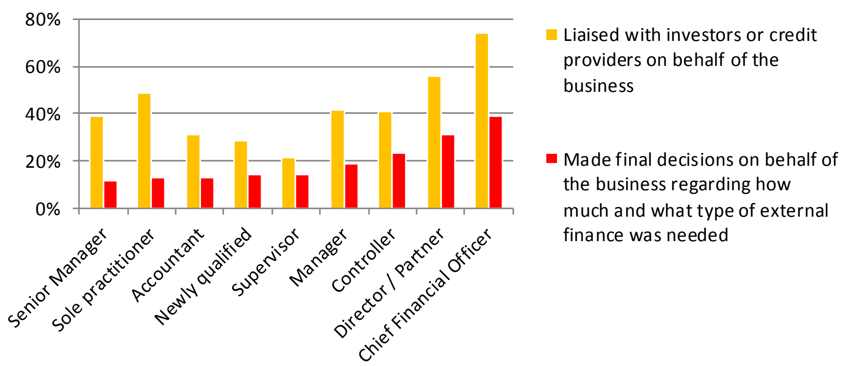
While the pattern of involvement described above held more or less across regions, there was a significant split in terms of seniority – with CFOs, directors and senior practitioners more likely to liaise personally with creditors and investors (see Figure 10). The same pattern of seniority applied to members who made final decisions regarding the type and amount of finance needed by businesses, although practitioners were very rarely given this responsibility by clients.

Given the administrative nature of some of the activities in question, it is very likely that the figures discussed here underestimate the contribution of more junior finance professionals, whose work may contribute to business financing in less direct or obvious ways. Making such links more explicit can help improve the evaluation of the finance function, and even increase investment in in-house financial capability.

Table 2: ACCA members' involvement in seeking finance (fundraising members only)

	Manner of involvement		
	Fundraising for own business only	**Fundraising for clients only**	**Fundraising for own business and clients**
Liaised with investors or credit providers on behalf of the business	46%	40%	54%
Prepared the necessary accounts, forecasts, application forms or other documentation on behalf of the business	71%	69%	64%
Advised on how much and what type of external finance was needed	45%	44%	53%
Made final decisions on behalf of the business regarding how much and what type of external finance was needed	26%	8%	26%
Made final decisions on behalf of an investor or credit provider	4%	3%	11%
Performed checks and due diligence on behalf of an investor or credit provider	13%	28%	24%
Other	6%	5%	7%
Average different manners of involvement	2.1	2.0	2.4

Figure 10: Members' involvement in the fundraising process, by role/seniority



Note: Members involved in raising finance only

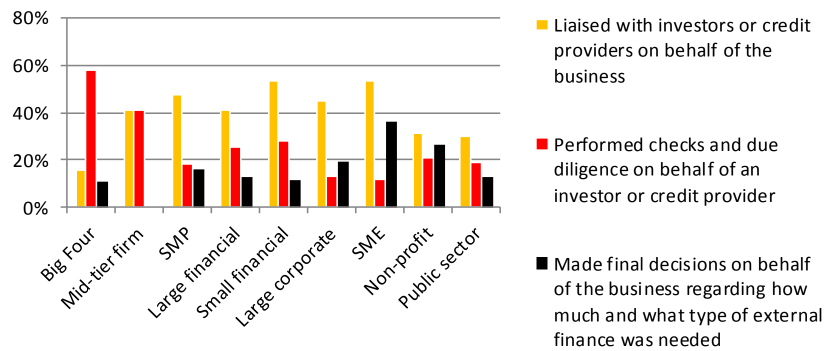
The precise manner of members' involvement also depended on the sector they worked in (see Figure 11). For instance, members in large practices were most likely to carry out due diligence on behalf of investors; those in SMEs and non-profits were most likely to have the final say on the amount and type of finance raised. Members' involvement in preparing financial information and documentation was more common in smaller organisations (SMEs, SMPs and non-profits), and such work was more likely to be done in-house than handed over to practitioners.

A GENDER DIVIDE?

While 36% of male members were involved in raising finance, only 21% of women were. Some of this disparity can be explained by a range of objective factors, particularly seniority. However, as Figure 12 demonstrates, men were still about 40% more likely to be involved in raising finance for their own organisations than women, even after accounting for seniority, business size and structure, sector, economic conditions and business-specific factors such as pressures and opportunities. Women's representation was even lower when it came to dealing with clients: men were more than 90% more likely, other things being equal, to be involved in raising finance for clients, and objective factors could explain almost none of the observed disparity (8% of women vs 16% of men were involved in raising finance for clients). This is not the first time such findings have emerged, but previous ACCA research could not prove a significant effect.[8]

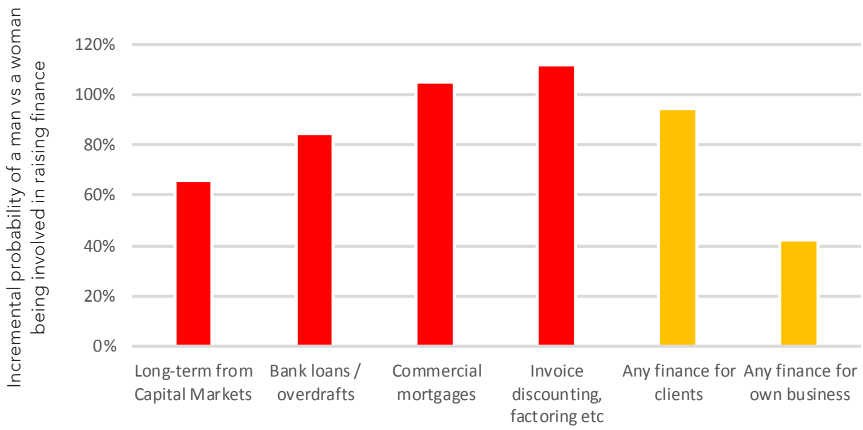
What is very interesting is that, when comparing men who raised finance with women who raised finance, differences in the mode of involvement, the types of financing chosen, the range of financing options or even the outcomes of financing efforts were insignificant. It seems that there are inefficiencies in the way finance professionals are chosen, encouraged or nominated to raise finance, especially for clients, which favour men over women. If that is the case, then it represents a missed opportunity for all concerned, and an inexplicable inefficiency.

Figure 11: Members' involvement in the fundraising process, by sector



Note: members involved in raising finance only.

Figure 12: Unbalanced involvement in access to finance (significant effects only).



Note: probabilities have been calculated after controlling for variables such as role, country, business size and sector, business opportunities and pressures, etc.

8. *Female Perspectives in the Global Economy*, <http://www.accaglobal.com/content/dam/acca/global/PDF-technical/small-business/pol-afb-fpge.pdf>, ACCA, 2011.

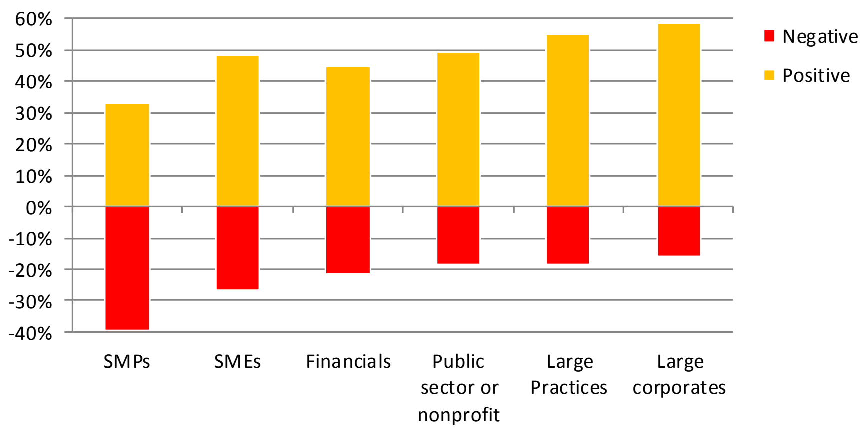
6. The ease of accessing finance

Since respondents were asked to rate their satisfaction with the fundraising process, it is possible to examine how different factors, including the mix of finance sought, influence this. Satisfaction, of course, is a function of expectations and outcomes as well as the objective ease of obtaining finance, so the results must be interpreted accordingly.

On balance, ACCA members have found the experience of raising finance positive, with 46% reporting a positive experience and another 27% reporting a neutral impression. Satisfaction levels, however, varied significantly: for example, 59% of members in large corporates and 55% of members in Large Practices were satisfied, against only 33% of small practitioners.

Ordinal regression analysis suggests a set of key drivers of satisfaction with the fundraising process.

Figure 13: Members' views of the fundraising process



Business size

Members working in businesses with fewer than 50 employees found financing distinctly less pleasant. Disappointingly, size appears to be the strongest single predictor of financing outcomes, reflecting how the relatively fixed costs of due diligence and maintaining financing relationships work against smaller businesses. Regulatory pressures are also part of the problem, with more stringent capital and liquidity requirements biasing many finance providers against investments seen as less liquid or riskier.[9]

Geography

Satisfaction with the financing process is a function of expectations as well as more objective factors. As a result, there is more variation in financing experiences within regions than between regions, and even the more statistically significant of those will usually be down to recent economic developments or the individual circumstances of members. The fact that no major ACCA markets stand out in terms of the ease of financing suggests that at least some of the members expressing extremely negative views might be new to the countries they work in and thus lack contacts, knowledge or indeed fluency in the local language.

The range of finance sought

Finance professionals who spread themselves thin chasing multiple sources of funding generally reported lower levels of satisfaction with the process. Of course the causality runs both ways; unsuccessful applicants would often have to try many alternative methods of financing their businesses.

Control

Members who got to make the final decision on how much and what kind of funding a business needed, or who were involved in due diligence on behalf of an investor, were significantly happier about the outcome. Similarly, senior managers and CFOs found the whole experience much more positive, while middle managers found it least positive.

9. See for instance 'The Long-Term Financing of the EU Economy: Comments from ACCA', <http://ec.europa.eu/internal_market/consultations/2013/long-term-financing/docs/contributions/registered-organisations/association-of-chartered-certified-accountants_en.pdf>, ACCA 2013.

The types of finance raised

Experiences with specialist import/export finance, directors' loans and capital market issuance were most positive, although clearly for different reasons on which it is only possible to speculate. For instance, professionals working on directors' loans would have typically got faster decisions from people who already had much of the information required. Those applying for import/export finance will often be repeat offenders, navigating a known process, or working on behalf of a well-resourced international firm. Professionals involved in IPOs and other capital markets issuance during the period between Q1 2013 and Q2 2014 were almost certainly working in a bull market. They will probably have been better-supported in their efforts and much better rewarded for them as well.

Client work

At face value, members working on behalf of clients found fundraising a less positive experience. When fundraising for clients, accountants are more likely to be overstretched and under-resourced, and less likely to feel in control of the process. However, after adjusting for such influences, practitioners' perceptions were actually more positive. This residual effect most likely reflects the advantage of experience, connections and professional competence of an accountant in practice. It also reflects the fact that practitioners, especially those in large practices, are more likely to be involved in larger and more significant funding rounds; such members will have found the overall experience more rewarding.

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