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Collaboration among the University of Macedonia and Equivalent  
Institutions  
of Neighboring Countries on Issues of Financial Management and  
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*Modern Financial Tools in Greece and Bulgaria*

Elaborated by the University of Macedonia  
And the Euroconsultants

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## MODERN FINANCIAL TOOLS IN GREECE AND BULGARIA

### SUMMARY

Firms usually devote much effort on deciding on the most appropriate means of raising funds. Companies obtain funds from various sources, most of which are either in some form of equity or loans.

Some new financial instruments are discussed in this study. Firms should assess all possible methods of raising funds. There are different advantages to each form and firms need to take advantage of them as far as it is practical, given the particular circumstances of the company.

Small size enterprises face problems, as far as the provision of funds. There is no doubt that compared to large companies small firms are at a considerable disadvantage in financial markets. Governments have realized the important role that small companies play in economic growth and financial tools have been created so as to meet their needs.

In particular, SMEs in Bulgaria do not have access to public markets to raise long-term investment capital. Availability and cost of finance are two of the most important constraints on the ability of SMEs to meet their obligations. Family companies represent a large share of all SMEs in Bulgaria. For most of them it is not possible to obtain long-term financing. In this context, modern financial tools play key role as alternatives sources of financing for Bulgarian SMEs.

The objective of the present study is to provide information in order to assist SMEs in the development and application of modern financial mechanisms and tools, and, specifically, on leasing, franchising, factoring, venture capital and bonds.

The study presents the above mentioned financial tools. It also refers to the Athens Stock Exchange, New Capital Market and Greek Market of Emerging Capital Markets. Then it addresses the main financing issues in Bulgaria. The study ends with the main conclusions drawn by the previous review. The conclusions stress the fact that, overall, the conditions for external source financing are not favourable for SMEs in Bulgaria. Despite this, opportunities do exist and should be used. Private equity investment companies represent a new business reality in the Bulgarian business environment. The successful implementation of this form of financing in Bulgaria will require understanding from entrepreneurs and improvements in the legal framework. Additional protections and benefits for foreign investors are required. To that effect, tax preferences and tax relief should be considered. The core of the banking sector is in a reasonably sound condition, but the ability of banks to fulfil their role of financial intermediaries under the supervision of the central bank needs to be improved.