

FACULTY OF BUSINESS ECONOMICS
Master of Management: Corporate Finance

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Masterproef

*Comparative study of the financial tools used by Belgian
and Greek entrepreneurs*

Promotor :
Prof. dr. Ghislain HOUBEN

Eleni Papia

*Master Thesis nominated to obtain the degree of Master of Management , specialization
Corporate Finance*

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Foreword

I wrote this dissertation in completion of my studies and for the acquisition of the Master of Management at Hasselt University. Since this would not be possible without the contribution of many people, I would like to express my gratitude to all those who gave me the possibility to complete this dissertation.

The process of writing a dissertation requires a combination of mental as well as sentimental endeavors. First and foremost I would like to thank my promoter Ghislain Houben for his constant guidance, providing me with significant feedback and stimulating recommendations in order to improve and complete my dissertation and consequently ameliorate my research and writing skills.

In addition, the sentimental effort comes along with the fact that dissertation is an important step in the academic path. Three people stood next to me even though physically far and I received continuous support. Evaggelia Papia, Georgios Papias and Ioannis Vlasiadis provided me with sentimental stability by believing on my abilities; thanking them is the least I could do for them.

Summary

All the entrepreneurs - especially at this moment - operate their businesses in a very insecure and continuously changing environment. Thus, it is of high interest to investigate which financial schemes they decide to implement in order to maintain and run their companies and what can affect this decision. Some entrepreneurs use financial schemes in order to survive their business, others to develop, others to differentiate in the market they target, others to change and adapt in the new environment. It is significant to define the financial means they use as a way to achieve their goals and most importantly as a facilitator and proponent to enter a particular market.

Moreover, Belgium and Greece are two countries that on a first thought have very little in common. It would be rational then to question what the reasons of such a comparative study focused on SME's, entrepreneurship and governmental financing schemes could be, but there are several. Both countries operate in the European Economic Community and come in terms with same Derivatives and Directives. On a more focused perspective, considerable is the fact that both countries' economies significantly rely on SME's. The percentages of SME's in Belgium and Greece are 99,8% and 99,9%, respectively. (Eurostat 2010)

Nevertheless, there is evidence which reveal different entrepreneurial attitudes. In Belgium are operating about 424.600 enterprises, whereas in Greece the number is almost double, namely, 829.700 enterprises (Eurostat 2010). Despite this difference in the number of enterprises, the turnover of the companies in Belgium is €8.506 billion, more than double of the €3.143 billion which is the Greek companies' turnover. To elaborate more, in the Small Business Act (SBA) countries' facts sheets, several indicators are provided and some of them are illustrated in the table below (Table 0-1).

Table 0-1: Indicators relevant to SME's & entrepreneurship for Belgium, Greece & EU

Indicator	Country absolute value		EU -Average of absolute value	Year
	Belgium	Greece		
Desire to become self-employed	18.00	47.00	30.71	2007
Entrepreneurship as an opportunity	64.00	37.00	57.48	2007
Total Entrepreneurial Activity (TEA)	2.85	9.86	5.85	2008
Number of days starting a business	4.00	19.00	17.20	2009
Number of procedures for starting a business	3.00	15.00	6.16	2007
Costs required starting a business (%of income per capita)	10.20	5.20	5.21	2009
Proportion of total state aid devoted to SME's	31.00	8.00	10.06	2006
Percentage of enterprises having purchased online over the last calendar year	43.00	10.00	23.52	2007
Number of days required to export	1.62	20.00	11.25	2009
Number of days required to import	9.00	25.00	13.44	2009

Source: SBA country (Greece & Belgium) facts sheets, 2009, European Commission

Having a look at indices such as “Entrepreneurship as an opportunity”, “Number of days starting a business”, “Number of procedures of starting a business”, “Proportion of total state aid devoted to SME’s”, “Number of days required to import and export”, it would be more rational to anticipate high entrepreneurial activity in the area of Belgium. When comparing the fore mentioned Belgian indicators with the EU average, their performance indicates favorable environment for doing business. When comparing the respective Greek indicators with the EU average, it would be expected that in Greece entrepreneurs face more thorny business environment.

On the contrary, indicators such as “Desire to become self employed” and “Total entrepreneurial activity” (TEA) reveal contradictions. Namely, TEA in Belgium is much lower than the EU average and TEA in Greece is much higher than in and even EU average. More precisely, TEA in Greece is three times higher than of that

in Belgium. All these contradictions created room for observation and the desire to explore if the support provided in the Flemish region¹ could seem attractive and functional in the Greek case.

The investigation of the characteristic of SME's and entrepreneurship in both countries through the literature review was revealing.

Further, the exploratory research took place through 33 semi-structured interviews with the support of the interview guide developed ad hoc where ten selected Belgian financing schemes were evaluated from Greek entrepreneurs and related professionals (i.e. consultants, financing experts, academics, and policy makers) for their main characteristics, namely interest rate, repayment period, strategic focus and other. The outcomes brought into the light are interesting. The analysis of the research outcomes and the synthesis with the literature review suggested several conclusions and recommendations.

As a conclusion of the evaluation, some of the Belgian schemes can be adopted in the Greek case and serve the needs of the Greek entrepreneurs. The schemes rejected were mainly as a result of cultural differences that have a direct impact on people's attitudes; and other were rejected as a consequence of the current recession and instability of the Greek business environment.

Furthermore, recommendations for the existing Greek schemes are made. Greek schemes lack consulting services in their structure, incorporate bureaucracy and are not appropriately communicated to the public; consist of the main conclusions. The recommendations consist of an attempt to integrate the favorable characteristics of the Belgian schemes to the existing ones in Greece, taking into consideration all the other external factors and provide solutions to the current problems.

Through the general conclusions it is suggested that since mentality and cultural barriers play a significant role on people's attitudes towards the view as well as

¹The plethora of financing schemes for SME's existing in Belgium rendered the restriction to this area compulsory and it is further explained in the dissertation.

the utility of these schemes. For this reason schemes should consist of a synthetic effort, designed to tackle not only the financing problems but also other issues that can inhibit their utility. Consulting and strategic focus should be included in the schemes. In addition, copying successful solutions does not guarantee success. Finally, through the policy recommendations it is concluded that governmental organizations should design the schemes as to be the tool of the entrepreneur, and not to guide the entrepreneur's choices. Throughout the business cycle (start up, growth, expansion, maturity, transition) the entrepreneur has to be supported since the start up is only the beginning of the trip. Last but not least, governments have to form clear strategy which incorporates effective upward and downward communication for the support of SME's and entrepreneurship; take coherent actions so that this strategy to lead to sustainable growth of the companies and as consequence of the economy.

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List of Acronyms

ACCI	Athens Chamber of Commerce and Industry
CTBD	Centers for Technology & Business Development
ECB	European Central Bank
EEN	Enterprise Europe Network
ESPA	National Strategic Reference Framework
EU	European Union
FEIR	Foundation for Economic and Industrial Research
GEM	Global Entrepreneurship Monitor
IMF	International Monetary Fund
NCGT	National Confederation of Greek Trade
OECD	Organization for Economic Co-operation and Development
OPs	Operational Programs
SBA	Small Business Act
SMEs	Small and Medium Enterprises
SPR	SME Performance Review
UEAPME	European Association of Craft, Small & Medium-sized Enterprises
WEF	World Economic Forum
WTR	World Trade Report

1. Theoretical framework

In order to develop this study is essential, first of all, to have identified some meaningful relationships and correlations among the terms which are argued in the dissertation. Small and Medium Enterprises (SME's), financing and entrepreneurship are terms which appear to be strongly related. Past and recent research has proven in various ways the correlation between these terms and by using diverse methods and models. Some of them are mentioned in this study in an attempt to gain some further knowledge and justify why this study is meaningful.

To begin with the SME's – as it is core element of this study – a lot of effort has been put to define them. The most recent is the one finally used by the European Union (EU) which defines SME's as follows:

“Enterprises qualify as micro, small and medium-sized enterprises if they fulfill the criteria which are summarized in the table below. In addition to the staff headcount ceiling, an enterprise qualifies as an SME if it meets either the turnover ceiling or the balance sheet ceiling, **but not necessarily both**.”

Table 1-1: Categorization of SME's

Enterprise Category	Headcount	Turnover	Balance sheet Total
Medium	< 250	<= 50 million	<= 43 million
Small	< 50	<= 10 million	<= 10 million
Micro	< 10	<= 2 million	<= 2 million

Source: Official Journal of the European Union, Reference document: C(2003) 1422

Apart from these more practical characteristics, which make them not just a scale down version of the large enterprise, there are a number of characteristics that are typical of small firms and underlie their different approach to management and business (Burns 2001). First is that they are typically short of cash. They cannot raise capital in the same way that a large company can. This has major strategic implications. Firstly, it creates constraints for the strategies that they can adopt. For example, they cannot afford to adopt expensive advertising and promotion campaigns, so instead managers develop close

relationships with customers and prospective customers, investing their time rather than money. Secondly, it dictates that business decisions must have a quick pay-off and therefore decision making is short term. For a growing business it means that **raising finance becomes a major strategic issue.**

The second characteristic is that small firms are likely to operate in a single market, or a limited range of markets, probably offering a limited range of products or services. This means that their scope of operations is or at least should be limited. Therefore, small firms, find it difficult to diversify their business risk, which is another reason they find it **hard to raise finance.**

The third characteristic that renders the small companies vulnerable and increase the difficulty to raise finance is the fact that small firms are over reliant on a small number of customers. As a result, they are particularly susceptible to losing a customer and the effect on the company of such a loss will be disproportionately large. Yet, this is another reason why small companies are riskier and find **difficulty raising finance.**

The final characteristic is the effect on scale in the economics of the business and how that translates into financial evaluation and decision making.

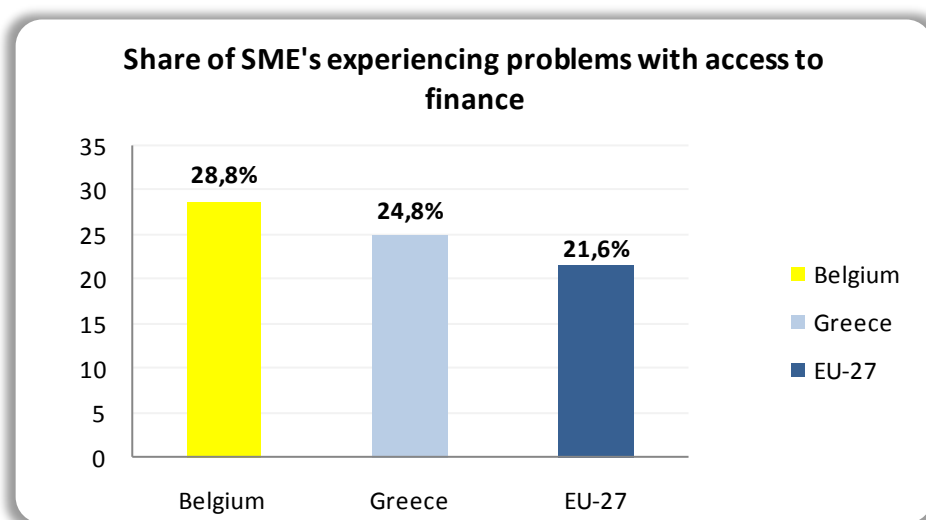
These characteristics start to combine to distinguish small firms from large ones on a basis other than scale. Furthermore, Burns (2001) lead us directly to understand the strong relationship of the nature of SME's and the financing aspects they face.

Additionally, it has been broadly justified that SME's and entrepreneurs play a significant role in all economies and are the key generators of employment and income, and drivers of innovation and growth (Abrahamson 1990). Important evidence is that in the EU, SME's account for over 99% of all enterprises. Furthermore, 91% of these enterprises are micro-firms with less than 10 workers. Given their importance in all economies, they are essential for the economic development as well as recovery.

In European level the relevant figures illustrate this difficulty of the SME's for raising finance. More precisely, for the two countries Belgium and Greece, the Observatory of European SME's brings to the light the share of SME's that experience problems with access to finance. The figure below (Figure 1-1)

exhibits that 21,6% is the European average of SME's facing problems. Considering that 99% of the business in the EU are SME's, the percentage of 21,6% reveals that more than 1 out of 5 SME's in Europe face difficulties with access to finance. In addition, the share of Belgian SME's is 28,8% and of Greek SME's is 24, 8%. Note that the reference year of these observations is 2007, as they were the latest observations to this respect.

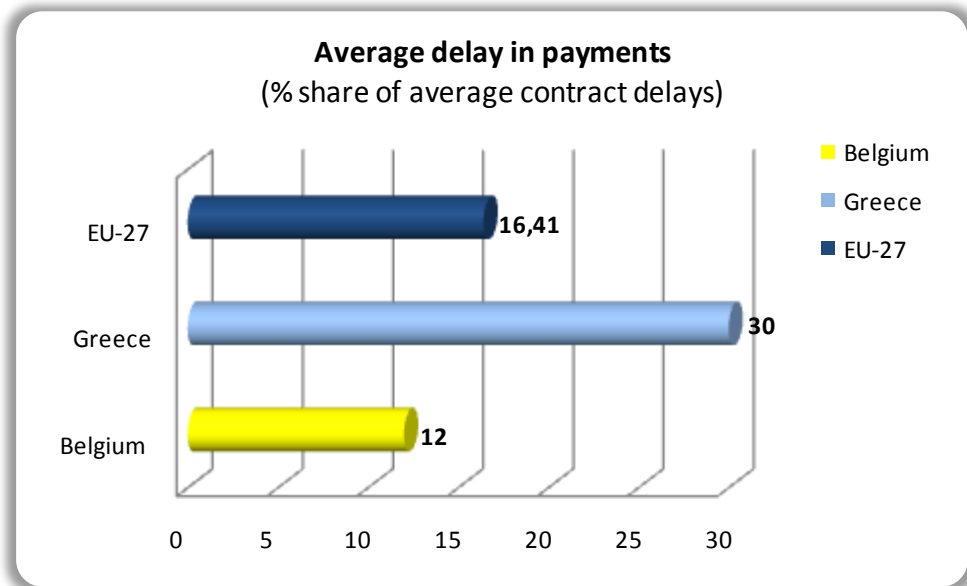
Figure 1-1: Share of SME's experiencing problems with access to finance



Source: SBA fact sheet Belgium 2009, SBA fact sheet Belgium 2009, the data refer to the year 2007

Moreover, in the figure that follows (Figure 1-2) delays in payments are presented, on average for the EU, as well as for Belgium and for Greece. The average delays in payments as a share of average contract delays consist of one more indicator that makes apparent problems relevant to financing difficulties. While the European average stands in the 16,41%, Belgium's indicator is below the European average at 12% and Greece's indicator is almost double than the EU-27 indicator, at 30%.

Figure 1-2: Average delay in payments (% share of average contract delays)



Source: SBA fact sheet Belgium 2009, SBA fact sheet Belgium 2009, the data refer to the year 2007

The above mentioned demonstrate only a small part of the difficulties the SME's face concerning financing aspects. Since SME's are important for the economy and their problems affect not only the national economies, the EU, at European level, takes important actions and initiatives in order to:

- **Support the SME's**, through

Small Business Act (SBA) for Europe reflects the Commission's political will to recognize the central role of SME's in the EU economy aims to improve the overall approach to entrepreneurship, to irreversibly anchor the "Think Small first" principle in policy making from regulation to public service, and to promote SMEs' growth by helping them tackle the remaining problems which hamper their development. SBA includes diverse mechanisms to achieve its goal. The principal mechanisms which are all complementary and support each other refer to the "SME Test" which is used to analyze ex ante the effects of a legislative proposal on SMEs, the principle of "Think Small First" that requires that legislation takes SMEs' interests into account at the very early stages of policy making in order to make legislation more SME friendly, Consulting towards SME's in order to ensure greater representation of SME interests at all levels of policy-making, SME panels that are focused to consult SMEs about forthcoming EU legislation and policies. SME Envoy is another

tool that acts as the promoter of SMEs' interests throughout the whole EU Commission, ensuring in particular that the "Think small first" principle is being applied effectively.

- **Improve the business environment**, through the
 - simplification and the reduction of the cost of the start-up procedures,
 - facilitation of the transfer of a business to another owner – as in the past it was a time consuming and complicated procedure,
 - reduction of the administrative and regulatory burdens
 - promotion of mobility and training for SME's with programs such as the Leonardo da Vinci, the Guide for Training, partnership projects, transfer of innovation projects, etc.
 - overcoming the obstacles faced by dependent employees who want to become self-employed and/or start their own business
 - transforming environmental challenges into business opportunities
 - translating a business mistake into a second chance opportunity for the entrepreneur.
- **Promote entrepreneurship**, through
 - programs such as Erasmus for young entrepreneurs
 - education and training in order to stimulate the mindset of young people
 - appearance and reference in the media for the significance and the benefits of starting up and company and being self employed
 - encouragement of women to be entrepreneurs
 - encouragement of migrants and ethnic minorities to be entrepreneurs
 - supporting the craft and micro enterprises
 - exploit of the potential of the family businesses
- **Develop the access of the SME's in different markets.** The Enterprise Europe Network (EEN) has been set up to provide a broad range of services to SMEs and entrepreneurs and helping them to access market information, overcome legal obstacles and identify potential business partners across Europe, including innovation support and transnational technology transfer services. Also, by setting European standards, the competitiveness of the SME's is enhanced in the global market, action which is realized through several projects. Last but not least "Your Europe Business Portal" is an instrument that provides information to companies who are planning for

cross-border activities and interactive services that help them expand their businesses abroad.

- **Provide reliable facts and figures concerning SME's.** This is achieved by the SME Performance Review (SPR), which is employed by the European Commission to document the important role of SME's and to study the further development of this sector. To add that the "Observatory of European SME's" took similar actions, while it last published in 2007. Eurobarometer Survey on Entrepreneurship is another tool that examines the motivation, choices, experiences and obstacles linked to entrepreneurship and therefore helps EU policy makers to understand problems and develop future policy responses.
- **Manifest good practices in SME policy.** EU through the SBA provides a database that includes "Good practices in SME policy" that SME's can have access on. Moreover the European Enterprise Awards is organized in order identify and reward excellence among public authorities in promoting entrepreneurship and small business at national, regional and local level.
- **Provide consultation documentation for SME's.**

On behalf of the SME's perspective, the European Association of Craft, Small and Medium-sized Enterprises (UEAPME) has been created. It consists of a non-profit seeking and non-partisan organization and acts for the interest of crafts and SMEs in the European Social Dialogue and in discussions with the EU institutions.

From all these actions and activities it is being apparent the significance of SME's. The effort of the EU towards SME's is a valuable index that shows off the potential of the SME's in the economy and proves the value of empowered entrepreneurial behavior within the states.

At this point it would be useful to pertain to the term of entrepreneurship and get into more theoretical detail. Aitken (1963) explains that entrepreneurship represents a set of organization-wide activities rather than a single activity in the corporation. Consequently a set of activities can be seen as creation of additional value in the company. To this prospect, Vozikis, et al. (1999) create a model of performance which employs **integration of financial theory and the study of**

entrepreneurship. More precisely, this model utilizes the concept of additional value creation and destruction in order to evaluate corporate entrepreneurial activities.

Relative to the above is the reference of Burns (2001) that small firms and entrepreneurship are broadly overlapping sets. However it has to be clarified that these two concepts are not necessarily synonymous. Subsequently, how entrepreneurship also has an impact on the economies is useful to be described.

Entrepreneurship encourages economic growth for three reasons:

- (i) Encourages competition by increasing the number of enterprises. Whilst this increase growth itself, it is a cumulative phenomenon because competition is more conducive to knowledge externalities – new ideas – than is local monopoly. And so, entrepreneurship encourages entrepreneurship.
- (ii) It is a mechanism for “knowledge spillovers” – transmission of knowledge from its point of origin to other individuals or organizations. Knowledge spillover is an important mechanism underlying endogenous growth and start-ups – entrepreneurs - are seen as particularly adept at appropriating knowledge from other sources. In other words, entrepreneurs spot opportunities and innovate.
- (iii) It generates diversity and variety among enterprises in any location. Each enterprise is in some way different or unique and this influences economic growth.

Additional to the above mentioned, in market-based economies, entrepreneurship is absolutely essential for a country’s economic growth and success. The major reason why entrepreneurship is such a powerful market force is the effect it has upon employment. It is easy to view the relationship by analyzing the role that small new businesses have in creating jobs. A 1997 U.S. study showed that 85% of all net new jobs were created by companies with 100 or fewer workers. (OECD, 1998) Furthermore, the same study showed that companies that are classified as “gazelles” (rapidly growing young firms) make up only 3% of all firms but provide for 70% of gross job growth. This is significant because the great majority of gazelle firms are entrepreneurial in nature.

Another quality that makes entrepreneurship so important is that it **allows for innovation**. In highly entrepreneurial economies, innovative products and services are essential for a firm to remain competitive. However, it is also important to mention that innovation does not necessarily pertain to new products and services exclusively. Many entrepreneurial ventures occur in industries that already have well-developed products and services. The way these ventures differentiate themselves from the competition is by the innovative ways they choose to market and distribute their products and services. Countries with high rates of entrepreneurship also have high “turbulence” in their economies, a measure of a firm’s ability to quickly enter and exit the marketplace (OECD, 1998). These points indicate that an economy’s scarce resources will be allocated as efficiently as possible when high levels of entrepreneurship exist.

An often overlooked benefit of **entrepreneurship** is the **information** that it **provides**. By starting a new business, an entrepreneur shows the rest of the marketplace what the actual demand for a product or service is and what practices may or may not work in certain industries. The interesting part about this benefit of entrepreneurship is that these data are still provided regardless of whether or not the business succeeds. In fact, some argue that even more important information is provided to the market when an entrepreneurial venture fails.

The rapid pace of globalization in recent years has led to entrepreneurship being more important now than ever before. Developed nations are seeing many of their jobs becoming outsourced to countries where labor is cheaper. The economies of these developed nations are desperate for entrepreneurs to create businesses that will provide new jobs for displaced workers.

Being familiar with the importance of entrepreneurship, useful would be to be aware of how can be evaluated or measured. It has been observed that nearly all academic writing on the subject of entrepreneurship begins by stating that entrepreneurship is one of the most elusive and hard-to-define terms in the business environment. With a term that is as hard to define as entrepreneurship, it is not surprising that **measuring levels of entrepreneurship** is also difficult. While several models exist to analyze rates of entrepreneurship, none can be

considered complete; at best, each provides only a snapshot of a country's entrepreneurial activity. Perhaps the most accurate model is that of Total Entrepreneurial Activity (TEA) broadly used by international organizations such as Global Entrepreneurship Monitor (GEM). The TEA of a country is calculated yearly by the GEM through a survey that polls a sample of adults in a country as to whether or not they are in the process of starting or have started a new business within the past 42 months. The percentage that responds "yes" is that country's TEA (Stel, p. 149). Governments are eager to have high rates of entrepreneurial activity not purely for the economic benefits but also because of the aid that entrepreneurship can provide in relieving social distortions. Considering the fore mentioned which supported the impact of entrepreneurship to the economies few more can be added. Businesses started by entrepreneurs can help to revitalize distressed urban areas by bringing jobs and money into the local area. Also, fostering entrepreneurship can help reduce dependency and strain on the welfare state by creating more jobs in the private sector. Finally, governments prosper from high rates of entrepreneurship and innovation because they make their country a more favorable location for foreign investment.

Also, in an attempt to see the topic on the other way round, it has been broadly argued why financial systems affect economic growth as well as entrepreneurship. The conclusion which stems from research on this question generally reveals that when better financial systems exist, they improve the probability of successful innovation and thereby accelerate economic growth. On the contrary, financial sector distortions reduce the rate of economic growth with "domino" effects on growth and entrepreneurship (Burns 2001).

To sum up, a lot of discussion has been done in order to define how one concept affects the other and even endeavors to calculate with the use of specific models the effect of financing on entrepreneurial activities and vice versa. As the topic of this dissertation is not directly related to the association of financing and entrepreneurship, the given theories are considered the most relevant to provide insights on these specific areas and therefore are not examined further.

At this point it is already clear that SME's, entrepreneurship and financing are strongly related. Governments are not naïve to ignore such strong relationships performing within their economies and how the growth is also affected by them. Therefore they try with different measures and schemes to support SME's and entrepreneurship and compensate on the financing difficulties faced as explained above. Belgium and Greece are the selected countries which will be examined further on these topics.

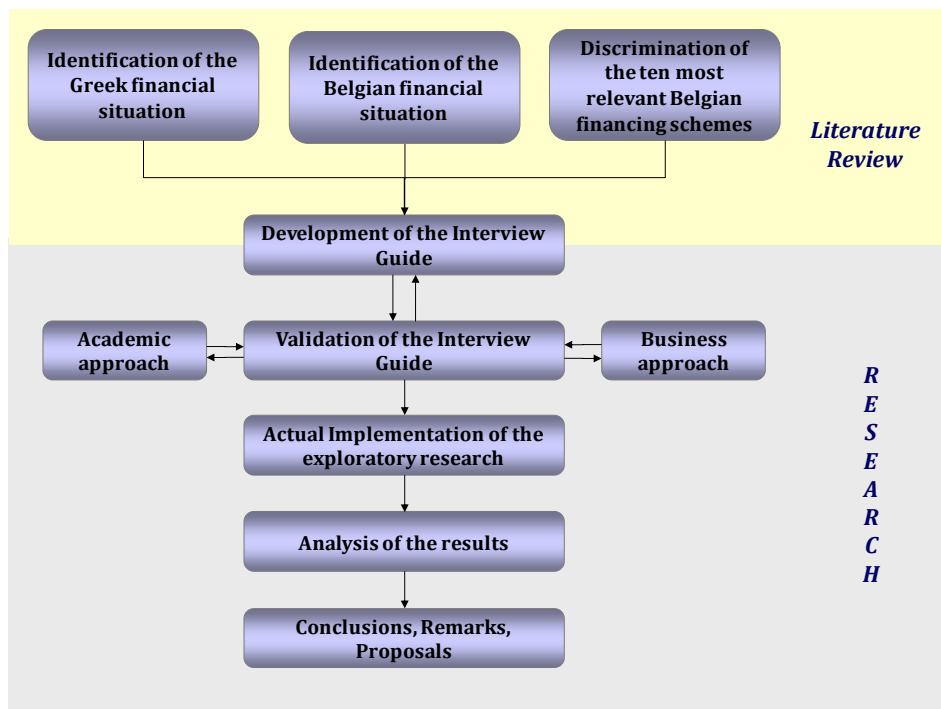
2. Research methodology

In this section the methodological approach of this study is described. Firstly, the methodological approach and the consecutive steps necessary to carry out the exploratory research are described. Secondly the sampling approach for the qualitative research is presented.

2.1 METHODOLOGICAL APPROACH

The most appropriate method for gathering information for this specific topic is suggested to be the method of exploratory research (Sekaran, Bougie 2010). Two main means for data generation were used in order to reach the desirable outcome and give respond to the objectives of the dissertation. Literature review took place for the primary identification of the current situation concerning SME's and entrepreneurship of Belgium and Greece. Also, the exploratory research is implemented by means of semi-structured interviews. More detailed information is presented in the following paragraphs. The graphical representation is provided in the Figure below (Figure 2-1) in order to depict how the study is developed.

Figure 2-1: Methodological Framework for the research



Source: own research based on Yiannouli, Blathra 2009, "User Requirements Analysis & Synthesis Report", FINA-RET Project

Note that, the arrows show both the sequence of the steps and the information flow among the steps. The concrete steps of the methodological framework are described further.

2.1.1 Step 1: Literature review

The objective of this process is threefold:

- a. to identify the Greek financial situation;
- b. to identify the Belgian financial situation;
- c. to discriminate the ten most relevant Belgian financial schemes for evaluation.

The literature review was used as a way to deeply understand both countries - Belgium and Greece- current economic situation focusing on SME's and entrepreneurial aspects for both countries. To point out that the literature review has to be critical, namely selection of the plethora of information was filtered and then presented. Following, special focus lies on the Belgian financing schemes, which are provided by the Belgian government for the Flemish region in order to support the start-up SME's and foster entrepreneurship. The selected schemes are broadly described as they consist of a substantial part of the research, they will be used as input for the development of the interview guide and further on the discussion is developed around these mechanisms. The selection was essential because of the plethora of tools provided by the Belgian government, i.e. about nine organizations provide almost 100 different measures for various types of activities (see following paragraphs for further details).

The criteria used for the selection of the schemes provided are the following:

- focus on the support towards the starting-up phase;
- focus on the pure governmental support;
- focus on the Flemish region because of the highlighted contrast between the different economies and the different entrepreneurial behavior.

2.1.2 Step 2: Development of the Interview guide

In order to be able to conduct the semi-structured interviews, an interview guide had to be structured (Creswell 2007, Merriam 1998, Bogdan&Biklen 1992, Patton 1990). Hence, according to relevant theories, the development of the interview guide is an integral aspect of the process of conducting qualitative

research. Interview guide usually does not receive much attention because it is often stated that in qualitative research, the researcher him or herself is the research instrument (Pyett 2003, Fink 2000). It is through the researcher that qualitative data is generated or collected, analyzed and interpreted. Though, the interviewer is certainly based on an interview guide and the whole process is guided by this instrument (Kraus 2009). In addition, the interview guide must be flexible enough in order to be able to ensure that the interview will stay focused on the objectives of the topic, but also that the interview is conversational enough to allow participants to introduce and discuss issues which they deem to be relevant. Therefore essential was to use a certain and appropriate procedure on how to structure an efficient support tool which will enable data generation (Morse & Richards, 2002). A scientific proposition (Reysoo & Heldens 2007, Kraus et al. 2009) was followed for the development and is described below:

1. select the topic,
2. define all the aspects of the topic by review of literature;
3. develop conceptual framework
 - i) formulate initial, open-ended questions;
 - ii) determine the kind of questions;
 - iii) determine the logical order of the topics/questions;
4. prepare the interview technical indications;
5. collect & analyze preliminary data;
6. revise initial interview guide.

The steps were followed by identifying areas and strategies for further probing during the interviews. Some steps such as the formulation of the open ended questions were revisited again in an attempt to be in line with the dynamic and cyclical nature of qualitative data collection and analysis (Kraus, 2009). In particular, the last two steps receive special consideration and they consist of a separate step in the research methodology. This is because of the significance of the interview guide as it has been reported above.

Finally, the interview guide contains closed-ended, multiple choice and scale type questions, but also a lot of open-ended questions which, because in an in-depth interview, the respondent has the opportunity to present and fully justify his opinion. It is divided in five main sections according to the subject discussed in each case. The sections are: (i) Interviewee, some general information for the

respondent are questioned in this part, (ii) Profile of the company, information that refer to the company characteristics (such as number of employees, yearly turnover, etc.), (iii) Financing of the company and Greek financing schemes, where the source of financing the discussed project is identified (iv) Further financing support, information whether for the enterprise commented need for further outside sources of finance came up, (v) Evaluation of the Belgian financing measures, questions upon the selected measures. Although, in case the respondent was a financial expert, it was not necessary to refer to any company and he or she was directed to the last section of the interview guide.

The interview guide which is developed for the purpose of this study is provided in the Appendix (“INTERVIEW GUIDE”).

2.1.3 Step 3: Validation of the Interview guide

It is important to note that the qualitative research process is non-linear and entails continuous reflection of the study. This also includes the revision of the interview guide and even of some research questions. Additionally, it has been stated above that this step receives special attention because of the importance of this tool for the research and its outcomes.

In relation to the current study, further additions, edits and new insights in relation to guide development rose as the study progressed. Also, during the process of preliminary interviewing and the evaluation of the interview guide indicators for probing were identified. Such indicators were essential for overcoming drawbacks existed in the implementation of semi-structures interviews and supporting the data generation. In this case, important drawback was the current situation and the existing climate in the Greek economy. This was overcome by explaining the interviewee that despite the current situation, SME's and entrepreneurship can be a driving mechanism for development of the economy. In case respondents still insisted that they cannot respond because the business environment is not stable and secure, the discussion was achieved under the hypothesis that the business environment is that of before crisis occurred (namely before 2008-2009).

The validation process was crucial because by improving the interview guide, the outcomes of the interviews were more targeted and more substantial information was attained. Both an academic approach and a business approach

were used for the validation of the interview guide. The business approach was received by a banking expert, working in the sector for over 30 years, professionally dealing with control and audit in SME's. His position allows him to have a thorough view on the financing mechanisms that many companies used in the past for their activities. The feedback from the academic perspective was received from a Phd holder as well as project manager of Fina-Ret (European co-financed project under the title: "FINAncing products for investments in small-scale Renewable Energy and Energy Efficiency Technologies"). Also she has broad experience as a business consultant.

The changes concerned the section of the evaluation of the Belgian financing schemes. Some specific questions were included to trigger further discussion upon the schemes and probe the respondent to provide his opinion and suggestions.

2.1.4 Step 4: Actual implementation of the exploratory research

As mentioned previously, the actual implementation of the research took place by means of semi-structured interviews. The semi-structured interview is a method situated between the individual in-depth interviews and the quantitative interviews with a standardized questionnaire, therefore both quantitative and qualitative information can be obtained from the interviews (Barzun, Graff 2004). This method is judged as the most appropriate since it requires a feasible number of interviews; it is a relatively rapid method for gathering information from small groups, while it encourages two-way communication through the usage of a flexible and focused interview guide. For the successful implementation of the survey two possible ways of conducting the interviews are selected, the face-to-face interviews, and telephone interviews.

More precisely considering the **advantages**, a major benefit of the semi-structured interview method is the fact that encourages a two-way communication which provides the opportunity not only to receive answers but also reasoning for these answers (Yiannouli, Blathra 2009). Semi-structured interviews can be used both to give and receive information. This is of crucial importance in this case, because on one hand information and insights for the relevant valuation is needed, but on the other hand the interviewee will receive information for the Belgian financing schemes provided by the government to

the starting entrepreneurs. Following to this, another advantage is that those being interviewed can ask questions. This possibility is useful in the case a respondent is not familiar with some information provided during the interview.

Concerning the **disadvantages** of this method, necessary is to make sure that the respondent understands and trusts that the responses will be confidential, but this is not so relevant in this case as the information is not confidential. Also, crucial is the fact that interviewers need some skills in order to implement this type of interviews. Because asking leading questions or suggesting answers appears to be the most common problem which is possible to occur during these interviews. This is overcome as the interviewer is experienced. Other potential problems are to fail to listen closely or asking not enough.

One more instrument which supported the elimination of the existing disadvantages was the interview guide. Still, all these aspects were seriously taken into account during the implementation of the research and the interviews. Finally 33 interviews were realized. The names of the participants and their relevance are provided in the Appendix (“List of interviewees”). Certain high level of satisfaction from the information was reached while implementing the exploratory research. Level of satisfaction actually is somehow relative, but the implementation of the research was finalized when no more value added could be reached and the outcomes could not be enhanced further during the interviews.

2.1.5 Step 5: Analysis of the outcomes

The analysis of the outcomes of the exploratory research, the close-ended, multiple choice and scale type questions included in the interview guide, are processed with usual and simple statistical analyzing methods used by quantitative analysis. The outcomes of the open-ended questions are processed in a qualitative way. The conclusions are drawn upon each evaluated scheme. Firstly a broad description of what was commented is provided for the scheme, followed by a table in which reactions and remarks are summarized and are provided according to each different category of interviewees (for the categories see next paragraph 2 “Sampling approach”). Also, for the relevant questions included in the interview guide, a summary is provided including all the comments for the specific topic of the question.

2.1.6 Step 6: Conclusions, remarks, proposals

This section, in fact, consists of the outcome of this study. The literature review and the outcomes of the exploratory research are the actual input for this step. Their combination and the critical thinking upon the different issues which have emerged are drawing conclusions and build up recommendations for the Greek case. Conclusions will include recommendations whether the financing mechanisms will prove useful in the current environment, what could be similar or not, some justification around it, and further proposals for making the business environment more favorable for entrepreneurial booming.

2.2 SAMPLING APPROACH

The identification of the appropriate sample was an apparent process. Four different categories were identified. The groups are:

- start-up entrepreneurs
- academics relevant to the topic
- business consultants
- policy makers or political authorities

It is meaningful to interview all the above mentioned groups because of their relevance with the topic and the different perspectives that can provide. First, the start-up entrepreneurs are closely related with the topic. Business consultants and experienced analysts in the financial sector provide their experience and understanding of the financing schemes concerning SME's. Additional, academics have a holistic view on the topics of entrepreneurship and SME's from a more theoretical perspective and in cases from personal entrepreneurial and/ or consulting activities. Policy makers are the last important group which was identified because of the fact that they are part of the governmental authorities which can have an effect on the governmental support schemes. They can affect the decision making process around these topics. All the groups provided interesting insights and evaluated Belgian financing tolls as they are well aware of the general Greek situation but moreover they have a clear view of the market's needs.

Moreover, geographical dispersion of the sample is not essential for the sampling selection. This is allowed because of the high density of SME's in the area of Attica. Thus, a certain number of interviews took place in other regions in Greece were important number of business operate because of the potential to identify differentiation of the needs of different regions.

3. General economic situation

Global crisis presented its first symptoms during 2008 and unfortunately continues to take place in many countries, while others are already recovering. Being focused on SME's and entrepreneurship, as features to examine in this dissertation, some general information will be given initially. The relevant data have been collected through several sources, such as the Organization for Economic Co-operation and Development (OECD), the GEM, the official European portal EUROPA and other and official reports which have the same focus as the study. First, three important indicators concerning the activities of the SME's that demonstrate the current situation are presented, followed by key indicators referring to the EU area that provide broader picture of the situation.

The demand shock - The national responses and other publicly available information provide some indications about the effective and expected movements in levels of sales of SME's. SME's in most countries reported a clear downturn in demand for goods and services, if not a demand slump, and expect a further worsening to come. The magnitude of the reported shock is severe, but it differs from country to country. To focus on the two countries targeted in the study, in Belgium, according to the "Access to Finance" survey, 60% of respondents report falling sales as the main manifestation of the crisis, followed by a worsening of their financial condition (52%) and extension of their clients' payment delays (OECD 2009). As for Greece, the current economic crisis has affected businesses in different ways: for 58% it has been through insufficient working capital, for 55% by way of insufficient sales. Although general, the fall in demand affected some sectors or activities with particular force: construction (Finland, Netherlands), automotive supplies and manufacturing (Slovenia, Netherlands, India, Italy), wholesale (Italy), semiconductors (Netherlands), exports (Denmark). Such evidence suggests that the experienced and expected fall in sales is having a strong impact on SME's. This is further supported by the other two additional stress indicators. (GEM 2009)

Increased payment delays - Extended payment delays on receivables, especially in times of reduced sales, rapidly leads to a depletion of working

capital and may entail frequent liquidity or even insolvency problems. In Belgium, 43% of surveyed SME's recently experienced extended delays in their receivables while 14% reacted by extending their own payment delays. In the Netherlands, 50% of SME's have to deal with longer payment terms from their customers. In France, payment delays have been identified as a major problem for SME's. Governments are aware that if SME's cannot quickly obtain additional funding this will lead to insolvencies and they are taking action to prevent this. (GEM 2009)

Increase in enterprise insolvencies and bankruptcies - Reduced demand rapidly depletes working capital in the smallest firms. Insolvency frequently increases if short-term financing cannot be obtained. According to "Insolvencies in Europe 2008/09" (Credit reform) the total number of insolvencies increased by 11% between the years 2007-2008. In some countries like Denmark, Italy, Ireland, Norway, and Spain the surge in corporate insolvencies was higher than 25%. The Confederation of Finnish Industries found in its 01/2009 survey that among the small firms (less than 50 employees) the incidence of solvency problems was more than 17% compared to the usual 6-8%. Furthermore, 51% of the sample reported some increase in their clients' insolvency problems. A review by size indicated the most significant increase in insolvency problems was for medium-sized enterprises. These trends have to be interpreted with great caution because legislation on insolvency and bankruptcies differs greatly by country, and so do statistical reporting methodologies – which means that the figures may not capture short-term changes. In order to have a proper reading of such figures, they should be put in longer-term perspective. (GEM 2009)

The economic sentiment indicator illustrates in general evidence of the recession. It consists more of a socio economic approach, as the economic sentiment indicator is calculated based on individual indices of business expectations in industry, in construction sector, in retail trade, in the services sector, and the index of the consumer confidence. When all these indices create the figure below (Figure 3-1), it is apparent that starting on mid of 2007 till the first months of 2009 there is a constant and sharp decrease of the economic

sentiment (DGECFIN 2010, FEIR 2010). Later in 2009 the indicator presents signs of improvement on the outlook of this indicator.

Figure 3-1: Economic sentiment Indicator (seasonally adjusted data)



Source: European Commission, DGECFIN, FEIR, "Greek economy", vol. 02/10

The downturn of the economy on 2008 to 2009 affected much more than just the sentiment indicator. Key indicators for the Euro area as presented in the DG ECFIN official report on 2010 demonstrate that **the consumer² and the retail³ confidence** on 2008 and 2009 have decreased for 6,6 and 8,6 units respectively. The **private consumption⁴** from 0,4 on 2008 turned negative on -1,1 on 2009. All **indicators of investments**, i.e. manufacturing production expectations, equipment investment, constructions investment, change in stocks, decreased significantly. The **labor indicators** market also deteriorated. Employment⁵ went

² The consumer confidence indicator is the arithmetic average of the balances (%) referring to the questions on the financial situation of households, general economic situation, unemployment expectations (with inverted sign) and savings; all over next 12 months.

³ The retail confidence indicator is the arithmetic average of the balances (%) referring to the questions on the present and the future business situation and the volume of stocks (with inverted sign).

⁴ Household final consumption expenditure at constant market prices(chain-linked volumes, reference year 2000), EUR. Data are seasonally and working-day adjusted.

⁵ Total domestic employment (number of persons). Data are seasonally and working-day adjusted.

down from 0,8 to -1,9, unemployment⁶ increased from 7,6 to 9,4, compensation of employees per head⁷ from 3,2 went to half 1,6. Furthermore, all indicators for **international transactions** such as world trade, exports and imports of goods and services dropped. As expected in a recession period, prices follow the decreasing direction. Last but not least, monetary and financial indicators such as loans to households and non-financial corporations decrease.

Not all the indicators' numbers are provided, as the purpose of this paragraph is to briefly explain the current business environment within SME's operated.

Besides, more precise evidence for Belgium and Greece are presented in the following paragraphs.

⁶ Harmonized unemployment rate (in percent of labour force). Data are seasonally adjusted.

⁷ Nominal compensation of employees divided by the number of employees. Data are seasonally and working-day adjusted.

4. Greek current financial situation – A summary

In 2009, the first strong signs of the Greek economy's recession made their appearance. To a more general extent this occurred as a result of the deterioration of the global macroeconomic environment. To a local extent, internal factors that were fuelling the country's growth in the previous years got exhausted. Meanwhile, internal reasons such as the expansionary fiscal policies and especially the excessive growth of public sector expenditure in the past three years led to the country's fiscal erosion. The global financial crisis, which, on one hand, restricted the available liquidity and, on the other, illuminated the imbalances of the global economy, eliminated the possibility of finding low cost financing sources of the country's current model of development, which was excessively dependent on domestic consumption. (FEIR 10/2010)

As such, the crisis of the Greek economy is multifaceted, extending beyond liquidity and fiscal issues to the established model of development and even to the overall system of values in the Greek society. This crisis is the inevitable result of a long period of structural weakness and systemic delays, which were not tackled when the economic environment in Greece and internationally was supportive and the adjustment cost was substantially lower.

To sum up, the Greek economy is for the moment in this problematic situation as a result of:

- large fiscal deficit and debt as a result of rapid growth of the unproductive public sector;
- low domestic savings rate and therefore excessive dependence on foreign debt;
- divergence of any notion of competition, appraisal and incentives for improved performance within the activities of the public sector;
- low competitiveness, which is largely due to an introspective model of development and outdated forms of transactions in the markets for goods, services and labor, where state interventionism dominates;
- imposition of countless restrictions on entrepreneurship (restricted professions, fixed profit margins, complex licensing procedures, outdated rules and regulations, etc.)

- preservation of a stillborn and socially unjust social security system; and above all complete loss of control of these budget expenditure and revenues especially the last years;
- loss of credibility of the country's economic statistics;
- limited commitment by the political leadership towards reforms that would strengthen the abilities of the Greek production system to create wealth and generate growth.

Furthermore, significant is to point out that most R&D and innovation indicators point out that Greece present a chasm in this area. This is depicted in the relatively low gross domestic expenditure on R&D as a percentage of GDP, reflecting the sectoral specialization of the economy in services, the high share of small firms and the low representation of high tech firms in overall production.

In the area of product markets, one of the most salient features is the poor performance of Greece in indicators related to the business start-ups, operations and licensing activities, as extensively shown in the World Bank Doing Business indicators. Moreover, Greece has not achieved to sufficiently implement key directives in the area of services, energy and transport.

As a consequence, the country faces a double challenge, firstly to restore its fiscal credibility and secondly to place its key indicators on a path that would lead to sustainable fiscal future. Long political dialogue took place about which were the potential ways to face this challenge. Finally, the government announced on March 2010 that the intervention of the International Monetary Fund (IMF) was inevitable and the application of a Memorandum had to take place. (FEIR 2010)

Memorandum, objectives & main characteristics

The agreement of the collaboration with the IMF and the application of the Memorandum have been enacted as a **law of the state** and in the event of underachievement it contains commitment for further measures.

The **central objective** of the Memorandum is related to the challenge that Greece is called to face. So, the main objective is to durably restore country's credibility for private investors. More precisely the agreement has two main objectives:

- a) to eliminate the immediate risk of bankruptcy and to allow the continued financing of the Greek economy. In the short term, sustainability-enhancing fiscal

consolidation is urgently needed and the financial sector policies need to maintain the stability of the system;

b) to implement a medium-term reform program that will remedy the causes of the Greek economy's two most serious contemporary problems, i.e. fiscal imbalances and low level of competitiveness, facilitating its revival. So in the mid-term the goal is to improve competitiveness and alter the economy's structure towards a more investment- and export-led growth model.

Also, the program contains **two separate Memoranda**:

i) The first document which is called "Memorandum of Economic and Financial Policies (MEFP)", describes the recent economic developments, concluding with the need to strengthen Greece's economic policies and competitiveness in order to lay the foundations of a robust model of development, based primarily on investment and exports.

ii) The second document under the name "Memorandum of Understanding on Specific Economic Policy Conditionality (MUSEPC)" contains a time plan with the specific tasks that should be performed per reform area.

In order to achieve the objectives and restore the economy of the country many different **measures** had and have to be taken concerning fiscal and structural policies but also the sectors of railways and energy. The areas for improvement are briefly presented below.

Fiscal & Structural Policies

- pension system;
- simplification of the public employees' payment system, Income policy and labor market reforms, does not include conditionality on private sector's wages. Instead, the program foresees a strengthening of wage-setting mechanisms that will support adjustment through normal market forces. Labor and wage reforms will help to curb undue wage pressures, which affect Greek competitiveness negatively;
- liberalization of restricted professions;
- health care sector reforms;
- public Administration reform -is urgently needed and is a key element of the program;
- tax system and tax administration reforms;

- system of expenditures;
- state procurement and transparency in decisions on public spending;
- debt management and reform of the loan government;
- independent evaluation of the operation of the central government – improved law-making process;
- information reporting system;
- business environment reforms, Product market reforms - product market reforms, which will lead to an improvement in the business environment;
- financial sector reforms - to tackle the tight liquidity conditions of banks, the creation of a Financial Stability Fund;
- banking supervision will be strengthened and close coordination will be established with host country supervisors;
- facilitation of company establishment – simplification of the licensing of industrial clusters – implementation of the services directive.

Railways – Energy

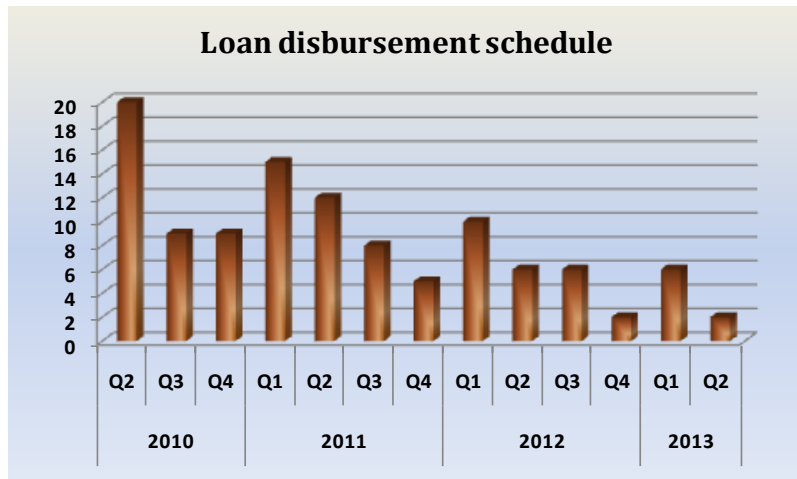
Privatization of these sectors

- promotion of foreign direct investment and exports – R&D and innovation;
- structural and cohesion funds.

Greece's partner euro area countries will provide over 70% of the total program financing, in proportion to their shares in European Central Bank (ECB) capital. Program financing will come through bilateral lending from euro-area member states (€80 billion) and IMF support (€30 billion). The loans from euro- area Member States will be governed by a single loan agreement between Greece and the euro-area countries, signed by the European Commission on their behalf, covering the full three years of the program. (FEIR 2010)

In the figure that follows (Figure 4-1) the loan disbursement schedule of each quarter starting from the second quarter in 2010 till the completion of 2013 is presented which is due to potential change if different needs will be identified through the implementation of the loan agreement.

Figure 4-1: Loan disbursement schedule till 2013



Source: FEIR, Quarterly bulletin, No 60, July 2010

Some recent feedback for the development of the Memorandum and the loan agreement is that broad discussion was taking place the last months for the restructuring of the loan with more favourable terms. Finally on the 14th of March 2011, it was decided that the interest rate of the loan will be decreased from 5,2% to 4,2%. The repayment period was extended to be 7,5 years. (FEIR 2009, FEIR 2010)

Last important note is that the loan agreement is not as simple as it is presented in the above paragraphs. The above consist of a short description and a broad explanation would not add value on the focus of this dissertation.

4.1 QUANTITATIVE & QUALITATIVE CHARACTERISTICS OF GREEK SME'S

Firstly, facts are presented in order to depict the Greek SME's in numbers. The data have been deliberately selected from different sources so that cross validation as well as combination of information has been achieved for a more realistic representation of the situation. Eurobarometer, Eurostat, GEM, OECD as the main sources used supported by the European Union and ACCI, EOMMEX, FEIR and the National observatory for SME's are those supported by the Greek state.

Starting from the **structure**, SME's in Greece are usually a small-scale organizations; the percentage of micro enterprises is higher than the European average. Larger number of people is employed in Greek micro firms (58%) than

the number of those employed in micro firms in comparison with the European which is about 30%. As a consequence, the contribution of all SMEs to employment (87%) is in Greece higher than in the EU (67%). Moreover, the SMEs' contribution to the value added also exceeds the EU average (73% vs 58% respectively). (GEM 2007)

Concerning the **development** of the SME's in numbers, from 2002 to 2008, relevant research revealed that the number of SME's during that period has grown for 8%, which is less than the average EU-growth of 13%. During the same period (2002-2008) employment in Greek SME's increased by 15%, which is above the EU-average of 12%. In general employment grew in small and medium-sized enterprises and decreased in large enterprises. The value added by SME's was fluctuating with an overall increase of 37%, which is above the EU average growth of 28%. (GEM 2007)

To continue with, various qualitative surveys have been realized recently which reveal aspects concerning SME's. Interesting topics were distinguished among the plethora of results. **Problems** that SME's need to face is an important issue as well as the challenges to be confronted in order to be more efficient, thus more competitive and productive. A list pertaining to most crucial problems that have been constantly highlighted are the following:

- the lack of entrepreneurial opportunities, the responses revealed that the business environment is seriously lacking of opportunities;
- the "family" character of financing. Obstacles in transforming the family business;
- 73% of the SMEs request improvement of the access to diverse financial sources. Therefore, there is lack of cash liquidity, the financial business environment is very thorny for the SME's and it is very difficult for the SME's to rise starting up funds;
- administrative obstacles and bureaucracy on the operation of the start up companies – 2 out of 3 of the SME's support that the modernization of the public administration (i.e. Tax issues, social and insurance payments) will significantly affect the business environment;

- the lack of efficient support structures for the new enterprises, 76% request improvement of the consulting support from the public institutions. Lack of knowledge towards entrepreneurship was reported and lack of specialized knowledge and capabilities;
- fear from the possibility of business failure. Cultural aspect which plays a significant role in the development and the risk taking in the business environment; (EOMMEX 2008, ACCI 2009)

From what has been reported so far, Greek SME's have many **challenges** to encounter. The great challenge the Greek SME's undoubtedly have to face is the adoption of a sustainable and competitive model which will cover needs to fulfill the necessary quality levels, innovative tasks and/ or activities, the incorporation or development of a new information technologies as well as the support on internationalization. The emphasis should be given on the following aspects:

- investments in new technologies and specialized personnel;
- implementation of international prototypes and modern methods of management, organization, operation and administration;
- development of new information access networks and products' delivery networks;
- connection with communities and organization that carry innovative know how;
- new innovative products, new services and new markets;
- ecological orientation and social responsibility.

These aspects receive special attention as they are the most tangible for a business to deal with. Financing and cultural issues are either beyond the power of an SME to tackle or not feasible in the short or mid term. (EOMMEX, National Observatory 2008)

Moreover, **attitudes toward SME's** operations were recorded on qualitative surveys. More precisely, in depth interviews to the Policy Institutions for SME's, namely FEIR, TEMPME, EOMMEX, National Observatory for SME's and regional organizations for the support of SME's that occasionally exist, about their competitiveness took place and captured the following points:

- greek SME's are not considered as competitive, only with exceptions – companies operating on the alternative tourism sector and the sector of production of specialized products;
- competitiveness problems mainly appear because of the limited exploitation of the economies of scale, the lack of expertise and the lack of long term planning;
- limited is the percentage of the SME's which are prepared to face the needs and the development of the market.

But, on the contrary, the majority of the SME's responded that are competitive in factors which affect their competitiveness, such as:

- provide high quality products;
- set long term goals;
- respond quickly to the needs and the changes of the business environment and are flexible;
- exploit efficiently the new technologies.

This contradiction shows that there is a gap about how aware are both parties for the situations of the Greek SME's and also raises questions, whether the perspective of the SME's or the perspective of the Policy institutions is more consistent with the real situation.

Concerning **internationalization** and the export activities of the Greek SME's the data from reports on 2007-2008 revealed that the numbers are rather low. From the SME's in the sample the following table (Table 4-1) is a remarkable outcome:

Table 4-1: SME's categorized according to the number of employees& %of exports

S M E 's	Number of employees	Percentage
	0-4	19%
	5-9	30%
	10-49	29%
	50-249	52%

Source: FEIR, "Entrepreneurship in Greece 2007-2008", November 2008

Two important reasons why SME's export their products were recorded. Firstly, SME's consider exports as a way to increase their income. Secondly, they mentioned that the relevant opportunity was given. On the other hand, for SME's which do not realize exports, it was supported that they were not able to cooperate with a reliable representative abroad, that there was not a specialized community or institution to lead and support them and finally that there were much bureaucracy included in the relevant procedures. (EOMMEX 2008, National Observatory 2008)

Finally a table (Table 4-2) is provided to **summarize the characteristics of the business environment and of the Greek SME's.**

Table 4-2: Summary of characteristics and the operating environment of Greek SMEs

Strengths	Weaknesses
<ul style="list-style-type: none"> ✓ Comparative impact of reduced international economic crisis on the Greek economy ✓ Solid foundations of the domestic banking system ✓ Estimates for sustained high rates on the development of domestic economy ✓ Adoption of support measures to strengthen SMEs in view of the global financial crisis ✓ Recent progress in the export trend ✓ Work progress in completion of infrastructure and emphasis on interventions for Entrepreneurship ✓ Improvement of infrastructure R&D ✓ Important potential renewable energy and cogeneration increasing penetration of natural gas ✓ High contribution of tourism to GDP and jobs. Organized promotion of the tourism product ✓ The small size of Greek SMEs business gives management flexibility, great potential to adapt to changing circumstances, better protection against business risks. 	<ul style="list-style-type: none"> ✗ Problems in accessing financing ✗ A complex regulatory / legislative environment (Taxation, legislation, licensing). ✗ Incomplete integration of modern forms of organization and operation ✗ Low rate exports as % of GDP ✗ Low level to attract foreign investment in production ✗ Charge the cost of production by exogenous factors ✗ The business structure. Very little size enterprises. Low productivity. ✗ Deficiencies in infrastructure to support business & business operators ✗ Limited range of sectoral specialization and small share of technology-intensive products ✗ Inability of SME's to integrate knowledge and to develop products with high added value ✗ Low use of ICT by many of business ✗ Deficiencies in modern ICT infrastructure ✗ Weak intermediate technology transfer mechanisms, failure mediators ✗ Difficulty in finding qualified staff ✗ Low rate of penetration of renewable technologies in the energy system ✗ Delay in release of electricity energy ✗ Low level of networking between businesses and interface with other sectors ✗ Low online research and business community ✗ Poor performance in lifelong learning ✗ High energy intensity. High dependency on imports ✗ Deficiencies in infrastructure supply chain

Opportunities	Threats
<ul style="list-style-type: none"> ✓ Administrative reform ✓ Highlighting the country as a connecting link between the EU and third regions: the Balkans, the Mediterranean, Black Sea. ✓ Enhancing growth and demand in neighboring countries ✓ Tendency to expand partnerships and of networking ✓ Opportunities in FP7 ✓ Capability of penetration in the Balkans, Eastern Mediterranean and Black Sea regions. ✓ Energy market liberalization as an incentive private investment ✓ Awareness of the Greek tourism product and continued growth in demand ✓ Increasing demand for alternative Tourism ✓ Upgrading the country's energy role in NA Europe. 	<ul style="list-style-type: none"> ✗ High borrowing costs - lack of liquidity ✗ Reduced purchasing power of consumers - to reduce consumption ✗ Media's vulnerability to international financial crisis ✗ Enlargement of EU members, newcomers with low production costs, high productivity and extroversion ✗ Outflows to third countries and consequent contraction in manufacturing –misplacement of traditional industries in third countries ✗ Direct impacts of rules and consequences competition for SMEs ✗ Absorption of "large" Greek firms by transnational business leaders brain drain of high-level in countries with better working conditions ✗ Difficulty of monitoring the technological development and innovation ✗ Sensitivity in energy supply sector regarding the major suppliers ✗ Strengthen infrastructure of competing countries ✗ Risk of non-compliance with international commitments in energy and non-implementation of similar infrastructure with an inevitable impact.

Source: EOMMEX S.A., National Observatory, European Profiles S.A. "Annual report 2008 – The situation and the perspectives of the Greek SME's, Synopsis"

4.2 QUANTITATIVE & QUALITATIVE CHARACTERISTICS OF ENTREPRENEURSHIP IN GREECE

In this section, the progress of Greek basic indices on entrepreneurial issues through time is presented, in combination with quantitative and qualitative aspects and information that denote its state the last years. The facts are coming from different sources or reliable information with special focus on the GEM surveys' results.

Facts

Firstly, in the report of GEM on 2008, the level of **early-stage entrepreneurship** was estimated. More precisely in the report two categories of individuals are taken into consideration: nascent and new entrepreneurs. So, for 2007, 5,71% of the Greek population aged 18-64 years (about 388.000 individuals) is reported in the early stages of entrepreneurial activity (including self-employment). This

percentage, places Greece in the 26th rank worldwide and the 7th rank in Europe, among 42 and 22 countries, respectively. (GEM 2008)

The high levels of early-stage entrepreneurship in the past years fed the pool of established business, which has risen since 2006. Specifically, the percentage of the population aged 18-64 years who are owners or co-owners of a business in operation for over 3.5 years exceeds 13%, the highest in Europe. This is explained by the high **levels of self-employment** in Greece. Thus, in totality and taking into consideration all categories of businesspeople accounted for by GEM, 18,7% of the population aged 18-64 (nearly 1.3 million individuals) were involved in some sort of venture in 2007. This statistic is the second highest, in 2007, not only among European countries that have an average of 11.3% but also among all high-income countries. (GEM 2008)

The alterations through the years in other entrepreneurial indices are not noticeable, although a contraction is observed which will be explained further. The **intent to initiate entrepreneurial activity** continues to decline the recent years. From the population of 18-64, 15,4% and 14,2% in 2005 and in 2006, respectively, state that they intend to start a venture (including self-employment) within the next three years, a percentage that falls down to 13,7% in 2007. Nevertheless, it remains one of the highest rankings in Europe and foreshadows the stabilization of the inflow to entrepreneurship in the coming years. (GEM 2008)

Furthermore, there is a slight decrease in “**informal investors**” in Greece in 2007. In 2006 and in 2007, 3% and 2,6%, respectively, of the population of Greece financed within the past three years a new venture with personal funds, a venture which was begun by someone else. The median amount invested by informal investors in 2007 was around €40.000, roughly as much as the past three years, still high according to European standards. Again, in comparison with countries (i.e. Ireland, Belgium), where the role of family members in investment is comparably prominent, the median amount is not above €20.000. The high amount of informal investment is also an indication for the height of required capital for new enterprises in Greece, rather than a glut of resources available for the financing of entrepreneurship. (GEM 2007)

Furthermore, half of the new/potential entrepreneurs are members of families included in the higher (1/3) income category of the Greek population, one more

indication that business requires substantial financial resources. Another finding which enhanced the argument that it is expensive to start up in Greece is the fact that the average **initial capital investment** is about €83.000, amount double than GEM average (FEIR 2008). It is also risky in terms of personal funds. Evidence showed that 53% of the investment's cost is covered by own capital (from savings), while the half of the rest from close family or close friends and only one third from Banks. (ACCI 2008)

Important to note is that about 2,6% of the population state they **suspended the operations** of or terminated their business activity they owned or co-managed, or stopped any form of self-employment during 2007. Insofar as the reasons for the termination of entrepreneurial activity are concerned, four in nine of these ventures did not turn profits, thus their owner(s) decided to shut them down. This is one of the highest percentages in Europe and the highest in high income countries. An attractive 10% of these former entrepreneurs state, however, that a good offer for the sale of the business presented itself, depicting a number of businesses that continued operations, while 9% stated they found either salaried work they preferred or decided to exploit a different entrepreneurial opportunity. (FEIR 2008)

In addition, the results of 2007 reveal a decrease in the proportion of new **ventures aimed at consumers** as customers, over 70% in 2005, over 60% in 2006 and down to 51.3% in 2007. Despite the decrease, this proportion continues to be significantly higher than the European average which was 35% in 2007, with Greece steadily having a majority of this type of venture in the pool of early-stage entrepreneurship. This fact characterizes Greece's entrepreneurship as chronically "shallow"; new ventures appearing each year do not tend to complete the entire "value chain" leading to the final product, but rather chiefly on the chain's final link. The sector showing the greatest growth as a proportion of entrepreneurship is services offered to businesses; they now comprise 24% of the totality of new ventures identified in the survey compared to the European average which is estimated on 30%. (FEIR 2008)

Moreover, a measure of the actual involvement of new entrepreneurs in the **management of the venture** is the level of time commitment they plan to have in it. For the vast majority of early stage entrepreneurs (89%), the new venture will be their full-time occupation. This is one of the highest percentages among

GEM countries when the European average is at 70%. In Greece, as in most Mediterranean countries, starting an entrepreneurial activity is not a complementary occupational activity but a key professional choice. (GEM 2007, GEM 2008)

Qualitative aspects of entrepreneurship

The 2007 data reveal that the degree of **innovativeness in new entrepreneurship** still is lower compared to other countries. A very small 12,8% of new entrepreneurs believe their products or services will be completely new to all their customers. This result is ranked close, but still below the European average of 13% and positions Greece in the middle of the group of European countries. The majority of 64% of the new ventures identified by the GEM survey will not be innovative at all. It is, however, worthy of note that this is a contracting percentage (70% in 2005), meaning that an increasing number of innovative enterprises appear in Greece. Simultaneously only 5,4% of start-up entrepreneurs report that they are entering a genuinely new market where there is no competition, disappointingly lower than the European mean of 9%. This statistic too, however, shows signs of improvement; it has nearly doubled compared to 2006. (FEIR 2008, GEM 2008)

Over 60% of new and nascent entrepreneurs included in the survey in Greece plan to **employ** at least one more people during the initiation of their activities. Actually, 10% of them are expected to create in excess of five new jobs in their early stages, and the number is more than doubled in a five year scenario. 23% of new ventures - granted they survive the critical milestone of 3,5 years - will employ at the least 6 people, while 3% of new enterprises are judged by their owners to achieve high growth and predict they will offer more than 20 job openings in five years. (FEIR 2008, GEM 2008)

Finally, a disappointing aspect of new ventures appearing in Greece is that they steadily **focus on the internal market** and satisfying domestic demand. 7 in 10 enterprises do not expect to have any customers from abroad and will exclusively appeal to domestic customers. This is the lowest statistic in Europe, as the relevant European mean is estimated at 48%, and is intimately connected with the retail nature of the majority of Greek enterprises. Only 8% state they expect over 25% of their customers to be foreign, and these are usually tourism-

oriented enterprises and thus are bound by nature to have foreign clients.(EOMMEX 2008, FEIR 2008, GEM 2008)

Another aspect of entrepreneurship is the **gender**. In Greece in 2007, 7.96% of men aged 18-64 were in the early stages of entrepreneurship, compared to 3.46% of women. Both indices suffered roughly the same decline relative to the past year (11.12% for men and 4.69% for women in 2006), as part of the same recession of the total entrepreneurship index. This development does not, therefore, affect the basic demographic breakdown of early-stage entrepreneurship in Greece as once again barely 3 in 10 individuals in the early phases of entrepreneurial activity are women. Both men and women seem to have been equally affected by the drop in entrepreneurship.(EOMMEX 2008)

A feature that was pointed out by GEM research is that Greece displays a noticeable **lack of university graduates in the entrepreneurial pool**. 2007, however, presents an important change. The plurality of early-stage entrepreneurs identified by the survey (39%) hold an undergraduate degree, more than double than those in 2006. In contrast, the presence of secondary education graduates - who generally dominate Greek entrepreneurship - is limited in early-stage entrepreneurship. There is also an increase in the participation of those with postgraduate degrees (Master's/PhD), resulting in nearly 60% of start-up entrepreneurs in 2007 being holders of higher education degrees. (FEIR 2008, GEM 2008)

Personality Characteristics of new entrepreneurs

One “personal” factor examined in the GEM framework suggests the **personal acquaintance** of the respondent **with an entrepreneur** who started activities during the past two years. According to the results, in 2007 there is a further contraction in the percentage asserting such an acquaintance; from 32% (2006) to 29% in 2007. This is a rather low statistic, compared to both European and global levels; it is lacking compared both to low and high income countries and presents long-term decline. This means that despite the high levels of early-stage entrepreneurship over the period researched, large portions of the population have no personal contact with people who are entrepreneurially active and consequently cannot use them as role models. (FEIR 2008)

In 2007, almost half - 48% - of the Greek population continues expressing high **levels of self-confidence**, stating they have the skills, experience and knowledge to start a new business, which seems to support the conjecture that Greeks tend to overestimate their abilities and think themselves capable of anything. (FEIR 2008)

Despite their high self-confidence, Greeks are simultaneously overwhelmingly afraid of entrepreneurial failure, with almost 60% stating this fear would pause their plans. **Fear of failure** remains one of the key suspending factors in the transformation of high self-confidence into actual entrepreneurial action. This rating confirms Greece's consistent ranking as "pioneers" in the fear of entrepreneurial failure, displaying more of it than any other nation. (FEIR 2008)

Thus, the fore mentioned can be combined and related to some persistent characteristics of the Greek society which significantly affect the entrepreneurial activity. The development of entrepreneurship encounters obstacles that deserve constant description. Attitudes are also described to give in depth understanding for the entrepreneurial activity in Greece.

There are **six standard features/ barriers** that are hampering the development of entrepreneurship in Greece⁸.

1. Rare business opportunities

The majority of Greek entrepreneurs is motivated for the exploitation of opportunity, but they do not "see" significant opportunities around them. Important evidence is the fact that while continuously increasing the number of respondents over time, who are considering starting a new venture, whereas decreasing those who really started. According to research carried out around the enterprise, a person experiences more opportunities but considers that it is easier to operate them. Someone perceives more opportunities when their exploitation is expected to be easier. Thus, the reduction of obstacles to start a venture in Greece and the simplification of procedures (elimination of bureaucracy) will result in the perception and exploitation of opportunities.

⁸Politis 2007, Foundation of Economics and Industrial Research (presentation in London School of Economics) & FEIR report, "Entrepreneurship in Greece 2006-2007", November 2007.

2. The orientation of new ventures for final consumption or more descriptively, the “shallow” sectoral pattern of new ventures.

Greece has the highest number of new ventures in Europe, which are designed to provide products and services to the consumer. Given that a large focus on business initiatives to the final consumer is observed in all the countries of southern Europe, the problem is merely a southern-European aspect of the overall issue of "networking", which arises from both the European policies for entrepreneurship, as well as national policies. At last, the promotion of business networking is a central goal of the program. But the research findings of the GEM for 2006 suggest that the primary challenge to encourage not only networking but also to encourage the relationship between SMEs and larger companies, with the last customers to be first. So the problem is not networking in general but especially the opening of business horizons of small and medium-sized enterprises in providing services to the largest.

3. The central role of family in informal investment

The majority of funds needed for starting a business come from the personal savings of the entrepreneur. The remainder comes mainly from his family, while a smaller proportion of bank loans and state aid. However, the role of the family is even stronger in Greece, the so-called “informal investment”. As an informal investor is defined as a person who finances a new project starting another, but he acquires ownership of any shares of the new venture. This revealed that the recipient of informal investment is mainly relative investor, higher than the average for the countries of the GEM.

4. The fear of failure

Entrepreneurship means above all initiative, experimentation and risk bearing. As mentioned above Greece holds the first lace with the fear of failure. When competent people are possessed by fear of failure, this characteristic reduces the appearance of daring and innovative projects. The less innovative and risky ventures might be safer but also they have smaller impact on the economy. It is precisely for this reason that the national lead in the fear of failure reveals a great danger for the Greek economy: the emerging new ventures are less likely to renew and upgrade their capacity compared with other countries.

5. The ambivalent attitude of Greek society towards entrepreneurship.

The ambivalent attitude of Greek society towards business is the last stable characteristic of entrepreneurship in Greece. The Greeks consider an entrepreneurial career as a socially acceptable career option at the same time; however, believe that the Greek society abhors large differences in income levels. To compensate to the above mentioned it is notable that the media hardly highlight successful business stories.

6. The failure of the education system in the past

The relationship between the educational system and entrepreneurship is another major problem in the case of Greece. In Greece, the education level does not affect whether someone will follow in business or what type it is. Although the problem spreads to all levels of the educational system, manifested particularly at the higher education, which does offer neither students nor knowledge, nor familiarize them with the prospect of an entrepreneurial career. In recent years though some attempts appear such as the introduction of courses on entrepreneurship in higher education

To sum up, Greeks want and intend to pursue business, but do not see around them significant business opportunities. They have great confidence in their abilities, but also appear to be world champions in fear of failure. These ambiguous characteristics limit the sound “business” occurs in Greece and mitigate the qualitative characteristics and dynamics. The attitude of Greek society towards entrepreneurship is difficult to tackle since it is based on deeply rooted attitudes. Moreover, it is obvious that the creative side of entrepreneurship is extremely poor. Nevertheless, the figures and the indicators concerning entrepreneurship are not in the bottom line comparing to the average EU figures.

Therefore we should examine the **motivation** which lies beyond these problems and ostracize these negative impacts.

To begin with, 13% of nascent and new entrepreneurs judged necessity to be their only motive, down from 20% in 2006. To a degree, the reduction of early-

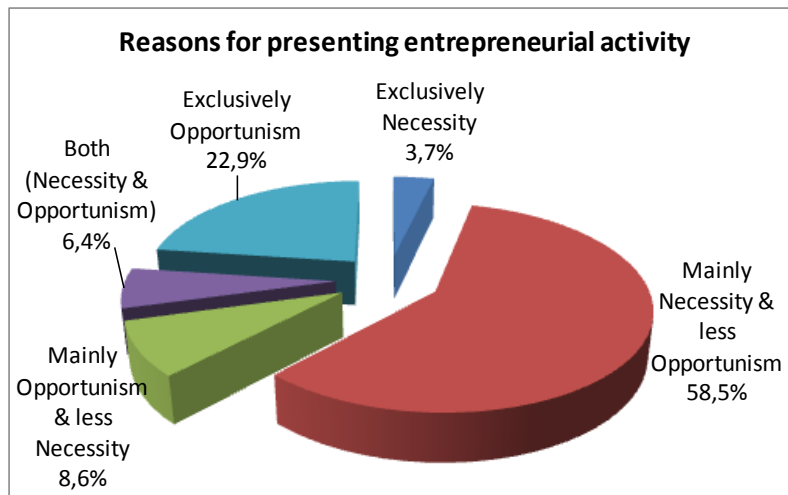
stage entrepreneurship noted in 2007 is a result of the considerable reduction in necessity entrepreneurship. It should be noted that in 2006 the rise of entrepreneurship had been largely attributed to an increase in necessity entrepreneurs. The enhancement of entrepreneurial activity in Greece is accompanied by a substantial increase in the percentage of people that resorted to business activity because of the lack of alternatives for satisfactory employment (ACCI, Papadosifaki).

In terms of **motivation**, in all European countries opportunity entrepreneurship is consistently greater than that of necessity regardless of gender. However, in almost all countries, women report higher levels of necessity entrepreneurship than men. This is especially pronounced in Greece. Although only 1/5 men stated they are entrepreneurially active for lack of better alternatives, two in five women did the same.

Where opportunity entrepreneurs and their motivations for exploiting their opportunity are concerned, their strongest motivation is the increase of their personal income, rather than the attainment of more freedom in their work life. Hence, the perception of entrepreneurial opportunities in Greece is largely supported by the intent to start a business for the desire for greater income rather than a desire for freedom from salaried employment.

In the figure below (Figure 4-2), the motivation of the Greek entrepreneurs in terms of necessity or opportunism to start up their venture is demonstrated. The possible answers were grouped into five categories. Entrepreneurial activity was a choice as a result of exclusively opportunism, exclusively necessity, as both necessity and opportunism, as mainly opportunism and less necessity or mainly necessity and less opportunism. The results are depicted and the main motivation seems to be mainly necessity and less opportunism. A non-negligible 23% responded that exclusively opportunism was the central motive of being an entrepreneur.

Figure 4-2: Reasons for the choice of entrepreneurial activity



Source: EOMMEX S.A., National Observatory - "Contribution of the governmental financial support to stimulate entrepreneurship in SME's"

4.3 FINANCING SCHEMES PROVIDED BY THE GOVERNMENT

Various organizations have been funded the last years which aim at nurturing entrepreneurship in the Greek economy. Greek attitude is controversial towards entrepreneurial activity and the existence of significant inhibiting factors still need further consideration and measures to align the perspectives to a certain positive view. The support has to be more focused and targeted to diminishing the problems and obstacles for entrepreneurs. At this point the responsible organizations which provide financing opportunities are described in the next paragraphs so the reader can draw his own conclusions for the quality, the relevance and the focus of the schemes. Also, an additional paragraph is included in which some specific tolls especially developed to support SME's and start-up entrepreneurs are described.

4.3.1 Organizations, institutions & support programs

The organizations and institutions which are responsible for the support of financing - and not only - to Greek SME's are shortly described in this section. The sources of public finance where indirect support is accessible for SME's achieved through:

○ **National Strategic Reference Framework (NSRF) 2007 – 2013**

The NSRF 2007–2013 constitutes the reference document for the programming of **European Union Funds at national level** for the 2007–2013 period. It was elaborated within the framework of the new strategic approach to the Cohesion Policy of the European Union, according to which NSRF “...ensures that the assistance from the Funds is consistent with the Community strategic guidelines on cohesion and identifies the link between Community priorities, on the one hand, and the national reform programme, on the other.”

The country’s strategic planning for the 2007 - 2013 period will be implemented through:

- eight (8) Sectoral Operational Programmes (OP):
 1. OP Environment - Sustainable Development
 2. OP Accessibility Improvement
 3. OP Competitiveness and Entrepreneurship
 4. OP Digital Convergence
 5. OP Human Resource Development
 6. OP Education and Lifelong Learning
 7. OP Administrative Reform
 8. OP Technical Assistance
 9. OP National Contingency Reserve,

- five (5) Regional OPs (ROP):
 1. ROP Macedonia - Thrace
 2. ROP Thessaly - Central Greece - Epirus
 3. ROP Western Greece - Peloponnesus - Ionian Islands
 4. ROP Attica
 5. ROP of Crete and the Aegean Islands.

For facilitating the comprehension of the ROP’s, the figure (Figure 4-3) below visualizes the five regions that the territory is divided in. The numbers in the map are corresponding to those mentioned above in the short description.

Figure 4-3: Territory of Greece and ROPs



Source: www.espa.gr & own research

- twelve (12) European Territorial Cooperation OPs:
 1. Program "Greece-Bulgaria"
 2. Program "Greece-Cyprus"
 3. Program "Greece-Italy"
 4. Program "Greece-Albania"
 5. Program "Greece-Macedonia"
 6. Program "Greece-Turkey" (it has been currently suspended)
 7. Program Adriatic (with eligible areas from all countries bordering the Adriatic Sea) – polymer cross-countries cooperation
 8. Mediterranean Sea Basin (with eligible areas from all countries bordering the Mediterranean Sea) - polymer cross-countries cooperation
 9. Program Black Sea (with eligible areas from all countries bordering the Black Sea and from Greece areas from north-east Greece) - polymer cross-countries cooperation

10. Program Mediterranean Area – Transnational program
11. Program Area South Eastern Europe – Transnational program
12. Program INTERREG IV C – Interregional program

Thus, during the 2007–2013 period, all accessibility infrastructure projects will be implemented through a single OP, while there will no longer be a distinct OP for the sectors of health and culture and the relevant actions will be carried out through Regional and Sectoral OPs. Each OP has its relevant Management Authority and its Evaluation Committee.

The calls for proposals are being published at a concrete time and the interested parties can submit their proposal during a specific period of time. After the closure of the call, the interested parties are not eligible any more. As for the funds, they are devoted to public or private organizations, agencies or companies responsible for initiating and implementing operations. The beneficiaries are public or private firms carrying out an individual project.

Comments on NSRF

The NSRF has been reported to be the most powerful and hopeful scheme, but serious impediments appear which amongst them are its significant delays, both in the initiation of the calls for proposal and the providence of the payments in case of accepted proposals, the bureaucracy included. Other obstacles which have been unofficially reported in the Greek press are insufficient support to implement the proposals, the bureaucratic control and evaluation of the projects – all increase people’s unwillingness to participate and take advantage of these funding opportunities. Various sources of information –mainly the press - reveal the current situation of the NSFR.

It has even been recorded as “a battle with the timer” at the moment. The NSRF which covers the period 2007-2013 can be potentially extended by 2 years, but given is the scant progress at the moment. Based on experience from previous frameworks⁹, three key findings are revealed concerning the effective and substantial use of resources and not simple spending them in order not to be lost, as it has occurred in the past.

⁹The three previous Support Frameworks were: CSF I for 1989-1993, CSF II for 1994-1999, CSF III 2000-2006.

First, **absence** is observed **of institutional measures** that should accompany and support the development options and the funding, measures to promote both effective and sustainable solutions to the structural problems of the country. It is notable that while the three previous Community Support Frameworks (CSF) (CSF I for 1989-1993, CSF II for 1994-1999, CSF III 2000-2006) were implemented in most of the time, in conditions of fiscal stability and high growth rates. However the slide was not prevented. Greece lost the last 6 years, 35 positions in the ranking of the World Economic Forum (WEF). The country's attractiveness to entrepreneurship and investments also deteriorated as it is shown in 109th place in the respective ranking of the World Bank. The conclusion is that, apart from the utilization of resources, the effectiveness of CSF's for improving competitiveness, upgrading infrastructure and service quality requires a parallel set of structural policies, measures and changes to improve performance in all areas of public administration and government, government functions, business, employment, R&D and education, training and upgrading of human resources.

Secondly, a **deviation** has been recorded between both **the initial design and planning, and the final results from the implementation** of programs, in respect of schedules and budgets and of the smooth flow of absorption resources. So, while the design of programs and the choice of objectives, strategies and priorities appear adequate, integrated and consistent with the strategic guidelines and objectives of the EU Structural Funds for cohesion, the picture varies importantly when it comes to implementation. Under the pressure to use the funds and to avoid wasting resources, the logic was to transfer resources to easy but low-priority infrastructure projects, for example many small local development projects without spillover effects, controversial subsidy programs and training but not targeted, infrastructure operation and without a guaranteed return, etc. In addition, at the end of the CSF III, it was observed inclusion of more projects over the available capacity of the programs (reached a percentage of 130-140%), which only serves the rapid absorption. As a result many projects remain incomplete, accumulating unpaid bills and a long list of projects to look for national resources from the non-financed part of the programs, or waiting now NSRF to bridge the gap.

Already after the first 3 years (2007-2009) the implementation of the NSRF, removals, legal commitments and integrations projects amounted to only 3.5%, 9.4% and 22% respectively.

Third finding refers to the **exploitation and the sustainability of the completed projects**, although completed, they do not work efficiently, or they are even abandoned after the exhaustion of EU funding. Such examples are large IT projects that were not finally integrated in the operations of their organizations, computerization and reorganization projects that do not improve the quality and speed of service, projects of dams without adequate irrigation systems, structures built to support entrepreneurship, such as the Centers for Investors and the Centers for Technology and Business Development (CTBD) in regions that were abandoned after the completion of the projects financed, etc.

Apart from the above, the NSRF is **plagued by a fundamental change** in the institutional framework for implementation that formulates the system to be more centralized, and a bureaucratic labyrinth. New useful institutions and bodies such as “Public SA” designated to take over the work of small non-certified municipalities has not yet created.

- **TEMPME S.A.:** TEMPME is under the name “Credit Guarantee Fund for Small & Very Small Enterprises” and consist of the most important organization in Greece which financially supports SME’s and enhances entrepreneurship. The Credit Guarantee Fund helps small companies with guarantees and counter-guarantees. The main purpose is to facilitate access of small and micro enterprises in financial and financial market, serving as a link between small business and the bank. This facilitates both sides taking a large part of the business risk of the loan. The new credit guarantee scheme for working capital which is a public-private risk sharing scheme where the Government covers 80% of the risks. The scheme offers fixed interest rate loans for SMEs which have recorded profits in the last three years.

In this programme, TEMPME S.A. guarantees part of the loans contracted among Small/Micro Enterprises and financial auxiliaries in a way that the entrepreneurial risk is shared. The duration of the loan, and thus the duration of guarantee and subsidy, is three years (without a grace period). The loans are guaranteed by TEMPME S.A. up to 80%. The interest rate

which is covered by TEMPME S.A. has been negotiated between TEMPME and the banking sector and has been agreed at EURIBOR +600 base units (6%). Two necessary conditions are: (i) the loan cannot exceed 30% of the average turnover of the last three accounting years and (ii) the loan cannot exceed 350.000 Euros. Another important characteristic is that for loans up to €40.000 banks cannot ask for collateral. But for loans more than €40.001 banks have the right to ask for guarantees and these guarantees will not exceed the 10% of the loan. TEMPME S.A. can guarantee for two different categories for funding, provides guarantees so that SMEs cover expenses for the purchase of raw materials in goods and services and to cover tax and insurance commitments.

Comments on TEMPME S.A.

Concerning the possibility of “**Credit Guarantee Fund for Small & Very Small Enterprises**” the SME’s can apply for provided by **TEMPME**, evidence present lot of criticism for the efficiency of this scheme. Firstly, the interested SME can apply for only two categories of expenses. It is fair to mention that the categories cover specific and viable needs of the SME’s but on the other hand, this is not a scheme that substantially can foster entrepreneurship, but only support the daily operation of the companies. Furthermore, National Confederation of Greek Trade (NCGT), Chambers in different areas in the country (namely, the Chamber of Arcadia, Chamber of Messinia, Chamber of Trikala), the Panhellenic Association for marketing iron and industrial products, they all report problems **in the repayment of such loans**. The need for facilitation of such loans on the repayment was broadly expressed.

Problems in repayment emerged because the loans are of short duration (three years) and are repayable in half yearly installments therefore the repayment is not smooth. A proposal of NCGT for the resolution of this problem would be the extension of the repayment of loans to six years, also the reduction of the amount on monthly repayment or provide a grace period of at least two installments. In both cases, the deal will be negotiated with bank. It is supported that such a solution would give breath to the granted businesses and cause significant activation of this type of loans.

In addition, these programs of TEMPME, the one which cover tax and social security contributions and the other for materials' expenses, after the first six months of implementation, did not have the expected outcome in covering the market's needs. Enterprises need mechanisms for solving problems and improving their relationships with the banks. In practice, these programs are so attractive neither for business nor for the banks. The reasoning for such a statement is the high costs for small business because of the high interest rate, the very bureaucratic procedure and the tariffs included to it.

In particular, regarding the coverage of raw materials, the scheme was designed with the intention accurately direct loans to companies that need it most. The NCGT approves this intention, but the method chosen upon invoice is not functional and did not solve the financing constraints. On the contrary, generates additional bureaucracy, while requiring the employer to pay VAT in the disbursement of the loan.

The NCGT believes that the new programs TEMPME can not offer real solutions, as already has been rejected by the market itself. The challenge is to build upon the TEMPME from previous years and designed a direct loan guarantee scheme working capital to improve already successful "recipes".

It proposes to apply soft loan guarantee scheme and include:

- requirements to verify that the scheme is aimed at healthy firms affected by the crisis and not to those experiencing structural weaknesses;
- safeguards to ensure the correct use of the loan, without of course incorporating more bureaucratic procedures. Credit Guarantee Fund can develop a monitoring mechanism to ensure proper use of money;
- an interest rate that satisfies enterprises and banks to promote the program. One solution could be to subsidy the interest rate from the Credit Guarantee Fund (through the NSRF) and thereby reduce costs for business and remain an attractive rate for banks;
- provide special care for dishonored checks (with a confirmed transaction rather than convenience), where the security of TEMPME be longer in order to safeguard and banks. (The details can be specified in the Technical Committee, but it is important to note that the commercial world today suffers particularly from bounced checks and seek an immediate solution).

- **EOMMEX:** EOMMEX is the “Hellenic Organization of Small and Medium-Sized Enterprises and Handicrafts S.A”. The purpose of EOMMEX is to promote, encourage and support healthy entrepreneurship and small businesses (SME’s), on the secondary and tertiary sectors of the economy and the handicraft businesses as well as the art-crafts, compensating in shaping the governmental policy. EOMMEX contributes as consultant.

Complementary to the fore mentioned, is the National Observatory for SME’s. Important to stress out is the fact that this organization does not provide financial but mostly data and valid information for SME’s.

- **National Observatory for SME’s:** The National Observatory for SME’s web portal constitutes a single information and interconnection gateway for data and analyses relevant to SME’s activities and business environment. The National Observatory for SME’s mainly addresses to the State, in quest of reliable and valid information for SME’s policy planning, to the SME’s, desiring support to their business decisions and their competitiveness improvement, to the EU services, international and European bodies, seeking the appropriate information so as to develop forms of cooperation. Last but not least, the Observatory addresses to professional bodies that utilize the reliable information for their members and to Research Foundations and Institutes studying SME’s and requiring processed data.

For two main support schemes EOMMEX is responsible for. To clarify that these governmental schemes are co-financed by the European Union and the Greek government. Interim management agency for issuing the call for proposals is the General Secretariat for Industry, the division of Small Businesses. Interim Management Agency for the evaluation, management and monitoring of the implementation of the program is EOMMEX.

1. Program for promoting youth entrepreneurship

Eligible in this program are young men and women need to have been born from 01/01/1970 until 31/12/1991, to be unemployed, employed or freelance professionals who had no business from 01/01/2008 until the pre-publication date of the program (03/04/2009).

2. Program for promoting woman entrepreneurship

Eligible in this program are women born from 01/01/1954 until 31/12/1991, who are unemployed, employed or professionals who had no business from 01/01/2008 until the date of pre-publication program (04/03/2009).

For both programs, the grant proposals selected will be 50% of the total approved budget (60% below the 5,000 islands, in fire-stricken residents of Ilia, Messinia, Laconia, Arcadia, Evia Aigialia region and selected areas of the county of Kefalonia and Magnesia designated fire damaged).

The minimum budget proposal can be in all cases €30.000, whereas the total maximum subsidized budget proposal is:

- €200.000 for companies in the manufacturing sector and the recycling / reduction of pollution;
- €100.000 for service businesses and tourism and €80.000 for trade.

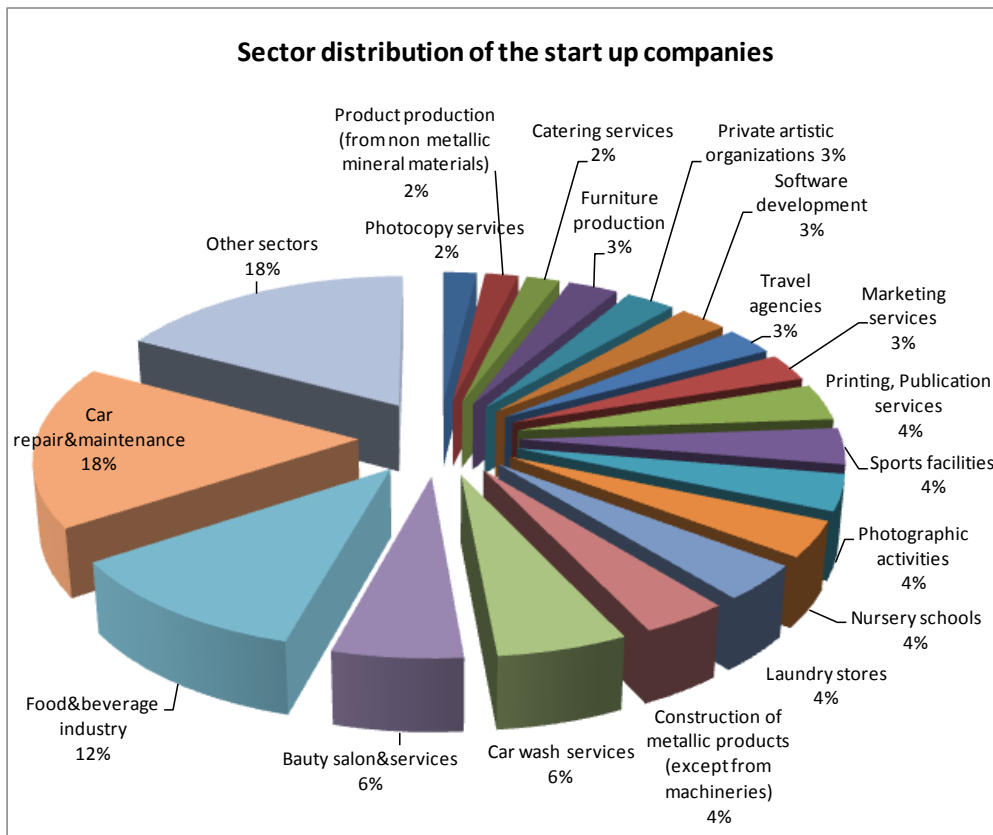
Other prerequisites and conditions for the participation in the support programmes are broadly explained in each programme's Call for Proposal official document.

Comments on EOMMEX programmes.

Further **EOMMEX** and the National Observatory for SME's in Greece conducted a research¹⁰, in order to have evidence on the results of the contribution of two fore mentioned governmental financing measures, i.e. support of youth entrepreneurship and support of woman entrepreneurship, critical points were revealed. The sample of this survey consisted of the companies which made use of the specialized governmental financing support towards youth and woman entrepreneurship. Regarding the activity of the new enterprises which were funded from 2006-2009:

¹⁰Eommex S.A. & National Observatory for the SME's, Executive Summary - "Contribution of the governmental financial support to stimulate entrepreneurship in SMEs"

Figure 4-4: Sector distribution of the start-up companies on 2006-2009



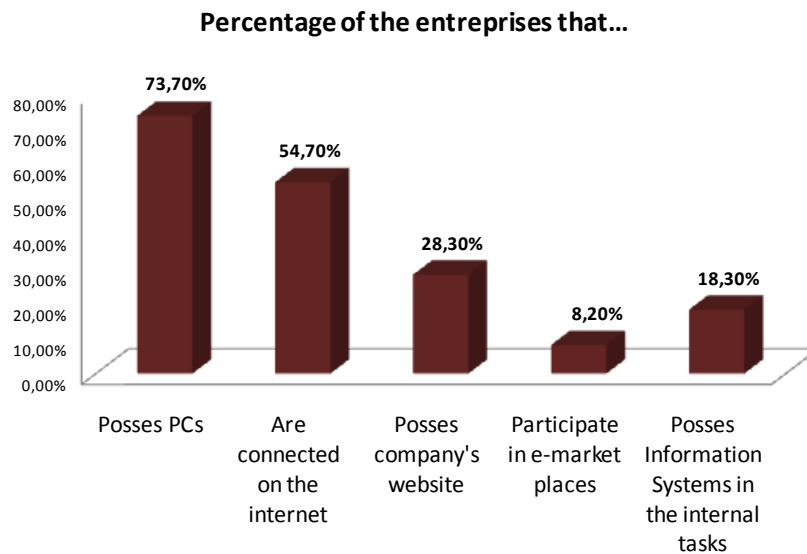
Source: Eommex S.A. & National Observatory for the SME's, Executive Summary - "Contribution of the governmental financial support to stimulate entrepreneurship in SMEs"

The majority of businesses created with the support of two specific funds (specified in the youth and woman enforcement of entrepreneurship) are operating in the "traditional" sectors of the economy. This is a quite critical observation for the objectives of such governmental support. Because while entrepreneurship is supposed to be supported, still the outcomes reveal that the projects for which government provided funding have limited impact on the economic development of the country in terms of employment, exporting activities, creation of new markets. To note that half of these enterprises employ 2-3 people with the entrepreneur included and for the majority of the employees, 70,8%, the educational level is either basic or secondary education. These facts support the existing mentioned problems of the SME's. The sample which was used to reach these last figures stem from the companies which used the specific type of support, thus is a limited percentage of the total SME's funded at that time. Still, it is quite important to mention because it reveals the use of these governmental support funds. The funds seem that they do not achieve

successfully the objective for supporting sustainable economic development and they are not used for the reasons they were created for.

One more attractive figure that was mentioned in the same research is the following:

Figure 4-5: Penetration of the Information technologies in the new enterprises



Source: Eommex S.A. & National Observatory for the SME's, Executive Summary - "Contribution of the governmental financial support to stimulate entrepreneurship in SMEs"

It is revealed that the funds were not used to substantially face the current problems of the SME's –such as tackle the competition from abroad - and to meet the challenge of investing in new technologies, implementing international prototypes, developing new information access networks and products' delivery networks, as they were was expressed in previous paragraphs.

- **The “DEVELOPMENT LAW”:** The new “Development Law” was officially signed by the Greek Government on the 31/1/2011, in an attempt to modernize the previous “Development Law” and aims at enhancing private investments for economic development, entrepreneurship and regional cohesion. The procedures for the calls of proposals will take place two times per year and the applications for inclusion are being submitted on January and on July of each year.

The types of aid provided are the following:

- Grant and / or
- Leasing subsidy and / or
- Tax exemption

Also, the country is divided in three parts and each part is eligible for certain types of aid in their activities. Two types of Business Plans are discriminated:

General Business plans which include:

- General entrepreneurship, only tax exemption applies
- Technological development, grant and/ or leasing subsidy applies for 80% of the projected grant and the rest is covered by tax exemption
- Regional cohesion, grant and/ or leasing subsidy applies for 70% of the projected grant and the rest is covered by tax exemption

Special Business plans which include:

- Youth entrepreneurship, concern the establishment of micro and small enterprises for people younger than 40 years old, grant and/ or leasing subsidy applies
- Large scale business plans, relative to projects of at least €50 million, grant and/ or subsidy up to 60% applies and tax exception of minimum 40%.
- Completed large scale multiannual business plans, concern business plans which run from 2 to 5 years with minimum investment of €2million, only tax exceptions apply.
- Synergies and Networking (Clustering) business plans, refer to business plans which are submitted by synergy schemes or networking schemes. Such schemes are consisted of at least 10 enterprises of the Prefecture of Attica and Thessaloniki or at least 5 enterprises of other counties. In these schemes it is allowed up to 20% the participation of Universities, Higher Technical Institutions as well as Research Groups.

Minimum Bound of aid:

- For micro enterprises, €200.000
- For medium enterprises, €500.000
- For small enterprises, €300.000
- For large enterprises, €1.000.000

The **content of the proposal** which apply for grants can be:

- ✓ create a new facility or;
- ✓ expand existing production or;
- ✓ diversification into new products or;

- ✓ a fundamental change in the existing plant production process.

The **expenditures that are accepted to be included** in the funding are:

- building, special, ancillary facilities and landscaping, (40% of the project)
Leasing modern machinery and equipment (rent - 7 years);
- purchase of fixed assets (excluding new assets from units that have ceased operation and the have been removed prior payments);
- intangible assets, quality systems, certification, software, patents, etc. (maximum 50% of eligible costs);
- costs of projects - research, development and innovation-related activities and products of the company and executed by the company either alone or in cooperation with research institutes operating expenses (for the category "Business News");
- construction of buildings on land not owned by the investment entity only if 15 years of concession;
- study and consultancy fees exclusively for SME investment projects up to 5% of the cost of the project and to the amount of 50.000 €.

Expenditures that are not included in the funding are the following:

- ✗ the operating costs of the company (exception in the category "Business News");
- ✗ the market of passenger car until six seats;
- ✗ the purchase of means of transport and transport equipment for projects in the transport;
- ✗ the purchase of office furniture and utensils;
- ✗ the quantities exported and the establishment and operation of distribution network, the buying plots of land and land;
- ✗ the contribution to the capital value of machinery and other assets.

Important to note are the exemption in the sectors of Steel Industry, the Synthetic fiber, Coal Industry and Shipbuilding as well as exceptions in expenses for: operating costs, the purchase of car with less than 6 seats, the purchase of transport equipment and transport projects in the transport sector, the purchase office furniture and utensils, the quantities exported and the establishment and operation of distribution network, buying property, land and plots, the contribution to the capital value of machinery and other assets.

Changes from the previous “Development Law”

- 1) For the first time Development Act has a budget. The resources will be known from the beginning to all.
 - 2) Includes competition between investment projects submitted, only the best projects will have access to the aid.
 - 3) Introduces clear and measurable benchmarks to ensure the integrity of the process.
 - 4) Introduces clear timetable. The applications for the investment projects will take place every April and October (with the exception of large investment projects can be submitted throughout the year). The closing date set by the last working day of these months.
- **TANEO:** TANEO (New Economy Development Fund) is the first and only company in the competitive development venture capital funds oriented to SMEs. For TANEO, VC funds are not just a monetary investment. The goal is to choose dynamic and experienced associates who believe in the dynamics of entrepreneurship and then to assist in the assessment of ambition and highlight hidden values. TANEO provides funds to accelerate the development of companies, contributes to the management of enterprises by providing both experience and knowledge and also creates new venture capital partnership with private investors and financial institutions in order to strengthen family businesses and ambitious projects.

4.3.2 Tools for further support

Apart from the studies and the reports provided as well as the general information, the Observatory for SME's since January 2010, provides online two free for use schemes to support SME's and entrepreneurship.

First, it is provided the **“Skill Needs Identification Tool”**. As human resources are one of the key factors determining productivity and competitiveness of enterprises, especially SME's and although the approach of skills in organizational business planning and management of human resources is not new, its integration in the operations is very limited to non-existent. This makes it a top priority for entrepreneurs to search for and identify the specific expertise

and the relevant skills which are essential to run the business and therefore to take all necessary actions during the organizational design and human resource management, with focus on strengthening and increasing both efficiency and effectiveness. The main objective of the scheme is both to familiarize businesses with the skills approach through the use of a practical tool for diagnosing their needs, as shaped by the demands of jobs and skills of their workforce.

The second which is provided by the Observatory is the ***“Tool Identification & Implementation Business Planning”***. It consists of a business planning tool for young entrepreneurs who want to enter the sector and SMEs, which have not included their functional context the process of forming a business plan. The National Observatory aims to help SMEs to plan and use the benefits arising from the use of Business Plan, developed on this free-to-use application. By working on user friendly operating devices, the user can complete the appropriate and relevant data in the enterprise and automatically generate tables of the Operational Plan.

Table 4-3: Summary of the Greek governmental schemes

Financing Support	Type of loan	Amounts granted	Repayment	General remarks
Youth Entrepreneurship	Financing support for young people till the age of	Depending on the project but generally range from €30.000 – €200.000	No repayment. The support covers 50% of the total approved budget.	Collaboration with financing institutions
Woman Entrepreneurship	Financing support for women	Depending on the project but generally range from €30.000 – €200.000	No repayment. The support covers 50% of the total approved budget.	Collaboration with financing institutions
Guarantees scheme	Credit guarantees for taking a loan	Guarantees 80% of the loan. Loan up to €350.000 (The loan cannot exceed the 30% of the average turnover of the last 3 accounting years)	Repayment with EURIBOR + 6% Repayment in 6 years with 2 years grace period.	Collaboration with financing institutions
New development Law	Grant and / or Leasing subsidy and / or Tax exemption	Depends on the project. Minimum Bound of aid: For: micro enterprises (ent.), €200.000; small ent., €300.000; medium ent., €500.000; large ent., €1.000.000(For business plans in the category of General Entrepreneurship the minimum bound is half)		Restrictions, exceptions in sectors and activities
NSRF 2007-1013 – Each program has its own characteristics according to the activities specified in the call for proposals (The structure and the requirements are similar to those of the FP7)				
Support other than financing				
<i>“Skill Needs Identification Tool”</i> - a practical tool for diagnosing their needs, as shaped by the demands of jobs and skills of their workforce, provided online by the Observatory for SME’s				
<i>“Tool Identification & Implementation Business Planning”</i> – A free to use online tool in which the interested person completes the appropriate and relevant data in the enterprise and automatically generate tables of the Operational Plan.				

Source: own research

5. Belgian financial situation

As in this dissertation the focus lies mostly on the Flemish region, thus the financing schemes which will be examined and evaluated are provided in this region. Before presenting the financing mechanisms some relevant facts and features are provided concerning the local economy, the SME's and entrepreneurship according to Flanders investment & trade agency, National accounts institute the World trade report.

In the Flanders fact book of the year 2010 (Flanders Investment & Trade Agency), it is supported that the area is the best location for doing business. Though, it is of high interest to refer to the argumentation for such a declaration. The strategic location, the prime infrastructure with seamless interchanges and market access, the business-friendly climate, the ample pool of productive and highly qualified workers, the streamlined customs procedures, the customized accommodation, the world-class business environment, the high standard of living seem to be eight strong arguments. The most important investments are taking place in the marketing & sales sector, in manufacturing and in logistics sector. It has been also reported that the Flemish region is highly active in both imports and exports trading mainly with the US, China and Germany (World Trade Report - WTR). From 2005-2008 the region presented increasing imports as well as exports but due to the economic downturn, the amounts of both activities declined on 2009. To add that pharmaceutical products, vehicles, machinery, chemical products and plastics are the most successful Flemish exports (National Accounts Institute). At this point it would be useful to get into more detail on the issues as by talking for "doing business" in Belgium bears on mind SME's and entrepreneurship.

5.1 QUALITATIVE & QUANTITATIVE CHARACTERISTICS OF SME'S & ENTREPRENEURSHIP IN BELGIUM

To start with the formation of the Belgian SME's, the sector has a similar structure to that of the EU, namely the percentages of micro, small and medium sized enterprises are equivalent with the European averages. The percentage of

SME's in the overall number of businesses also stands in line with the EU benchmark, at 99.8%.

The total Belgian SME employment is also on a par to the European proportion (67%), but there is proportionately more employment in small businesses and less in medium sized ones. Between 2002 and 2008, the growth in the number of SME's in Belgium (8%) was lower compared to the average EU-growth of 13%. During the period 2002-2008 employment growth of Belgium SME's showed the same tendency, but a slower pace than the EU-average. The overall increase of 7% is significantly below the EU-average of 12%. The increase in employment was particular for micro firms where the growth rate for the period was equal to 10% (GEM 2009).

To continue, interesting is to notice some indicators from the Small Business Act. Concerning the second chance entrepreneurs have in Belgium, the relevant indicator available suggests that Belgium is above-average. It takes only 4% of the business' assets to close a company (EU average stands at 11%) and the closure can be achieved in 1,1 years -one year shorter than on average in the EU. Public support for allowing for a second chance reaches 85% versus the 80% European average. (SBA 2009)

On the one hand, the SME support for current regulations stands in line with the EU benchmark (39% vs 34% in the EU) and the share of SME's encountering problems with administrative regulations is also close to the European, 38% and 33% respectively.

However, the time needed to comply with administrative regulations almost doubles the EU average of 7,5% of the total SME working time, standing at 12%. Also, the figures explaining the responsiveness of the administration place Belgium above the EU-peers. The three main indices - number of days for starting a business, difficulty of hiring and difficulty of firing - each one is placed above-average, whereas the cost to start a business and the cost of enforcing contracts are similar to average European levels. (SBA 2009)

Moreover, the proportion of total state aid devoted to SMEs, scores significantly higher (31%) than the EU-27 average (11%).

Concerning financial aspects, the strength of legal rights, the depth of credit information, and the planned share of structural funds dedicated to stimulating entrepreneurship (9%), are three indicators which are aligned with the EU

average. On top of this, expansion stage venture capital is equally available as elsewhere in Europe, whereas early stage venture capital is more abundant in Belgium. Finally, the share of funds for rural development planned for supporting SMEs exhibit a performance at half the EU-average level (1.4% vs 2.9%). (SBA 2009)

Belgian innovative products do not seem to be really famous in the market, as shown by their share of turnover which is inferior to the EU average. SME's on-line transactions, purchases are more popular in Belgium than on average in Europe, while the percentage of enterprises having received orders aligns with the European benchmark. (GEM 2009)

Similar with the EU-27 average is the share of SME staff that have tertiary education and the share of SMEs that have new products in the entire SME population.

A revealed contradiction included in the picture of Belgian SME's is the share of SME's applying simple measures to save energy which exceeds the EU-27 benchmark (39% vs 28%), whereas the share of SME's actually having comprehensive systems for energy efficiency is close to the average European level of 4%. (SBA 2009)

As for the internationalization aspects of the Belgian SME's, positive figures stand the indicators measuring the time required to export and import, superior to those for the EU-27. In Belgium it takes less than 2 days to export, which is the best result for all 27 EU countries. Also 9 days are required to import which imply less administrative burdens than 13 days for the EU average. On the contrary, 3 indicators underperform comparing to European average. These are the share of turnover from exports, the share of SMEs gaining income from ventures abroad and the share of inputs purchased abroad. Again, a slight contradiction is present because it seems easier to trade internationally, but finally the relevant activities do not show high turbulence. (SBA 2009)

Entrepreneurship in Belgium

While introducing the Belgian case in this dissertation, it is clearly justified why Belgium and more precisely the Flemish region is the best business location. Still, Ballanco (2008) apparently accentuates on this. Belgium is a country that has long prospered as a critical business center for Europe, giving it the 17th highest

gross national income per capita in the world (World Bank). The economy is service-based in the north, coupled with an industrial southern economy, provides Belgium a diverse market structure that keeps the country competitive. All of these factors would seem to provide the framework for Belgium to be a country bustling with entrepreneurial activity. On the contrary, almost the exact opposite is real. Belgium historically presents low rates of entrepreneurial activity - below both the world average, and the European average.

In the 2007 report, GEM estimated Belgium's Total Entrepreneurial Activity (TEA) at 2,7%, the 4th lowest of all the 42 countries included in the study. In the report Belgium's rate of established business ownership is placed at the 5th lowest position (Levie et al. p.16). The results were similar for previous years: GEM reported Belgium's TEA at 2,7% the lowest in 2006 and 3,9%, the 3rd lowest in 2005. Some more contradictory evidence is that more Belgians than EU-citizens regard entrepreneurship as an opportunity (64% and 57% of citizens respectively). The extent to which the education system supported the development of entrepreneurial attitude also exceeds the EU average (SBA). But argumentation which to a certain extent explains the attitude of Belgians towards entrepreneurship is presented.

Reasons for low entrepreneurship in Belgium

There are several important factors that explain Belgium's poor entrepreneurial performance. Firstly, the culture of Belgium affects the levels of entrepreneurship. Geert Hofstede has conducted a research which is relevant to refer to. Hofstede has conducted on national cultures and has documented in his seminal work culture's consequences (2001). The author identifies four cultural dimensions by which nations can be assessed. One of these dimensions is known as "**uncertainty avoidance**". Uncertainty avoidance is based upon the notion that most societies have an understanding of the uncertainty of the future. He states that cultures with high uncertainty avoidance may deal with this uncertainty by creating social structures that are very stable and limit the amount of risk that its members must endure. Furthermore, high uncertainty avoidance cultures generally have members with an external "locus of control." Locus of control is a psychological term used to describe the degree to which one believes he or she can affect his or her own fate. Thus, external locus of control

describes the belief that one has little control over his or her own destiny based upon his or her actions. In cultures whose people think with an external-locus-of-control mindset view those who try to be individualistic and change their own future as having little chance of succeeding. Therefore, **becoming an entrepreneur is underestimated**, as entrepreneurs are viewed somehow hopeless (Thomas & Mueller 2001). **High uncertainty avoidance** and external-locus-of-control thinking most certainly apply to Belgium (Ballanco 2008). In Hofstede's 2001 study, Belgium received a high uncertainty avoidance index value of 94 out of 100. This is markedly above the EU average of 74 and ranked as the 5th highest of the 64 countries examined. Again, high uncertainty avoidance is allied with low levels of entrepreneurship (Thomas & Mueller 2001).

To continue, a Gallup conducted in 2004 for the European Commission (EC) presented revealing results for Belgium. Unexpected was the high number of the respondents in Belgium – a percentage of 58% - stated that they would **rather be employees than self-employed**. An extreme percentage of 78% respondents reported that they didn't think it would be desirable to start a business within the next five years. Comparing it to the already high European average of 63% who don't believe entrepreneurship is a desirable career option, the situation gets clear for the Belgian attitude. 68% of Belgians replied that becoming an entrepreneur had never even crossed their minds (TNS/EOS Gallup Europe). Maybe the **cultural view** of entrepreneurship in Belgium is best articulated by a respondent who said that *"entrepreneurship is often associated with making money, and brings about the danger that one's family or social life will be neglected."* (Zegers et al., 2004)

Beyond cultural causalities, there are several other reasons why Belgium has a low entrepreneurship rate.

An inhibitory factor in low levels entrepreneurship is the perception among Belgian citizens that the government makes it difficult to start a business, stated in the above mentioned Gallup (TNS/EOS Gallup Europe, 2004) where 71% of Belgians listed the complex administrative process involved with starting a business. Fortunately, this has significantly changed according to the latest evidence of SBA country's factsheet on 2009 that presents that the number of

procedures for starting a business are 3.00, half of the 6 that is the European average. (SBA 2009)

Furthermore, R&D in Belgium is pertinent. In 2005, 2.09% of Belgium's GDP was spent on R&D, which is among the highest rates in all of Europe. The Belgian government has committed to increasing this figure to 3% by 2010. Much of Belgium's R&D is done in the four public strategic centers run by the government: the Interuniversity Microelectronics Centre, the Flanders Institute for Biotechnology, the Flemish Institute for Technological Research and the Interdisciplinary Institute for Broadband Technology. Each of these centers focuses on a different area (e.g. microelectronics, biotechnology) and altogether they receive about 135 million per year (Moerman, 2007). It would be rational that large amounts of R&D generate many entrepreneurs who are looking to bring new ideas in the market. However, in Belgium there is **a problem with transferring the results of R&D into the market**, transform outcomes that an entrepreneur could use to initiate a new project. There are two major reasons for this. The first is that a rather large percentage of R&D spending in Belgium is given directly to universities for academic research. The difference with this is that academic research in general focuses more upon testing hypotheses and advancing knowledge rather than developing a product (Moerman, 2007). The second reason for the R&D-entrepreneur barrier refers to the type of R&D that occurs in Belgium. Most **Belgium R&D projects are high-tech oriented**. According to the GEM report on 2005, 42 countries were studied and only the United States and Ireland had more high-tech venture capital than did Belgium (Minniti et al., 2006). But while this strong focus on high-tech R&D is beneficial to a country, the disadvantage is that **high-tech products are more expensive and riskier to bring to market than the more conventional**. Therefore, this added risk, coupled with Belgium's already high uncertainty avoidance, explains why many of these high-tech ideas are not brought to market in Belgium.

Other explanations for Belgium's low rate of entrepreneurial activity include Belgium's **relatively high per capita wealth**, which means that far fewer people become entrepreneurs because of necessity. In fact, the 2005 GEM report showed that as few as 11% of Belgian entrepreneurs decided to start their own business out of necessity.

5.2 FINANCING SCHEMES PROVIDED BY THE GOVERNMENT

Sure enough, Belgian government is well aware of its country's entrepreneurial shortcomings. To tackle this problem, one of the pillars of its national economic strategic plan was to foster entrepreneurship. Many of the measures that the government has engaged in the latest years directly deal with the causes for low entrepreneurship that have just been described.

To begin with, the Belgian government makes significant efforts to bridge the gap between R&D and entrepreneurship. Legislation was passed in 2004 to establish the Industrial Research Fund. With an annual budget of 11 million, the fund will provide money for grants at Belgium's six major universities. Mind that the main criterion for receiving funding is to present research ideas that will develop into easily marketable products. After initial funds are granted to a certain project, additional funds will be contingent upon such matters as the number of patent applications the project produced in the previous year. (Moerman, 2007) The key feature of this programme is that it allows Belgium to continue to concentrate much of its R&D funding on university, while it also ensures that R&D funds are being used to create products that will be brought to market by entrepreneurs.

In association with the Industrial Research Fund, Belgium has created Technology Transfer Offices at all of the universities that receive grants. The purpose of these offices is to streamline the process of patenting ideas and products that come from R&D. Also, the offices offer support for obtaining intellectual property rights. By having these offices located directly on the campuses where the R&D is taking place and by staffing them with patent experts who are able to communicate the R&D results, the entrepreneurial process is made even easier for researchers and academics (Moerman, 2007).

The Belgian government's third initiative for bridging the gap of R&D is to have policymakers cooperate with researchers on R&D projects. Such a collaboration policymakers experience R&D firsthand so they have a better idea about how to make effective policy decisions regulating R&D. Specifically, the policymakers are hoping to come up with fresh ideas on how to stimulate entrepreneurship among researchers (Moerman, 2007).

Another area that has received much attention from the Belgian government is the easing of administrative burdens on the entrepreneurial process. Perhaps the greatest achievement in this area has been the establishment of what are known as “one-stop shops.” These shops, located throughout Belgium, provide a location where everything that needs to be done to start a business can be accomplished quickly. Prior to the existence of these shops, it would take about three months for an entrepreneur to start a new business. The shops initially brought this time down to one month. Especially, in 2007, the eDEPOT application was displayed by the Belgian government. The application allows notaries to file documents electronically. With the eDEPOT application, new businesses can now be formed in Belgium in 4 days as it was reported in the SBA fact sheet of 2009.

The creation of one-stop shops faces the administrative problems from the bottom up. But focus also lied from the top down perspective of this problem. In 2006 the government policy-making authorities that regulated innovation and entrepreneurship were merged into a single body in order to create a more focused approach. Furthermore, in Flanders the Flemish Agency for Entrepreneurship was launched. This agency provides potential entrepreneurs with an easy way to get information regarding entrepreneurship directly from government officials.

Finally, legislation has been proposed that would consolidate all of the different financial aid packages available for entrepreneurs into one single package (Federal Planning Bureau). Currently, these aid packages must be obtained individually from many different government departments. A major concern for many potential entrepreneurs in Belgium is the financing of startups, especially because, as noted above, many startups in Belgium involve high-tech products that are expensive to launch. The most significant initiative achieved in this area was the creation of the Arkimedes Fund in 2005. The fund, which has a total of (110 million available for entrepreneurs, was financed entirely by Belgian citizens. Investments into the fund could be made by either purchasing bonds or stocks. The bonds come with a 100% capital return guarantee in 13 years at a fixed rate of 3.4%. The stocks offer a 90% capital return guarantee in 13 years and tax breaks for any stock purchase up to 2,500 (GEM 2009).

Another funding solution that began in the Brussels region in 2007 was the Brussels Regional Investment Company. This lending body is comprised of half public and half private funds that are made available to entrepreneurs. The Brussels government invested (25 million in the company with the hopes of having at least this amount matched by institutional investors (Federal Planning Bureau, 2007).

In addition to providing funds for entrepreneurs, Belgium has developed two other initiatives to help with financing new companies. The first was the creation of the Business Angels Network. This network, which has been approved for annual grants until at least 2011, gives entrepreneurs an easy way to meet and network with venture capitalists and “angels” who are interested in financing new companies (Ballanco 2008). The second was the establishment of a program that provides certified public accountants at the Brussels Enterprise Agency to help entrepreneurs plan financially for their company (e.g., creating budgets and using balance sheets). This is particularly helpful for entrepreneurs who are trying to put together a business plan but do not know much about finance or accounting (Federal Planning Bureau, 2007). There are two final initiatives the Belgian government has pushed to help entrepreneurs. It has made it a priority for the education department to begin hiring more entrepreneurship specialists to teach at universities and secondary schools throughout the country.

Also, all unemployment officers are instructed to try to discover entrepreneurial potential in those who are receiving unemployment benefits. If someone’s qualifications seem to be an appropriate entrepreneur candidate, he or she is seriously encouraged to pursue this option. To make the procedure even easier, the government will allow the person’s unemployment benefits to continue during the early stages of the business setup process (Federal Planning Bureau, 2007).

The great interest of Belgian government towards entrepreneurial activity is evident in the Flemish part in which we focus in this study. The endeavors to support entrepreneurs are noticeable. Many organizations have been founded and diverse support services have been launched for this reason. Such organizations are either public or private and are able to offer their support

directly or indirectly. The support given can have different approaches, can be consultancy guidance or financing support or in cases combination of the types of support are offered in the applicant. The most important are summarized below.

5.2.1 Organizations & Institutions

In the following paragraphs the most important organizations are shortly presented. The organizations for **Public Financing Indirect Support** are those below.

- UNIZO: UNIZO is the Union of Independent Entrepreneurs which unites about 85,000 entrepreneurs, professionals, SME's and professions in Flanders and Brussels, from sole trader to SME growth across all sectors. Also, UNIZO represents the business interests in government, the media, public opinion and other social partners. UNIZO give advice to members, and organizes training and information networking. Important to stress out is the fact that the organization relies on a long historical tradition which goes back to 1899.
- PARTNERSHIP FUND: Partnership Fund is a federal institution that supports independent businesses (start-ups, self-employed entrepreneurs, professionals and SME's). Funds are disbursed through banks and financial institutions.
- SOWALFIN: Sowalfin the Walloon SME finance and guarantee company provides financing for the establishment, growth and transfer of SME's, as a supplement to bank loans as well as guarantees loans extended by banks. Sowalfin aims to be the sole source of finance for Walloon SME's and micro-businesses.
- FLANDERS INVESTMENT & TRADE (FIT): FIT promotes sustainable international companies, for the benefit both of companies located in Flanders and abroad, through synergies and through the expansion of networks and the heightened expertise generated through integration.
- ENTERPRISE EUROPE FLANDERS: Consists of **two** partners with local access points:
 1. ENTERPRISE FLANDERS (focus on entrepreneurship)

Enterprise Europe Flanders supports SME's in their search for partners for commercial collaborations, in their search for strategic partners for innovation, in finding their way through European legislation, in gaining access to (European) funding for their projects.

2. THE INSTITUTE FOR THE PROMOTION OF INNOVATION BY SCIENCE AND TECHNOLOGY IN FLANDERS (IWT) (focus on innovation):

IWT encourages innovation in Flanders (companies, research centers and organizations) in various ways: (i) funding innovative projects of companies, research centers, organizations and individuals through assignments set by the Flemish Government; (ii) advice and services; support the applications, provide technological advice during the innovative projects. IWT acts as the national contact point for European funding programmes and assist in transferring their technologies throughout Europe via the Enterprise Europe Network; (iii) co-ordination and networking by stimulating collaboration by bringing innovative companies and research centers in contact with Flemish intermediate organizations that stimulate innovation; (iv) policy development by supporting the Flemish Government in its innovation policy. We study, among other things, the effectiveness of the Flemish innovation initiatives.

- In addition, certain Chambers of Commerce finance innovative projects and introduce start-up entrepreneurs to potential partners.

Furthermore the **Public Support** provides **Direct Assistance** through these organizations:

- BRUSSELS REGIONAL INVESTMENT COMPANY (SRIB): SRIB offers financial support to companies starting up, reorganizing, and expanding in the Brussels-Capital Region.
- ECOSUBSIBRU: EcoSubsiBru portal contains a database listing various forms of assistance as well as institutions available to support your company in the Brussels-Capital area.
- WALLOON REGION PORTAL: Walloon Region offers an investment grant and exemption from property taxes to entrepreneurs seeking to invest locally. The portal provides a listing of available sources of finance, according to the following sectors:

- | | | |
|-------------------|----------------|----------------------|
| 1) Agriculture | 6) Environment | 11) Investment |
| 2) Tax Assistance | 7) Exports | 12) Research |
| 3) Consultancy | 8) Finance | 13) Tourism |
| 4) Employment | 9) Training | 14) Structural funds |
| 5) Energy | 10) Innovation | |

Moreover, important is the presence of the **Private Financing** support which can be offered through the following institutions:

- Belgian Knowledge Centre for SME Financing (BeCeFi): BeCeFi is a national reference centre for the financing of small and medium-sized enterprises. BeCeFi offers a range of information on sources of finance available at the national level.
- BUSINESS ANGELS NETWORK: “Be Angels”, introduces entrepreneurs seeking finance to private investors. Business Angels offers capital, expertise, their address book and their business experience.

It is clear that the Belgian government is doing much to assist entrepreneurs and potential entrepreneurs. The one thing that it cannot directly change, however, is the attitude of the Belgian people toward entrepreneurship. On the other hand, if all of its other initiatives begin to work, a gradual change in public opinion toward entrepreneurship may occur.

5.2.2 Selected schemes

All these organizations provide access to different financial, consultancy and other types of support through different measures and programs. An attempt has been done to identify these measures and a complete list of about 100 different schemes is presented in the Appendix (“Financial Support Focused on SME’s in Belgium”). Because of the plethora of schemes provided by the Belgian government (i.e. about nine organizations provide almost 100 different measures for various types of activities) a selection was necessary. For the purpose of this study, some **criteria** were used to filter the measures and achieve the final number of ten. The criteria are the following:

- focus on the support towards the starting-up phase;
- focus on the pure governmental support;
- focus on the Flemish region because of the highlighted contrast between the different economies and the different entrepreneurial behavior.

In each case, each support scheme is shortly described and is followed by a table in which the main characteristics are presented. To add that for each one few exceptions apply on the type of the activity for which the governmental scheme is on demand. Certain sectors such as agriculture and horticulture, fisheries, transportation remain excluded from the schemes because such projects are included in other types of support.

1. Premium Growth

Premium Growth intends to support SME's with an acceptable main activity, and with no government shareholdings of 25% or more. The procedure which is used for granting a Growth Premium loan includes a "Match Formula" (call system) with best scoring given premium (in order to set budget). Also, applications are made online at certain times.

Table 5-1: Main characteristics of "Premium Growth"

Type of loan	Subordinated loan ¹¹
Period	The investment must be realized within 3 years after the granting of the premium
Min amount	€ 12.500
Max amount	€ 25.000 (For a company over 5 years)
Interest rate	Support Fixed Rate

Source: Own research

2. Solidarity Loan or Micro Loan

The Solidarity Loan intends anyone with a viable project with a traditional bank which receives no credit. It is intended for people who would like to launch their own business, but who do not have access to bank credit and who have difficulty in acquiring the starting capital because of their financial position. Additionally

¹¹Subordinated loan is debt that is either unsecured or has a lower priority than that of another debt claim on the same asset or property, also called junior debt.

those who receive the support of this scheme will get over 24 months free guidance. There are five fixed moments of evaluation and further, free credit analysis.

Table 5-2: Main characteristics of “Micro Loan”

<i>Type of loan</i>	Mini Loan
<i>Period</i>	4 years
<i>Amount</i>	Maximum amount of the investment - € 12.500
<i>Interest rate</i>	5%
<i>Repayment</i>	No refunds the first 3 months
<i>Collaboration with Financial Institutions (F.I).</i>	Yes
<i>Guarantees</i>	No guarantees

Source: Own research

3. Deposit Scheme

Deposit Scheme is providing guarantee for business loans and venture capital when while banks believes in your project, it turns out that they demand security which the applicant cannot offer. Then, the scheme applies and the government assumes deposit. There are some restrictions applying for this type of support. To be eligible for the Deposit Scheme you should invest either in the territory of the Flemish region, or outside the territory of the Flemish region when it comes to financing the activities of an entity located in Flanders. The Flemish government is focusing guarantees of a requested loan amount. The bank guarantee must be hold. These are financial institutions that have received a guarantee of the Flemish government. The applicant should pay a premium to get this guarantee. This premium depends on the amount and duration of the guarantee.

4. Starteo

This measure is targeted to self-employed persons or SME’s that are starting or that have been active for a maximum of four years. Starteo supports financially the launching of a new company or a new self-employed activity. As starter, is regarded an entrepreneur who either is now starting activity or has been

principally exercising it for less than four years. An advantage stemming from the use of this scheme is that there is possibility of exemption from repayment of the capital, according to the nature of the project. Also, the procedure for the application is quite easy because Starteo is distributed via the credit organizations and venture capital companies and the starter who wishes to have recourse to it, refers to his/her own credit organization.

Table 5-3: Main characteristics of “Starteo”

Type of loan	Subordinated loan		
Period	Period of 5, 7 or 10 years		
Min amount	€ 7.500		
Max amount	€ 250.000 limited to	Max amount For take-overs	€ 350.000 limited to:
	to the amount of the loan granted by the credit organisation		to the amount of the loan granted by the credit organisation
	4 times your personal capital contribution		to 35% of the business investment if the amount of the requested intervention exceeds € 250,000
Interest rate	the credit-oriented bank rate less 1.25% with a floor equivalent to the Belgium Prime Rate (BEPR), Reduced rate of 3%, during the first 2 years		
Repayment	Possibility of a period of capital repayment grace of 1 to 2 years, according to the nature of the project		
Collaboration with F.I.	Yes		
Guarantees	A minimum of guarantees required from the applicant & the same time a guarantee issued for Starteo under the EC's Competitiveness and Innovation Framework Program.		

Source: Own research

5. Optimeo

Optimeo is intended for the self-employed, small companies and for professional people who are seeking to finance the expansion of their activity as well as for companies active for a minimum of four (4) years. Also, the procedure for the

application is quite easy because Optimeo is distributed via the credit organizations and venture capital companies and the starter who wishes to have recourse to it, refers to his/her own credit organization.

Table 5-4: Main characteristics of “Optimeo”

Type of loan	Subordinated loan - Reduced rate of 3% for 2 years		
Period	Period of 5, 7 or 10 years (According to the nature of the project)		
Max amount	€ 250.000 limited to	Max amount For take-overs	€ 350.000 limited to
	to the amount of the loan granted by the credit organisation		to the amount of the loan granted by the credit organisation
	3 times your personal capital contribution		to 35% of the business investment if the amount of the requested intervention exceeds € 250,000
Interest rate	the credit-oriented bank rate less 1.25% with a floor equivalent to the Belgium Prime Rate (BEPR)		
Repayment	Possibility of a period of capital repayment grace of 1 to 2 years, according to the nature of the project		
Collaboration with F.I.	Yes		
Guarantees	A minimum of guarantees required		

Source: Own research

6. BUSINESS ANGEL +

This particular measure refers to innovative companies that are starting with a Business Angel. The Business Angel+ loan is intended for entrepreneurs whose company is in a launch phase, or which has reached a stage of strategic development for the future of the business, and which does not have access to traditional bank credit because of the innovative or technological nature of the project. Important to mention at this point is the Participation Fund has signed a co-operation agreement with the Business Angels networks. The projects are preselected by the Business Angel network, which proposes them to potentially

interested Business Angels. The Participation Fund gets involved when the “matching” is nearing a conclusion.

Table 5-5: Main characteristics of “Business Angel +”

Period	5, 7 or 10 years
Max amount	€125,000 by means of a contribution from the Business Angel(s) and the creator/entrepreneur(s) > or = to the Participation Fund’s loan
Interest rate	fixed interest rate
Repayment	1 to 3 years of capital repayment grace
Guarantees	A minimum of guarantees required but the Business Angel+ loan benefits from a guarantee issued under the European Community's Competitiveness and Innovation Framework Program.

Source: Own research

7. Win-win

This scheme consists of an affordable loan from friend, relative or acquaintance and is provided in order to encourage private funds available to start-ups. The one who as a friend or relative a Win-win grants starting business, receives an annual tax reduction of 2.5% of the loan amount. For young entrepreneurs, the easier thanks to the Win-win in their immediate vicinity starting capital.

Table 5-6: Main characteristics of “Win-Win”

Type of loan	Affordable subordinated loan from friend, relative or acquaintance.
Period	8 years
Max amount	€ 50.000
Repayment	Repaid at once
For the Investor	
Annual Tax	Reduction of 2.5% of the loan amount
Condition	If the borrower of the subordinated loan was not able to pay back, the investor gets 30% of the non-reimbursed through a one-time tax refund

Source: Own research

8. SME Portfolio

SME portfolio is a quite recent measure which provides grants towards training and advice on entrepreneurship, innovation and internationalization. It consists of an electronic payment for SME's and professional services can purchase a service. This service is aimed at improving the current or future performance of the company and is provided by authorized service providers. There are certain sectors such as agriculture and horticulture, fisheries, transportation and many companies remain excluded from the aid, simply because there is another support mechanism which applies to them.

Main characteristics of this policy are that the Flemish government pays 50% to 75% of the entrepreneurship promotion services, with a maximum of € 15,000 per calendar year, and as a result the company must pay 25% to 50% of the service. Also, in order to avoid one of the services to be overstretched, the subsidy separates each portfolio in three pillars.

1. Training can be maximum € 2,500
2. Entrepreneurship & Internationalization are limited to € 5,000
3. Advice on innovation is limited to € 10,000.

9. Young Self-Employed Plan

This loan is focused on unemployed jobseekers under the age of 30, who will become self-employed for the first time. Also, the support program includes some sectoral restrictions on the agriculture, transport and export. Certain steps which structure the acquisition and the follow up of this loan are described hereby:

STEP 1: Preparation of the Project with the support of a professional

The candidate whose project has been approved by the Participation Fund is supported free of charge in what he or she does by a mentoring structure, for a period of 3 to 6 months. This support is adapted to the starter's needs: the chosen mentoring structure advises him or her on the activity that he or she wishes to start, informs him or her on the administrative formalities to be accomplished, proposes suitable training courses, and so on. A young person without income will benefit from monthly expenses of €375 for the preparation of his or her project, as well as an establishment allowance paid by ONEM. If

he/she receives a waiting allowance, he/she will also be able to accumulate it with €375/ month from the Participation Fund.

STEP 2: Financing the Project

At the end of the support phase, a Starter Loan application is made to the Participation Fund, which examines the project's economic and financial feasibility. If the loan application is justified, the starter can count on a fast decision from the Fund. For a more consequential project, the Starter Loan can be combined with a Starteo. Note that the entrepreneur who financed his business with a Starteo, another product of the Participation Fund, may also use the support 24 months after the start of the activity (of course provided that it meets the requirements of the Young Self-Employed Plan).

STEP 3: Subsistence Tranche

A young starter also has the possibility of obtaining a loan (maximum €4,500) to provide for his/her needs during the first months of his/her activity. This special tranche of the Starter Loan, interest free, is repayable in the sixth and seventh years.

STEP 4: Support after the creation of the activity

After the granting of the loan and the start-up of the company, the mentoring structure continues to guide and advise the starter during the first 24 months of activity. The entrepreneur who finances his or her company by a Starteo can also have recourse to a 24-month period of support after the start of the activity provided he or she meets the conditions of the Young Self-Employed Plan.

10. Start Loan

The Starter Loan can only be granted to private individuals. This loan is intended for the unemployed on full benefit, for jobseekers registered for at least three (3) months with the regional employment office, and for beneficiaries of waiting allowances or integration income wanting to set them up as principally self-employed or to create a company. If the case is one above, a condition is that the applicant must have the majority of the shares and be responsible for its daily management, because the self-employed has three possibilities:

- to work alone;

- to become constitute with other associates, jobseekers or not, a company or an unincorporated association, where he/she becomes an active associate;
- to be self employed and an active shareholder of an existing association or company.

Note that the Starter Loan can be accumulated with a Starteo. However, in this case, the applicant must meet the conditions in force for that loan. Moreover, the amount of the two loans added together may not be higher than the maximum Starteo amount. Further, Start loan imposes restrictions on the agriculture, transport and export sectors.

Table 5-7: Main characteristics of “Start Loan”

Type of loan	Subordinated loan for financing of tangible, intangible and financial investments, or for the financing of the working capital requirement accompanying the launching of the business or the implementation of the investment project		
Period	5, 7 or 10 years		
Max amount	4 times the liquid monetary contribution, either via ones own contribution, or via an additional loan	Min amount	€ 30.000
		In theory, there are no minimal amounts, but in principle it is preferable for applications < €5,000 to be financed in some other manner	25% self contribution (via bank credit or equity)
Interest rate	Fixed interest rate of 4% A reduction of the rate to 3% is granted for the first two years if the recipient effectively follows the support and guidance that is offered free of charge by one of the mentoring structures of his/her choice		
Repayment	Constant monthly payments.		
Guarantees	No guarantees		

Source: Own research

At this point is remarkable to mention some special characteristics which this loan provides. To provide further support the Participation Fund has entered into a partnership agreement with various structures specializing in supporting starters. They are required to assist the applicant in accomplishing his/her loan application. Furthermore, once the Participation Fund’s assent has been

obtained, the recipient can enjoy support that covers the first 18 months of his/her independent activity. The mentoring structure will assist him/her in particular during the launch of his/her independent activity.

- The interested party whose project has been approved receives free support for 3 to 6 months in order to prepare his/her project. He/she is advised on his/her activity, the administrative steps, and the training that would prove to be necessary.
- If he/she is without income, the interested party will receive €375/ month for the pre-creation support period as well as an establishment allowance.
- If he/she receives a waiting allowance, he/she will also be able to accumulate it with the monthly expenses of €375 from the Participation Fund.
- At the conclusion of this period, he/she can apply for a Starter Loan.
- The young starter also has the possibility of obtaining a loan of €4,500 to provide for his/her needs during the first months of his/her activity. This special tranche of the Starter Loan, interest free, is repayable in the 6th and 7th years.
- The same mentoring structure will remain at his/her side after the granting of the Starter Loan for follow-up during the first 24 months of his/her activity.

In case of **cessation of activity** during the first five years, and if it is beyond the control of the person concerned, the Participation Fund can regard it as involuntary and in this case no other repayments would be required. The person concerned must however provide proof of this situation, at the latest within the three months of the cessation. If this cessation occurs for any reason within nine years of the beginning of the activity, the right to unemployment benefit remains intact.

The case of **debt remittal** has been expressly defined by Royal Decree: in the event of bankruptcy, legal settlement with transfer of goods and death; also in the event of force majeure or of lack of viability of the discontinued activity, measured over a significant period, and beyond the control of the person concerned. The amount of the remittance is taxable, on a personal basis, for the tax period during which the debt remission decision is definitively taken by the Participation Fund's Board of Directors. According to ITC 92 Article 171, 5°, this

income is taxed at the average rate applying to all of the assessable income of the last prior year during which the taxpayer had a normal business activity.

So far, there is no doubt that the support from the Belgian government is much more concentrated and completed towards the heterogeneous needs of SME's and of the entrepreneurial activity. Nevertheless, in Belgium the numbers, as it has already been explained, do not reach a satisfying level. These measures and organizations are quite recent therefore some additional time is required in order to evaluate completely the efficiency of what has been done. The evaluation of the ten selected measures includes the potential to explain to a certain degree which characteristics are the most attractive and if these measures can be used as best practices in other countries' needs and more specifically in the Greece case for the purpose of this dissertation. Moreover a critical approach is always necessary and can provide useful insights for further development or transformation of the schemes.

6. Outcomes of the exploratory research

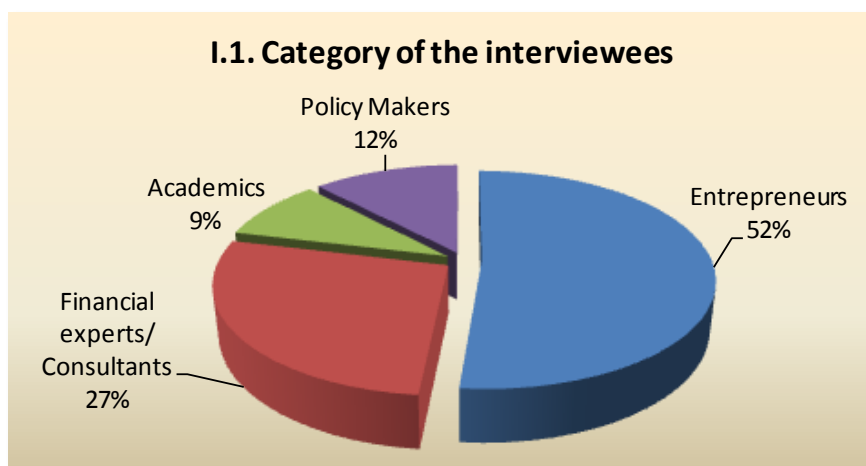
In this section both qualitative and quantitative results from the exploratory research are presented.

6.1 QUANTITATIVE RESEARCH OUTCOMES

Firstly, the data that derived from the quantitative questions of the interview guide are provided. The quantitative facts are useful in order to give information on the sample, but not for drawing conclusions upon the topic and the financing schemes examined.

As mentioned previously, in the sampling approach paragraph (“Sampling approach”), the interviewees are grouped in four different categories. In total the sample is consisted of 33 respondents. 17 of the interviewees of the sample belong in the category of “Entrepreneurs”, a percentage of 52%. To mention that from the 12 of the 17 entrepreneurs - 36% of the sample and 70% of the group of the “Entrepreneurs” - are start up entrepreneurs. 9 financial experts gave their opinion on the topics discussed (27%), 3 academics relevant to the issues raised which consist 9% of the sample, and finally, 4 policy makers in different areas of authority replied to the questions, a percentage of 12%. In the following figure (Figure 6-1) the four categories are depicted.

Figure 6-1: Category of the interviewees of the sample

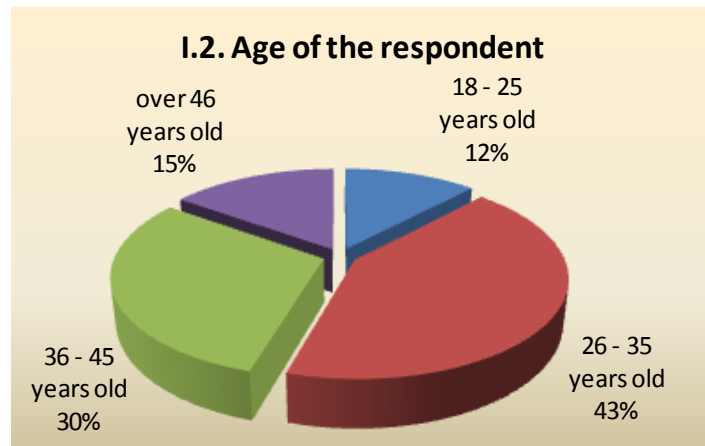


Source: own research

In the figure (Figure 6-2) that follows the interviewees are categorized in groups according to their age. Four age categories were identified as the most relevant, from 18-25 years old, from 26-35 years old, from 36-45 years old and from 46

and over years old. More precisely, 4 interviewees are between 18-25 years old (12%), 14 respondents are 26-35 years old (43%), 10 belong in the group of 36-45 years old (30%) and the rest 5 are over 46 years old (15%).

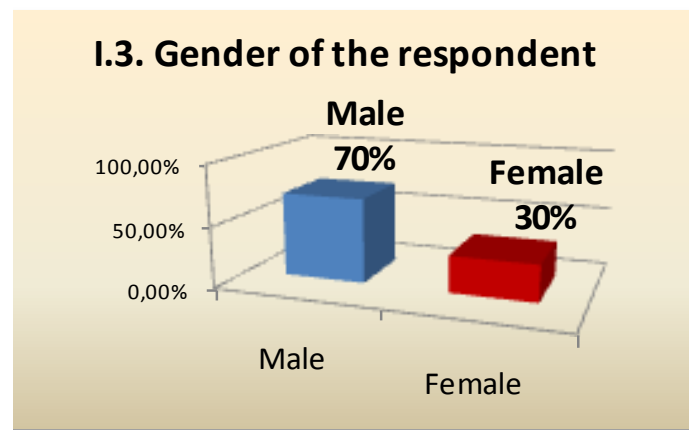
Figure 6-2: Categorization of the age of the interviewees



Source: own research

In the next figure on the left side (Figure 6-3), the gender of the respondents was identified. 70% of the sample was consisted by male (23 out of 33), while the rest 30% was consisted my female.

Figure 6-3: Gender of the respondents of the sample



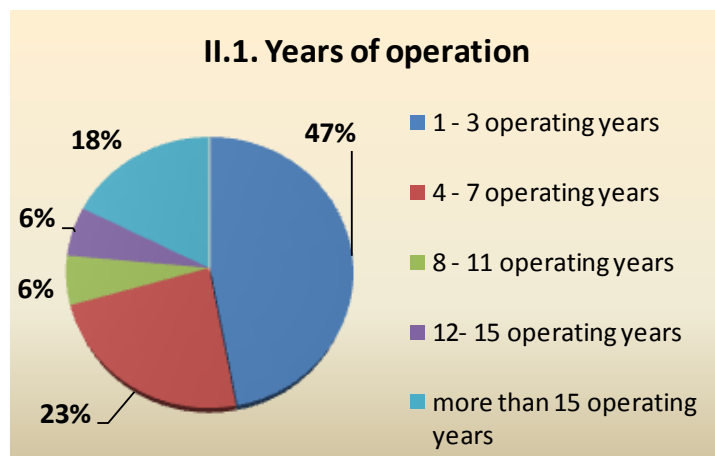
Source: own research

In the following figure (Figure 6-4) the years of operation of the companies that are involved in the sample are categorized in five different groups. The five categories divide the companies into groups that operate from 1-3 years, from 4-7 years, from 8-11 years, from 12-15 years and from more than 15 years.

8 companies of the 17 (47%) are operating from 1 to 3 years. 4 companies are operating from 4 to 7 years (23%). Also 2 companies are operating in the market from 8 to 15 years and finally 3 companies existing for more than 15 years in the market. The last 3 companies are included in the sample in order to receive feedback and information from more experienced entrepreneurs.

Also, in three cases of the 5 that operate for more than 8 years, the descendants of the entrepreneurs are running the business at the moment. Thus, the insights received are valuable, as they comment on how they perceive new funding opportunities according to the current needs and according to opportunities for expansion of activities and/ or renovation of facilities.

Figure 6-4: Years of operation of the SME's in the sample

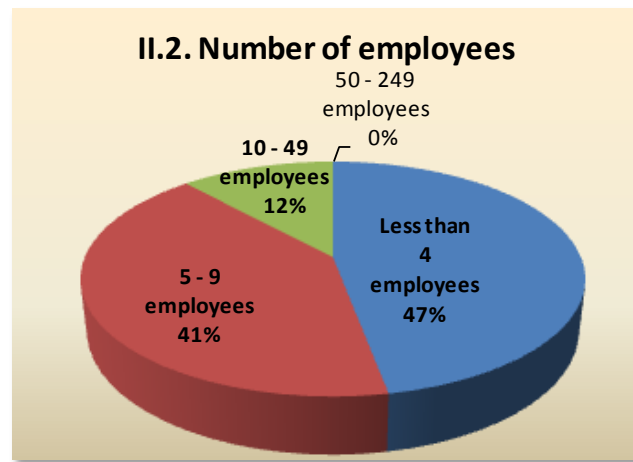


Source: own research

Another figure (Figure 6-5) is presented to depict the number of employees in the 17 companies of the sample. The groups used to categorize the SME's are the four categories used officially by the EU when defining the SME. The categories are: (i) Less than four employees, (ii) 5-9 employees, (iii) 10-49 employees and (iv) 50-249 employees.

8 companies of the 17 (47%) employ less than 4 employees which are mostly family businesses. 7 of the 17 of the companies in the sample (41%) have 5 to 9 employees to run their activities and 2 of the companies in the sample (12%) employ from 10 to 49 people. Finally, in the sample none company with 50 to 249 employees was included.

Figure 6-5: Categorization of the SME's of the sample according to the number of employees

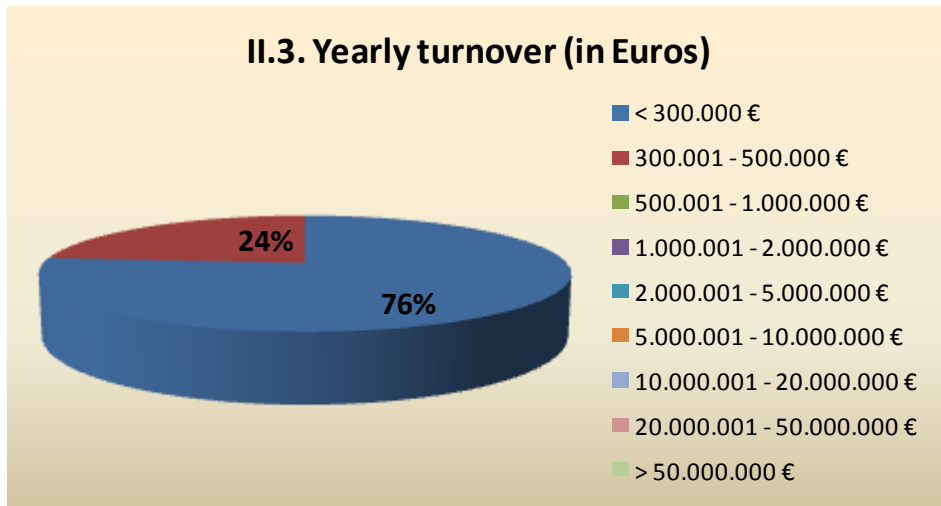


Source: own research

The last characteristic examined from the SME's included in the sample is the yearly turnover of their activities. 9 categories are created in order to categorize the ventures. The categories were built gradually by increasing the amount of the turnover in order to include many different possibilities. Less than €300.000, from €300.001 to €500.000, from €500.001 to €1.000.000, from €1.000.001 to €2.000.000, from €2.000.001 to €5.000.000, from €5.000.001 to €10.000.000, from €10.000.001 to €20.000.000, from €20.000.001 to €50.000.000 and from more than €50.000.001 are the groups used to group the companies.

Actually 3 categories finally were used –namely, less than €300.000, from €300.001 to €500.000 and more than €500.001 are the three categories - but the prior selection of groups was necessary, as the interview guide was created according to the needs of the research and in order to present concrete results. As seen below in the figure (Figure 6-6), the great majority of the companies, more than 3 in 4 companies (76%) present yearly turnover lower than €300.000. Only 4 companies of the 17 (24%) have a turnover of €300.001 to €500.000 yearly.

Figure 6-6: Yearly turnover of the SME's included in the sample



Source: own research

Below, following the structure of the interview guide, some financial aspects of the interviewees are presented. To point out that this section applies only for the “Entrepreneurs” group because of their relevance to the questions. Also financial experts- because of the type of their profession, academics – because their expertise is relevant to entrepreneurship and policy makers – as they consist part of the government and are relevant to the topics discusses, are all considered to be familiar and aware for the governmental funding possibilities of the SME’s. Also, some questions do not make sense to be answered by the three categories (namely “Financing experts”, “Academics” and “Policy makers”), such as the question of the financing means used for the start up of the company. As mentioned already, such questions are used to give information for the sample. For each question the responses are headed by the relevant title and the replies are grouped wherever possible in order to avoid repeating same answers and comments.

6.2 GREEK ENTREPRENEURS & GREEK FINANCING SCHEMES: QUALITATIVE INFORMATION

Familiarity& knowledge of the financing schemes used for start-up entrepreneurs provided by the Greek government and / or by Greek institutions.

All the respondents were familiar with the financing schemes that can be used for a start up, others to a greater extent, others to a certain extent. The commonly reported measures were the schemes for the support of youth and women entrepreneurship (EOMMEX S.A.), the ESPA financing, Guarantees scheme from TEMPE, financing mechanisms from Jeremie, and the “New Development Law”. The most prevalent among them are the support from ESPA and the support from EOMMEX for youth and women entrepreneurship.

Note that start-up entrepreneurs were not deeply informed for the existing schemes in the market; they usually reported one or two support schemes, combinations of the above. As expected, financing experts and consultants, academics as well as policy makers were really aware of the possibilities of raising funds from different governmental sources.

Financing means used during the start-up phase of the company.

The most common source of finance was the use of personal (own) funds of the entrepreneur. The second most famous source of finding funds was Family and Friends as informal source of financing. Noticeable is the fact that 7 out of 17 SME's of the sample financed their projects purely by own contribution and 4 out of 17 used both own capital and family contribution to realize their project. Despite the fact that the sample is small (consisted of 17 SME's), it is evident once more that own contribution plays a central role in the financing of the SME's. 5 out of 17 used own capital in combination with governmental support relevant at that moment. One SME in the high technology sector is supported by venture capital.

A reason that few entrepreneurs mentioned why they did not apply for governmental support was the fact that they were not eligible in a relevant scheme. Eligibility has to do with the requirements demanded for applying in a certain scheme. To elaborate a bit more, each schemes present a high number of requirements that the applicant has to submit and if he or she does not meet all the requirements, the applicant does not receive the governmental fund. The requirements are different for each scheme and for each institution that supports the relevant scheme therefore reading the call for proposal carefully is required before applying and it can be complicated.

Another reason mentioned for not applying for governmental support was the fact that no measure was relevant to the needs of the venture at that time. Most of the provided governmental mechanisms are open to apply at certain moments in the year. The submission is taking place in certain periods and earlier or later, applications for funding are not accepted. Therefore, when entrepreneurs identify an opportunity and want to apply for governmental financing support it is possible that at that time they cannot submit their application. Second round for submitting application can occur, but the dates are not announced in specific periods of the year. For these last cases, the interviewees were further asked for the date of initiating their project. Unfortunately it came out that in some cases there were some financing mechanisms at the moment they wanted to initiate. This evidence creates questions on how and to what extent the schemes were and are communicated to the public.

Reasons for the selection of the type of financing.

For the respondents who made use of personal savings, the main reasoning for this decision was the availability of enough capital to start up their project and also that there was not other choice. Important is to mention that some respondents, expressed insecurity to choosing a loan from a bank because of the current insecurity of the market, insecurity for their ability to pay back the installments of a loan from the bank if the market is not performing according to their expectations or predictions.

Additionally, entrepreneurs who used own capital combined with family and friends' funds report that either they were not really aware of the possibilities of the governmental schemes relevant for their activities or at the time of the initiation there was not any relevant scheme. Most of the governmental schemes cover certain activities to be financed. For example the guarantees scheme provided by TEMPME covers only two categories of expenses for the SME's – social security/pension expenses and purchase of raw material expenses, as it has been explained in the relevant paragraph.

For the ventures for which the funds were combination of own capital and governmental support, the reasoning behind this choice is the fact that there was a suitable scheme provided at the moment the decision was made for the project. Furthermore the fact that they did not have to involve loan banks made the

governmental support very appealing, as bank involvement is followed by high interest rates and the need to provide them with guarantees. The experience concerning bureaucracy was not really pleasant but not as bad as it could be, as it was exactly stated. The evaluation procedures, concerning the governmental support, included some important level of bureaucracy and some necessary but rather superficial activities to be done for the providence of the next installment of the support, as mentioned in some cases. In the occasion of a hairdressers' during the evaluation, the entrepreneur had to make an extra expense in order to receive the next installment of the support, because that was mentioned by the evaluators, she should reach a certain level of expenses.

Interesting was the argumentation of the high tech company included in the sample. It was reported that his business had to do with "Green activities". Nowadays this is a type of company which gets lots of attention and thus finds easier sources of financing because "green planning" is widely accepted and supported. Even venture capitals tend to get more and more interested in such type of activities (as trend, similar to that of the ".com" companies). In addition, venture capitals –usually – if the ROI (Return of Investment) comes later than 2-3 years in the projections, venture capitals are not willing to invest, because of the insecurity of the business environment. As the entrepreneur supported, such discussions took place during the start up phase. Following, the fact that the venture capital accepted to invest ensured that the business plan was well developed and created trust between the two parties and therefore chose this type of financing.

From idea to implementation of the project – period of time needed.

The great majority of the companies – 14 of the 17 (82%) - initiated the activities within the same year from the moment they identified the opportunity and wanted to start up a new venture. They replied that they were able to do so because the great majority, as already mentioned, used own funds or own funds supported by financing coming from family or friends. In three cases the entrepreneur had to wait some time and realized his project within the first and the second year from developing the idea, but the reason for delay lied upon bureaucratic factors (for example, it took time in order to receive authorization for the type of the activity, the necessary licensing from the authorities).

Financing and implementation of the project - period of time needed.

In most cases the funding either was coming from own capital or from friends and family, thus capital was accessible quite easily. Therefore the realization of the project took place regardless the time that usually is necessary to raise funds from different sources.

Hypothesis: If the project was initiated now, the means of financing would be the same or not.

10 out of the 17 (59% of the entrepreneurs) were quite satisfied with the source of finance they used for the start up of their business and stated that they would not change it.

On the other hand, a non-negligible number 7 out of 17 (41% of the entrepreneurs) made some interesting comments on this question. 3 out of 7 would change the way of financing totally and 4 out of 7 would like to apply for governmental support. These respondents supported that they would try to make use from governmental schemes if they were available at that moment. Some of them reported that they would like some support for liquidity reasons, for example in order to cover human resource expenses or to expand their business. The latter was significantly appealing in the case of the construction company. As mentioned above, support for different activities is published in certain dates and for specific periods of time; therefore many businesses cannot participate when they actually need it.

Furthermore, young entrepreneurs – mainly below 30 years old - mentioned that the support targeted to youth entrepreneurship would seem attractive, but they mentioned the same reasoning as above – the time of initiation and the time for submission were not compatible - and also the fear of the potential bureaucracy included when applying for such schemes and during the evaluation.

The next two paragraphs refer to questions which were made in order to identify whether the companies included in the sample needed further financial support the within the years of operation and also for which reasons they did so, and finally which were the sources of this financing.

Further financial support within the years of operating

The majority, 13 of the 17 companies (76%), did not need further financial support during the years of operation.

The rest 4 of the 17 companies responded that they required extra financing during their operation (24%). Two companies (12%) needed further support for investments in equipment and renovation in the buildings. One company, the construction company required support for expansion of the activities. Last, one more, the high tech company required further financial support because of lack of liquidity.

In case of further financial support, the source of the fund and reasoning.

From the above mentioned four cases that required extra funds to cover needs of the companies after the start up, from those who made investments in equipment and buildings, one used informal financing. The other company initially applied for participation in the guarantee schemes (provided by TEMPME), but the application finally was not authorized, therefore the entrepreneur applied for a bank loan. In the case of expansion of activities of the construction company a bank loan was requested. The lack of liquidity of the high tech company was covered by the venture capital.

In the following paragraphs, the evaluation of the ten selected financing schemes provided by the Belgian government is presented. The evaluation was realized from all the categories of interviewees. The outcomes are grouped in order to avoid repeating same answers and comments. In the end, a table follows according to each group of respondents' replies, its general reactions and important remarks for the same scheme are presented. The table proves to be revealing for each group's position towards the scheme, as in some cases reactions are similar, but it is more interesting when group(s) presents positive attitude for such a scheme, while other group(s) presents negative attitude or criticism towards the same scheme.

6.3 OUTCOMES OF THE EVALUATION OF THE TEN BELGIAN SCHEMES

1. PREMIUM GROWTH

Subordinated loan¹² to support activities of SME's, the investments should be realized within 3 years, the interest rate of the loan is fixed and the amounts vary from €12.500 - €25.000.

The most attractive characteristic of this loan is the absence of guarantees and the fixed interest rate. The fixed interest rate gives the opportunity to have controllable installments, cash flows and expenses during the repayment period. It was also clearly stated from many respondents that the 3 years period for realizing the project seems very appealing to Greek case for two main reasons. First, it allows the entrepreneur to have access to the financing regardless of potential delays because of bureaucracy or because of other inhibitory factors. Second, the realization of 3 years after the granting fits very well with the amount of investment (no more than € 25.000) and provides flexibility for the investor.

This type of loan can be adopted by Greek investors who have already issued a viable business plan which can be implemented into a period of no more than 3 years, because if the business plan is not complete perhaps the investor needs more time. Another proposition was the use of this loan for some type of expansion or renovation and not for start-up because of the small amounts included. The academic evaluation pointed out that the subordinated nature of this loan is really attractive. The fact that this loan comes as a second priority to other obligations allows the entrepreneur to focus more on his business activities. Also, it sounds attractive for the same reason as the lack of guarantees. The entrepreneurs feel that receive trust from the lender, as the risk is on the lender with the agreement of a subordinated loan.

The acceptance was expressed for this type of loan apart from its characteristics, because of its feasibility to handle especially in the Greek reality.

But also some criticism made upon the amounts in the sense that it is focused on small scale investments and therefore bound the possibilities of the entrepreneur. For example, for the constructing company this was not appealing

¹²Debt that is either unsecured or has a lower priority than that of another debt claim on the same asset or property, also called junior debt.

as the amounts are relatively low. An entrepreneur mentioned that it would be interesting for some type of renovation in his business, but for sure the amounts would not be enough for expanding the range of activities in his business. Another point which seems problematic in the Greek case is the absence of guarantees because of the current situation of the Greek government and economy.

Table 6-1: Summary of the respondents' reactions towards "Premium growth"

PREMIUM GROWTH	
Group of interviewee	General Reactions
Entrepreneurs	Support the usefulness of such a loan, the amounts can prove beneficial for supporting various expenses, amounts are realistic to handle and control. Favorable characteristics, for example fixed interest rate and 3 years for realizing the project.
Financial experts	Such a loan focuses only on small scale investments. Characteristics seem quite good, but lack of guarantees is an issue in the Greek case.
Academics	The amounts are small in order to say that "Premium Growth" fosters entrepreneurship, but might be helpful for small investments. Problems with lack of guarantees exist in the Greek business environment.
Policy makers	Even though the amounts seem small, the support of such a scheme can prove helpful for small businesses, possible to cover certain needs and as small businesses broadly exist in the Greek market.

Source: own research

2. SOLIDARITY LOAN OR MICRO LOAN

Solidarity Loan intends to people who do not have access to bank credit and who have difficulty in acquiring the starting capital because of their financial position. Finances viable projects of maximum amount of €12.500, with 5% fixed interest rate and 3 months grace repayment period and 24 months free guidance.

It was not possible to identify one or two most attractive characteristics for the Micro Loan, as all respondents were referring to the different features according to the different needs that different projects present. The stability of the interest rate of 5% is reported as really important for the control over the loan and comparing to the interest rate of the Greek bank loans, the 5% is low. On the other hand, worth to mention that some respondents support that the rate is high for such amounts granted. Yet, the free guidance was really interesting for all the categories of the respondents and in cases guidance was the first mentioned among the favorite characteristics. The fact that there is guidance for even such a small amount secures from the waste of money in activities and guarantees that the investment can be successful, even more effective than the initial idea. The absence of guarantees is widely appreciated by all respondents as it consists of a very crucial obstacle for the moment in the country. Nowadays there are many people whom a bank usually do not trust and especially avoid giving loans. For these reasons it is meaningful to adopt it in the Greek market.

One contradiction was revealed for the Micro Loan. All the entrepreneurs of the sample supported that the range of amount granted from the loan is small but such a characteristic makes it easy to handle and interesting to apply for. Start ups – in case the entrepreneur lacks small amounts – as well as small investments become realistic with such a loan. On the contrary, Micro loan received some criticism over the amounts provided. Some of the financing consultants and academics support that the amounts are very small for any type of investment and it is not possible to substantially foster entrepreneurship and maybe not even worth it to apply and get involved with bureaucracy for a loan of this size. Bureaucracy seems to be correlated with applying for a financing support scheme. Policy makers also followed this perspective and they again pointed out the problem of the Greek situation at the moment, the fact that it is not really possible for the government or for governmental organizations to guarantee for the loans.

Table 6-2: Summary of the respondents' reactions towards "Micro Loan"

SOLIDARITY OR MICRO LOAN	
Group of interviewee	General Reactions
Entrepreneurs	The scheme is widely approved because of its feasibility to handle the small amounts. Small amounts can prove valuable for a start-up if the entrepreneur does not want to engage with large loans. Free guidance seems very appealing, maybe more than the amount itself. Lack of guarantees is really crucial as young entrepreneurs most of the times are not able to provide.
Financial experts	Very small amount of money for investments. It can be useful in some specific cases, but does not boost investments. The fixed interest rate is favorable; the 5% is low comparing to banks' rates, but maybe seem high for such small amounts.
Academics	With such amounts entrepreneurial activity is not substantially enhanced. The guidance gives another direction of "Micro Loan" being only a financing support scheme, but still it does not really help businesses to start-up. In the Greek situation the problem would more importantly be in the lack of guarantees.
Policy makers	Amounts are rather small for start-ups. The characteristics, i.e. 5% fixed interest rate, 2 years of free guidance, could be used for higher amounts, and thus entrepreneurs can support their activities. Lack of guarantees is a topic to discuss again.

Source: own research

3. DEPOSIT SCHEME

Governmental guarantee for business loans and venture capital of the 75% of the amount. It is provided when banks support the project, but their demand for securities is up to a level that the entrepreneur cannot give.

The high percentage of guarantees is the most attractive characteristic, although it is not really meaningful to report because the scheme does not have many features. Such a scheme was appreciated by the respondents and reported that it substantially supports start-ups. Many people want to implement ideas but at the same time they have no property which could potentially be the guarantee or collateral for applying for a bank loan. Also, it seems flexible with the amounts that can be granted.

Most of the financing experts were familiar with a similar scheme existing in the Greek market and supported that it underperformed in Greece. The reasons some respondents mention for the fact that it was not successful in the market are the procedures involved to apply for it. In addition, the interviewees reported that in Greece, this type of support is provided for very limited categories of expenses, namely it is provided to support liquidity for paying tax and insurance commitments or everyday functional needs of the company¹³.

Also, there was consensus that at the moment it is really hard to adopt it in the Greek case because the government cannot guarantee for such support. Especially in the current situation the government is struggling to deal with more substantial problems, even tries to guarantee for the country's loans.

Table 6-3: Summary of the respondents' reactions towards "Deposit scheme"

DEPOSIT SCHEME	
Group of interviewee	General Reactions
Entrepreneurs	Interesting and helpful because of guaranteeing high percentage, as usually young entrepreneurs and not only, lack of having guarantees to provide the banks.
Financial experts	A similar scheme ran in Greece but without great success. Procedures sometimes were long and two

¹³Note that in paragraph (Organizations, institutions & support programs), comments on the similar scheme provided in Greece are presented.

specific categories were eligible (support for paying the social and pension securities expenses to the state, and support for purchasing raw material, commodities and services) which might limited the possibilities of businesses to benefit from it.

Academics

There is a similar one in the Greek market but it underperformed because banks faced illiquidity issues and thus problems occurred while providing the loan.

Policy makers

There is a similar one in Greece which guarantees 80%, there were some problems, but businesses seem to approve it.

Source: own research

4. STARTEO

Starteo is targeted to self-employed persons or start-up SME's or SME's active for a maximum of 4 years. A subordinated loan with minimum guarantees is provided for the launching of a new company or a new self-employed activity. The period of investment varies from 5 to 10 years and the amount provided from €7.500 to €250.000 according to the nature of the project. The interest rate received a 1,25% of reduction and there is possibility of grace repayment period of 1 or 2 years.

Starteo's most appealing characteristics, reported by the great majority of respondents, are the reduction of the interest rate and the grace period for the repayment. It was broadly stated that the grace period is really helpful because it provides the entrepreneur with flexibility during the first years which are usually the most crucial. Also, the investor is focused in the efficient operation of his project the first "difficult" years and he is not stressed with the installments of the loan.

Minimum guarantees are apparently positively perceived by the respondents. But, once more, such a possibility in the current situation of the country raises doubts about how it can be feasible.

It was widely recorded that it is a scheme that can boost investments because the amounts are quite high – the maximum is even too high for the Greek business environment, as it was stated by two respondents. Moreover, the time given for

the investment allows the entrepreneur to take time so that he can realize the project appropriately. Important characteristic that was stressed out is the level of own funds contribution by the investor. The engagement with the fund which will be granted is serious, but most importantly not prohibitive; therefore the investor is seriously attached with his activities and devotes the essential effort to realize the project.

Another point which was mentioned was the take-over possibility with Starteo. The amounts and in general the structure of the scheme, is really attractive because someone may foresees an interesting opportunity and it allows to realize it even if the entrepreneurs is lacking the necessary capital.

In addition, some concerns were expressed for factors that can have an effect on the scheme's efficiency and perhaps create difficulties in the adoption in the Greek market. One important reason is cultural and lies upon the fact that many people consider such types of financing support as money to take advantage of for various reasons and not only to invest them for the reason they applied for. Thus, there is the fear of important "escape" of funds - loss of money -by providing them with minimum guarantees. The fact that the granted funds are percentage of what the investor provides does not guarantee that the money will not be used for diverse reasons, therefore the need for a controlling, but flexible (in order to avoid bureaucracy) is necessary.

Finally, the need of evaluation of the business environment before the investment was supported by few respondents. A project might seem very well designed, but the factors of the environment in which this project will run and their impact have to be examined in detail.

Table 6-4: Summary of the respondents' reactions towards "Starteo"

STARTEO	
Group of interviewee	General Reactions
Entrepreneurs	"Starteo" was very well perceived by all the respondents as the most complete and the best designed scheme to support entrepreneurship in the market and the activities of the businesses in general. The range of the amounts, the reduction in the interest rate, the minimum guarantees necessary were all
Financial experts	
Academics	
Policy makers	

approved and reported as very supportive. The later – minimum guarantees though, mentioned again as a discussion point for the Greek case.

Source: own research

5. OPTIMEO

Optimeo is targeted to self-employed; SME's active for a maximum of 4 years and for professional people who are seeking to finance the expansion of their activity. A subordinated loan with minimum guarantees is provided for the expansion. The period of investment varies from 5 to 10 years and the amount provided from €7.500 to €250.000 according to the nature of the project. The interest rate received a 1,25% of reduction and there is possibility of grace repayment period of 1 or 2 years.

As Optimeo's characteristics are the same with Starteo's most respondents attributed the same comments concerning the characteristics of this scheme. Interest rate and grace repayment period are the most favorable characteristics followed by the rest features that are well appreciated by the interviewees. Criticism only appeared concerning the amounts for expansion. Perhaps even higher amounts could be granted for expansion activities. The take-over possibility includes also the chance that an entrepreneur can enrich the range of existing products and/ or services or even change the direction of his activities. Some further comments appeared though. Few respondents support that this scheme can perform better than Starteo because the venture already exists in the market and a further project can be based on the existed. This can render the new project more secure.

Moreover, doubts were expressed for the current situation. Even if entrepreneurs are willing to expand their business, the scheme might not be broadly accepted because of the insecurity that exists in the market.

Table 6-5: Summary of the respondents' reactions towards "Optimeo"

OPTIMEO	
Group of interviewee	General Reactions
Entrepreneurs	"Optimeo" was positively perceived from all

Financial experts	respondents. The characteristics are the same with “Starteo” therefore they received the same approval, but as “Optimeo” is focused on expansion of activities, it was even better approved. The reasoning lies behind the fact that an existing company is more “secured” than just the idea of starting up a business. Doubts about potential underperformance of such a scheme refer only to the current Greek environment for businesses.
Academics	
Policy makers	

Source: own research

6. BUSINESS ANGELS

Business Angels scheme refers to innovative companies that are starting with a Business Angel. The loan is intended for companies in a launch phase, or at a stage of strategic development for the future of the business and which does not have access to traditional bank credit because of the innovative or technological nature of the project. The projects are preselected by the Business Angel network. The period of investment varies from 5 to 10 years and the amount provided is up to €125.000 according to the nature of the project with fixed interest rate with minimum guarantees and from 1 to 3 years capital repayment grace. (Also, own contribution is necessary from the entrepreneur and/ or the Business Angel).

The fixed interest rate proved to be the most appealing feature because it makes feasible the control of the installments and secures from negative -for the benefit of the entrepreneur- fluctuations of the interest rate. Following, the existence of Business Angels for the realization of an innovative project was broadly supported as a crucial aspect for such projects. Business Angels could be a powerful element of growth for Greek economy which lacks of organization in the public sector and liquidity in the market, suggest an interviewee. The fact that there is an experienced party while realizing the project seems very important to the majority of the respondents. The duration of the program and the possibility of grace repayment period were also mentioned occasionally as quite strong elements of this scheme.

Additionally, few interviewees stated that such a scheme can prove important for youth entrepreneurship; as it is the young people who have innovative and new ideas, implement research and usually they do not have the funds or the access to finance to realize it and they possibly lack experience.

Furthermore, it was reported that can be ideal for investors who are interested to do business with the results of the technological progress and incorporate academic research.

A point that received critics is that the amount of €125.000, which is the fund provided, maybe is not sufficient for really innovative projects. Some respondents were even definite that the amount is not sufficient for such projects. The argumentation was that for some high-technology projects the initiation of a company requires up to €100.000 for a single specialized machine. Crucial are the concerns raised upon this scheme for the Greek reality. One question mentioned from couple of respondents was "Who will be the Business Angel in Greece? ...the Greek market is less mature." Therefore, some think that it is very difficult to establish this program in Greece. One more interviewee supported that there is not really deep orientation towards technology and innovation in the country and for this reason the scheme will not be efficient in the market.

Last but not least, noticeable is a mentality problem in Greece, stated by an academic. The entrepreneurs in Greece face serious difficulties to provide shares to a potential investor, such as the business angel. The support from Business Angels as idea is really encouraging for entrepreneurs interested in this type of projects, but we should find a mechanism and in general a way to overcome such obstacles.

Policy makers referred to the General Secretariat for Research and Technology which includes mechanisms to boost innovative projects to enter the market, but they doubted whether the current Business Angel network of the country has the desirable performance or if it is able to provide the relevant support.

Generally, the scheme was suggested for adoption in the Greek market, despite the criticism in many cases. It would be useful, because it would be the only solution to take a loan for an innovative and risky project, especially at the current situation.

Table 6-6: Summary of the respondents' reactions towards "Business Angel+"

BUSINESS ANGEL +	
Group of interviewee	General Reactions
Entrepreneurs	The idea of having a Business Angel to support the start up and then the financing seems very appealing to this group of respondents. Young people usually have the innovative ideas but they also need financial as well as experienced support for implementing them in the most efficient way.
Financial experts	As the Greek environment is less mature at the moment, there are doubts concerning the Business Angel network and who will provide the support that a Business Angel can do. Despite this, support of such a network could prove valuable for the market and what innovation can bring in the market.
Academics	"Business Angels" is a very useful mechanism for the businesses. The scheme is appealing for the support that the network can provide combined with financing boost. Though, mentality problems should be taken into consideration, such as the negation of entrepreneur to easily provide shares to the Business Angel.
Policy makers	General Secretariat for Research and Technology is more responsible for these types of innovative projects. Business Angels networks and their activities are not very famous in Greece.

Source: own research

7. WIN-WIN

Win - Win is provided in order to encourage private funds available to start-ups. A friend or relative is provided a loan up to €50.000 for investment and receives 2,5% of reduction in the annual income. The repayment takes place in 8 years at once. The investor is secured by the government in case of not being repaid.

Rather controversial are the arguments for this type of scheme. The majority of the respondents appear partly positive towards such a support, but hesitant towards the implementation of such a mechanism in the Greek market.

Firstly, the interviewees clearly state that the bonds within the Greek families and among friends appear to be very strong; many support that the bonds are might be the strongest in Europe. This characteristic can function both as the key success and the key failure factor. It is clear that the “win-win” scheme can provide one more reason for a family member or friend to provide his funds for investment. And for the investor such funds provide immediate access to finance as the amount can be appropriate for start-ups. These are the elements for being a successful support scheme.

Concerning the case that money comes from parents and family, interviewees report many obstacles which can prevent Greeks from using such a possibility. The reasons are mainly relevant to cultural barriers. The mentality towards this source of finance in Greece is different, maybe misunderstandings will be created because of ethical reasons. Parents in Greece give their money to their children without having the need of any type of motivation. Even, in the repayment, many parents usually refuse to receive money back and this might create problems in the evaluation of the scheme. Another characteristic in the Greek economy is that parents have the possibility to provide to their children capital at no costs, the so-called “parental providence”. Also, cash in bank accounts are not taxed in Greece, not even controlled.

Concerning friends, many replied that both parties will be skeptical and such a motivation - the reduction of 2,5% - may create misunderstanding among friends, friends maybe misinterpret this “opportunity”.

While the benefits for both parties are apparent, the percentage of 2,5% of reduction in the annual income seems low to operate as a motive for investing. Greek parents or friends are providing their funds - if they have them –even with the absence of such motivation. Maybe if the percentage was higher, the reduction could function as opportunity. Mentality and cultural barriers give once more the explanation. The entrepreneur would perceive it better if someone has a real benefit that is why higher percentage can operate as motive. For minimal benefits (as it is perceived the reduction of 2,5%) the entrepreneur

would consider the investor as opportunistic rather than an investor who believes in his abilities.

Policy makers add another perspective to the above mentioned. Supporting that it might be a clever way to convince parents and friends to provide their funds, there is no real reason to do it and “lose” public money by providing the annual reduction, when there is almost no doubt that the funds will be provided anyway by this type of investors.

So finally, the outcomes of the discussion for this scheme are blur and perhaps discouraging for the successful adoption of it in the market.

Table 6-7: Summary of the respondents’ reactions towards “Win-Win”

WIN - WIN	
Group of interviewee	General Reactions
Entrepreneurs	<p>It can prove somehow useful in the Greek market because in most cases the entrepreneurs that were included in the sample – and as seen in the literature review – they used own and family funds in order to initiate their businesses. “Win-Win” seems a clever way to give one more reason to family and friends to provide their funds.</p> <p>But, the problem in the “Win-Win” scheme is cultural barriers that exist. Family will provide the funds whatever the benefit from doing so. Between friends “Win-Win” might create misunderstandings in the sense that friends do not provide funds to have a benefit, but to support their friend. Therefore if there is benefit, it is not well perceived for none party. The investor will not accept the possibility of “Win-Win” as it will mean that he does not trust the entrepreneur or that he just wants the benefit out of it or the entrepreneur would think that his friend want to take advantage of his idea by funding his project. The 2,5% was also criticized as small reduction in the annual income for being a motive to give the financing</p>
Financial experts	
Academics	
Policy makers	

support, a Greek family and friend would do it anyway.

Source: own research

8. SME PORTFOLIO

SME portfolio is designed to provide grants up to €15.000 (per year) towards training (upper bound amount of €2.500), entrepreneurship and internationalization (upper bound amount of €5.000), and advice on innovation (upper bound amount of €10.000). The governmental contribution fluctuated from 25% - 70% of the amount.

For this type of scheme the governmental contribution was the most attractive characteristic for many reasons. Respondents suggest that this type of loan is excellent for companies which need to train their managers and not only. Innovation and internationalization are crucial issues for Greek companies that need to “catch” the train of Europe. Greek companies need programs of this type in order to improve their status and find ways to face the crisis in the market. Other argument for the convenience of the scheme is that enables the entrepreneur to invest in different aspects which are all helpful for the venture to grow. It was also recorded that SME Portfolio can have a great impact on the economy in two directions. First, the scheme it substantially supports trading, enhances exports which can benefit the economy by importing foreign currency. Secondly, employment is increased because consultants and trainers are necessary for the implementation of the scheme, thus flow of money on the market will be enhanced. Even if some entrepreneurs are focusing in such activities, it is prohibitively expensive to implement them, so a grant up to 70% can make them possible and receive all the related benefits. One respondent articulates the usefulness of this scheme by saying “*by the use of such a scheme, there is added value at minimum costs; companies can have services that they wouldn't receive on their own*”.

Moreover, interviewees added that the amounts are feasible to handle and if they were higher it might be excessive without any specific reason. The rather small amounts make the scheme flexible and safe for the investor. Critic was placed from few respondents on the targeted pillars of the scheme. From one respondent an example was given to make this argument comprehensive. “*For the business I am running at the moment, the €2.500 is too high for training. But*

the €5.000 for internationalization is not enough. Again, the €10.000 for consultancy on innovation is too much for such a company. So, the amounts could be distributed according to the needs of the company and the sector the company belongs to”.

The focus on consultancy is obvious but who is doing the consulting in Greece was an issue mentioned from many respondents. It is might possible to find grants for realizing training in Greece but one more obstacle is that there are not many – if any – authorized, by the public institutions, training organizations to organize and implement the programs. The programs existing in the market are not advanced at all. It was added that sometimes, the entrepreneur is aware of the directions he requires on training, internationalization for his activities but cannot find the appropriate trainers for his needs or training services are even very expensive to provide their specialized services.

Table 6-8: Summary of the respondents’ reactions towards “SME Portfolio”

SME PORTFOLIO	
Group of interviewee	General Reactions
Entrepreneurs	“SME portfolio” is well accepted as a very important support to the business activities. Entrepreneurs perceived this scheme as a great opportunity to invest in areas that probably would not do without governmental support. Comments on the amounts of the pillars made that it might be useful to not restrict the amounts as they are mentioned in the scheme, because companies have other needs among them.
Financial experts	“SME portfolio” is useful for the companies that want to be up to date and support their activities even more with training their managers and employers according to current needs. Training institutions is an issue; there is a lack of serious training institutions.
Academics	Such a scheme can provide businesses with new ideas. Training and consulting is always a creative trigger for all the employees in the company.
Policy makers	Businesses can take advantage of such programs.

Adoption of such schemes perhaps can take place through the National Strategic Reference Framework in some cases, if something relevant exists at that time.

Source: own research

9. YOUNG SELF EMPLOYED

The “Young Self-employed” scheme is more a type of consulting support than financing support towards unemployed jobseekers under the age of 30, who will become self-employed for the first time. It is developed in 4 steps, (i) Preparation of the project with the support of a professional (for 3 to 6 months with €375/month during the preparation), (ii) financing the project (own fund or use of Starteo or other relevant sources of funds), (iii) subsistent tranche (an amount up to €4.500 which is interest free, is repayable in the 6th and 7th years for starting the activities), (iv) guidance and support after the creation of the activity for 24 months.

The “Young Self-employed” scheme has not concrete characteristics; therefore the comments on it will be discussed.

Many interviewees support that it is very essential in the Greek market and the needs for the start up. It is really important the fact that supports the idea of a project from the generation and help it be realized in every step and for important period of time. Three entrepreneurs of the sample clearly stated that in his case they would undoubtedly use it. In the current situation and because of the crisis, especially the start-up entrepreneurs are not experienced and do not really know how to face difficulties and escape from a difficult situation, thus the support would be incredibly meaningful. Furthermore, reducing the number of unemployed people which is really big in comparison with the recent past years would prove beneficial in two ways. Both the unemployed that instead of looking for a job they can receive support to become self employed and the governmental organizations do not have to support the unemployed anymore.

Critic was put on the amounts, that they are not really efficient for an unemployed. A young unemployed person in Greece for sure does not have the capital to start -up a company. Therefore the necessity to combine it with other

source of finance can only make it successful in Greece, because stand-alone cannot be useful.

Very few respondents mentioned that the scheme looks too general and maybe is not well comprehensive in Greece and this will make it much less popular.

As stated already that in Greece there is lack of mentoring systems and in general mentoring mentality is not well recognized in the Greek business world yet. There are not organizations at the moment which are able to provide and support mentoring programs, not in the sense that there are not consulting companies but the relevant organizations which provide the financial support do not provided an authorized list of such companies or organizations that the applicants can refer to and trust.

Some policy makers and consultants mentioned that similar type of support exists in the Greek market, but there were various problems in the implementation. One reason was because the financing was postponed for some reasons sometimes and the duties of the consultants were over the time scheduled, thus the entrepreneur was receiving funding without having the consultant to support him anymore.

Table 6-9: Summary of the respondents' reactions towards "Young self-employed plan"

YOUNG SELF-EMPLOYED PLAN	
Group of interviewee	General Reactions
Entrepreneurs	This group of respondents really approved such a scheme. Especially in cases where the funding came from own sources; such a scheme would prove really useful for creating a feeling of safety for the initiating phase and avoiding mistakes.
Financial experts	"Young self-employed plan" will be really supportive not only for the unemployed, but also for the state because of its twofold benefit towards the state; the state does not pay the unemployment benefit and a new venture is about to come in the market. Something similar existed in the past in Greece but somehow did not succeed because it was lacking

	organization.
Academics	Such schemes for unemployed people are always welcome in the market. They can prove useful for unemployed people with creative ideas. The amounts seem low for an unemployed. Therefore maybe it would be more useful to be combined with another funding opportunity.
Policy makers	Something similar existed in the past through the “Organization for placing the working force” but did not really succeed. One reason was because the financing was postponed for some reasons sometimes and the duties of the consultants were over the time scheduled.

Source: own research

10. START LOAN

Start Loan can be seen as a combination of Starteo Loan and Young-self employed scheme. It includes all the characteristics of both schemes with some additional conditions. Important is to note that focuses only on the unemployed on full benefit, for jobseekers registered for at least three (3) months with the regional employment office, and for beneficiaries of waiting allowances or integration income wanting to set them up as principally self-employed or to create a company. The period of investment varies from 5 to 10 years and the amount provided can be up to €250.000 according to the nature of the project with 4% fixed interest rate (the rate can be reduced to 3% for the first two years if the recipient effectively follows the support and guidance that is offered). The repayment is monthly and constant with no guarantees required.

Consensus reached for this type of scheme from all the respondents. Providing the good funding possibilities of the Start Loan while incorporating the mentoring of the “Young self-employed” scheme, it received great acceptance by all the interviewees. It includes all the positive aspects of the two previous support mechanisms.

Interviewees supported that it is the most attractive scheme comparing to the above as it has a holistic approach towards the entrepreneurial activity and includes everything that a start up company may need, funds and consulting. Another positive comment supported once more by the majority of the interviewees is the really well-organized structure of Start loan, and it provides serious guidance for the implementation of many different types of projects. Even policy makers suggested that it could prove really crucial for the current conditions. Once more the minimum guarantees is an issue that needs to be faced in the country.

Table 6-10: Summary of the respondents' reactions towards "Start Loan"

START LOAN	
Group of interviewee	General Reactions
Entrepreneurs	<p>"Start Loan" was perceived as a combination of "Starteo" and "Young self-employed plan". Thus, it received the entire positive and the negative comments attributed to these two. It is fact that "Starteo" and "Young self-employed plan" were very well approved by the respondents and finally all the characteristics included in this scheme made it the most popular. From "Starteo" the amounts for investments are reported sufficient, the reduction of interest rate is important, and then from "Young self-employed plan" the support the entrepreneur receives is valuable. Actually "Start Loan" replied to the criticism that "Young self-employed plan" is not enough for starting up a business in terms of funding and also completes the "Starteo" in terms of consulting support.</p>
Financial experts	
Academics	
Policy makers	

Source: own research

6.4 ADDITIONAL QUALITATIVE OUTCOMES

The last questions of the interview guide which are further presented were targeted to all the interviewees and consist of more general questions focusing

on the current Greek situation. More precisely, the interviewees were asked to comment on possibilities of collaboration among Greek institutions, private and governmental which are all focused on SME's, on the possibilities of combining funding opportunities and finally to provide the research any additional information or idea which is relevant, could give valuable insights and would prove useful for drawing conclusions.

Collaboration among financing institutions, Eommex, TEMPE, etc.

In an attempt to group the different comments from the respondents the following paragraphs are formed.

For the collaboration of the different institutions focused on SME's it was stated that the **mentality and operation of the banking system** in Greece is different and people face **serious problems with the guarantees**. Banks usually do not provide loans because they do not trust the investors and the projects. It is important that the government could provide guarantees. At the moment something similar is not really applicable in Greece because of the current situation. Therefore the collaboration would be interesting, but there is doubt on how feasible this can be.

Another barrier for this collaboration mentioned is the **cultural difference** of the diverse institutions. The culture in each of these organizations is different and therefore the cooperation will not be effective. Banks are in the private sector while TEMPME, EOMMEX and other governmental units and thus public organizations, the organizational cultures are absolutely different. The different organization culture and the different attitudes in the organizations is possible to further **enhance the already existing bureaucracy**.

Also, it was broadly stated that such a collaboration, definitively **could be useful**, but it **should also be viable**. Cooperation is really important because at the moment if someone does not have own funds, the implementation of the project is impossible. Respondents additionally reported that unfortunately, the **contribution of the government is necessary** in the most of the cases but the state has not the know-how and the background to really support these programs. So, whatever of the above programs require the less involvement of the state is the best concerning efficiency and speed.

The collaboration of the financing institutions is **appealing for the future growth** of the Greek economy, although, there were a lot of examples which had **serious disadvantages** and either the implementation of the projects never happened either the capital was spent through a wrong way.

The cooperation is very useful. Many times if there was no State assistance through the programs (through OAED EOMMEX, etc.) a significant number of financial instruments are not going to grow. The state can provide essential information required by the bank guarantees to boost liquidity in the market by granting loans.

A type of cooperation exists in the market. There is a list of banks authorized to provide the support granted by the government. Occasionally there were some problems because also the banks lack liquidity. Furthermore, in some cases, institutions cannot cooperate among them because they lack a central system of control. Applicants provide **information that need to be verified** with other institutions and therefore delays occur till the acceptance of a proposal for granting a business.

The most of the Greek programs lack reliability. An interesting one was the program for photovoltaic panels in countryside but the number of people who were interested was bigger than the number that the state could afford to fund. Concerning programs for SME's in some cases, for example guarantees from TEMPME were provided but banks delayed the loan with serious impact in the company's liquidity.

One more respondents clarifies that since the financing institutions in Greece seem to **lack connectivity** among them, this collaboration could not be viable and should not be suggested.

Opinion on combination of funding possibilities for SME's

Once more different opinions covered this topic.

Respondents state that in Greece an example of combination of **initial funding** from an institution with a first capital of €18.000 or a bit more for unemployed young people **and a second possibility** for funding after two or three years of running the business with a program which supports technology and innovation and engages the banking sector could be interesting idea.

The **combination is substantial**. Because if for example **consulting can be combined with funding**, then **both sides are secured** enough. In addition, such a combination creates sustainable enterprises and not ephemeral projects.

According to some start up entrepreneurs, combination of funding possibilities could prove valuable for the company's liquidity. Usually a start-up entrepreneur feels insecure and requires lot of money for initiating his project. To continue the business, he realizes that some important amount is left which in case of governmental support needs to be justified. In this case, the company

The combination of programs is a very good possibility. Of course, someone from the bank or the state has to supervise the entrepreneur and if he has made a really good business performance he could worth the receiving of another funding.

It would be ideal for entrepreneurs to have a **financing roadmap during their whole entrepreneurial cycle**. It seems that this is the case with Belgium.

Combination of funding opportunities would seem attractive to entrepreneurs, but **as long as this does not include more bureaucracy**. Different governmental schemes present different requirements for the applicant. This might create problems when the entrepreneur has to deal with a certain load of bureaucracy. The fact that someone applies for granting means that he has a specific serious plan in his mind which can be already a headache and if it is to create more paper load on his company then even if the opportunity is interesting, in the end it will not be used if the processes are time consuming.

Last but not least, interviewees stated that in some cases of state-subsidized programs, funding from banks is suggested if own funds are not enough to meet the requirements of program or the project. So this is a type of **indirect collaboration of funding opportunities** which boosts personal investments and simultaneously boosts the collaboration with banks.

General Comments – Ideas.

For the start ups, all the above mentioned schemes are really attractive and could prove applicable and useful, especially in the current situation. The interest rates are favorable, and the in their totality is complete and provides flexibility. Also, such support mechanisms are important during this period because the crisis creates strong feeling of insecurity taking into consideration

also the scandals that have further risen; unreliability is further created towards the financial system. Therefore start-up entrepreneurs much more easily can trust such support schemes and more willing to apply.

It is really important to have support in the projects because this can prevent of things going too bad. And unfortunately there is no second chance in Greece if you go bankrupt once or you face failure. Sure enough Banks and because of mentality reasons, not even friends and acquaintances trust the entrepreneur any more.

At this point is important to enhance innovation and support new ideas because the continuously changing environment demands so. It is necessary not only to follow the development but also to create a favorable environment to excel with the new ideas. The consulting for the internationalization of the companies is a great idea which does not exist at all in the Greek situation, even though the need has been expressed to a certain extent.

The opportunity of an entrepreneur to be supported by consultants is really useful but a problem which has already been mentioned is the reliability of the consultants. Who is providing consultancy services in Greece is a problem.

The creation of an integrated organization to enhance youth entrepreneurship could be useful. The organizations that exist so far, they are underperforming and something should be done with this situation.

Such efforts could prove very supportive for the Greek economy and in general, important targets can be reached with such measures. But the situation in Greece is problematic. We have problematic flows concerning the funds. Also problems in the financing system, there is no trust to the investors. It is important to invest the existing money and create new companies as this also has a positive impact on employment. Even starting with low investments, entrepreneurs can create value in the market.

As a general comment, because of the current situation in which Greek companies face problems with liquidity, the loan should be at least €100.000, the interest rate should be less than 4% and the companies should be pay it back in more than 5 years after they have received all the amount of the investment.

Public - Private scheme is one potential solution to all these types of support concerning the Greek case, a feature which is present in the above mentioned measures. To achieve this, demarcation of roles is the most important to develop

and support such a scheme. Discrimination of who is responsible for which actions among the diverse organizations, is of crucial importance. A proposal for the scheme is that the organization can hold the central control if the support measure and clarify the responsibilities of each party, hold a list of recognized financing institutions as well as the list of the authorized consultants. Actually the support program itself is possible to explain the relations of the parties and include the procedural steps. Referring to the demarcation of roles, the supporting organizations should keep their central role, financing institutions should keep their role only by providing funds and not consultancy and not create services in their utility that are overlapping among them. This will enhance both entrepreneurship as well as the rates of employment. Because public organizations are able to provide the central control of the scheme, financing institutions do not need to provide consultancy because the consultancy firms responsible and authorized to provide this type of support. Last a point of criticism was that by granting small funds, the fostering towards investments is not substantial. This can create only small businesses employing a small amount of people with no real impact in the economy. In addition, the existing bureaucracy is already an existing problem and if the applicant needs to apply for two different choices, there is the possibility to lose the market opportunity he has foreseen because of delays.

7. Conclusions & Discussion

The literature review followed by the exploratory research brought in the light interesting points for discussion for the Greek and the Belgian situation of SME's and of the entrepreneurship in both countries as well as for the governmental support schemes that are provided. The conclusions are divided in four themes. First, conclusions concerning the possibilities of adoption of the Belgian schemes in the Greek case are presented. Second, suggestions are provided for the main problems of the Greek business environment. Third, in an attempt to combine information as well as current conclusion, recommendations on how the current existing Greek schemes can be improved are made. Last, policy recommendations and general conclusions and on the governmental financing schemes are drawn.

7.1 POTENTIAL ADOPTION OF BELGIAN SCHEMES

The core part of the research in the framework of this study is the evaluation of the Belgian governmental financing schemes by the Greek entrepreneurs. In the table below (Table 7-1), for each one of the evaluated schemes brief commentaries on the possibilities of Greek market adopting them are provided and elaborated further.

Table 7-1: Conclusions for potential adoption of Belgian schemes in the Greek market

Potential adoption of Belgian schemes
Premium growth - The scheme was very well perceived by the majority of the interviewees. Concerns for its impact in the economy because of the low level of the funds granted can be discarded with the consulting services incorporated in the scheme.
Micro loan - The scheme was very well perceived by the majority of the interviewees. Concerns for its impact in the economy because of the low level of the funds granted can be discarded with the consulting services incorporated in the scheme.
Deposit scheme - It is similar to an existing one in the Greek market. It receives broad acceptance, but the Greek business environment and limitations in the

scheme itself, restrict the potential impact. Incorporates high potential for being successful.

Starteo– The scheme received broad acceptance for its holistic approach and favorable characteristics. Concerns only refer to the instability of the current environment.

Optimeo - The scheme received broad acceptance for its holistic approach and favorable characteristics. It was stressed out the fact that it seems more secure than Starteo as the expansion activities are built on the basis of an existent company. Concerns only refer to the instability of the current environment.

Win - Win - The scheme was not well perceived on account of cultural perceptions on the informal type of financing and the relationship between the lender and the borrower.

SME portfolio - The scheme received broad acceptance for the granted activities. Especially in the current situation its benefits on the SME's was pointed out. Concerns on its flexibility were mentioned, in the sense that each business has different needs.

Business Angel + - The scheme was not very well perceived because of mentality causalities and additionally as a result of the immature market.

Young self employed plan - The scheme received acceptance as being an alternative support for entrepreneurs. It would be even more welcome in the Greek case combined with higher financing opportunities.

Start Loan - The scheme received broad acceptance for its holistic approach. Concerns only refer to the instability of the current environment.

Source: own research

The different schemes evaluated in the research prove to be a rather good basis for structuring schemes also in Greece and compensate to the existed ones. Small - referring to the amount granted - governmental loans, such as "Premium growth" and "Micro Loan" were **well perceived** by the entrepreneurs. Hence, despite the concerns of the academics and some consultants on their limited impact, such schemes can prove useful followed by consulting services as this can ensure the efficiency of the funds used. Schemes such as the "Starteo", the "Optimeo" and the "Start loan" are broadly accepted and could have an impact in the Greek economy and for these reasons are suggested for adoption. Their

characteristics are favorable for the investor, reduction in the interest rate, grace repayment period, minimum guarantees. Especially the “Start loan” that combines the financing opportunities with consultancy, proves to be the “recipe” that makes it the most appreciated among all.

Schemes that also received **broad acceptance** are the “SME portfolio” and the “Young self employed plan”. The first would prove beneficial as entrepreneurs, especially under the Greek current situation would not invest money on training, internationalization and innovation. The percentage of the expense covered under this scheme is important (50% to 70%) and the limitations make it more specific to where the emphasis should be put on. One suggestion for this scheme would be to remain flexible for the categories of the expenses. For some companies it might make more sense to put effort on training while for other companies it would be crucial to invest on internationalization. Flexibility to a certain extent would make the acceptance of such a scheme even wider. As for the second, “Young self employed plan”, this would be more meaningful combined with financing. The new entrepreneur would perform better if he receives support from the birth of his idea till the implementation and some later stages. Stand alone would not receive much attention and acceptance in Greece, as financing is in most cases a serious problem and as revealed in the literature, Greece is rather expensive for start-ups. Also, as supported, the approval of consulting and mentoring in Greece is not so extended in the minds of people yet. Schemes that receive **low approval** were the “Business Angel+” and the “Win – Win”. For the “Business Angel+”, Greece market is not so mature to find attractive such a scheme. Once it will be published, a strong follow up needs to take place to inform about its potential and how it can be implemented. The GSRT holds the central role concerning innovative projects like the Arkimedes fund in Belgium. Entrepreneurship can be supported through the implementation of research projects in marketable products; but researchers focus on research because they prefer doing it and usually do not even think of being entrepreneurs. Therefore a different approach needs to be adopted for promoting research results into the market. As observed in both countries, research is supported by other governmental organizations – Archimedes fund in Belgium and GSRT in Greece - other than those supporting the SME’s. So, another field of research would be how the different organizations, namely those

focused on SME's and those focused on research, can cooperate towards the same direction and foster entrepreneurship.

7.2 SUGGESTIONS RELATED TO THE CURRENT GREEK FINANCIAL & BUSINESS SITUATION

The Greek financial and business environment present features remarkable to mention. First, in the table (Table 7-2) a brief summary of these remarks is provided, while some further explanations follow the content of the summary.

Table 7-2: Suggestions related to the current Greek business environment

Suggestions related to the current Greek financial & business situation
Financing – Level of funds granted is not an issue, since the range of financing schemes can vary, but it's essential that the government secures the liquidity and prevents potential delays caused by banking institutions and other reasons.
Consulting – Consulting incorporated in the Greek financing schemes is almost not existent. In cases where grants just partially cover consulting expenses, this is not sufficient to secure sustainable development of the venture. Consistent approach to consulting services can prove motivating for start ups, but more important crucial for the long term.
Bureaucracy – Adapting similar to Belgian strategies for eliminating bureaucracy might lead to the expected result. It also depends on the national reporting systems, but it is a serious issue that requires special attention ¹⁴ .
Absence of guarantees –The current economic crisis had severe results in the Greek situation, and thus absence of guarantees in governmental schemes seems almost impossible. Special attention should be devoted to such evidence. It is beyond the scope of this research to provide recommendations on such a topic, namely how government can overcome such a problem.
Cultural barriers – Culture plays an important role on people's behavior and attitudes. As entrepreneurship is related to cultural views, social aspects and

¹⁴<http://www.taxheaven.gr/laws/circular/index/circular/12084> - Consists of an official announcement that bureaucracy is tackled, namely elimination of the days for starting up in one day, reduction of the cost by 33% and many other improvements. Since the announcement was published on May 2011, it was not possible to examine it further.

impacts should be taken into consideration on the design stage of the schemes, so as to avoid influence of such factors and even tackle barriers related to mentality within the measure.

Immature market of innovative products – Once more, the design of governmental schemes should consider the fact that the Greek market is immature concerning innovative products. It was revealed that efforts are taking place for innovating projects from specialized organizations. In cooperation with research institutions, the relevant organizations should identify and target on the obstacles pertinent to this market and allow the market to grow.

Information gap – Information gap can prove fatal for the success of governmental financing schemes. The state should communicate appropriately the efforts towards the SME's and entrepreneurship. Hence, people will take advantage of the opportunities; funds will not be wasted as had happened in the past, but invested for the growth of the economy.

Evaluation of the proposals for granting – The evaluation of the proposals for granting was revealed as a barrier for investors. Such a conclusion has to be seriously considered by the organizations and improve the related procedures, clarify the evaluation criteria on the design of the scheme, so inconsistencies between design and implementation are avoided to a great extent.

Source: own research

As the above table only depicts the most important issues relevant to the Greek financial and business situation, which are further explained below.

Financing of start ups and business projects is the problem which can be served in various ways and with a huge range of possibilities. As it has been identified in the literature and discussed in the theoretical part of this study, SME's find many difficulties to raise finance, it is a usual problem incorporated in the nature of SME's. Therefore governments try to find solutions that apply and are efficient each time. Small amounts granted in some Belgian schemes receive criticism because in Greece starting up a business in Greece is expensive. Despite the criticism, small amounts are easier to handle, therefore they could have a positive impact in the market. As the current Greek business environment suffers from illiquidity and insecurity exists in the market, small loans could support the SME's. Finally, the existed and evaluated Belgian **schemes served all the**

financing needs in terms of amount needed. Those who preferred to make use of own funds, but still have the need of some relatively low financial support have the possibilities of “Premium growth” and “Micro Loan”. Potential need of higher amounts for investments are covered by “Starteo”, “Optimeo” and “Start loan”.

Also, governments realize that SME’s are strongly related to the entrepreneurial activity. By boosting **entrepreneurship**, more businesses would be founded bearing the consecutive benefits for the local – and not only – economy. A way to boost entrepreneurial activity is to create a favorable environment for starting up a business. If the prior “access to finance” problem is resolved, then other issues need to be faced, as the business environment includes much more than just financing needs. By providing only funding opportunities to SME’s, itself it is not enough to boost entrepreneurship and consequently create businesses that progress the economy. Hence, the business environment would be modernized with **consulting services** for various issues (for organizational issues in the company, customer and/ or supplier related issues, internationalization, R&D issues and innovation policies, etc.). Consulting services to the new venture for crucial period of time is one very important part of a favorable business environment. Identified in several points in this study (literature review, comments on the current schemes and research results) consulting and mentoring lacks in the Greek case whereas the schemes created by the Belgian government broadly include consulting support. “Young self employed plan” is barely uniquely based on providing consulting services. Therefore, consulting and mentoring need to consist of integral elements in the financing schemes.

Another topic embedded in most countries systems and in Greek systems as well is the **bureaucracy**. The elimination of bureaucracy and simplification of the procedures is a critical factor for improving the business environment and for allowing entrepreneurship to boost. Bureaucracy would be easily faced by simplification of the procedures. Since bureaucracy is a problem not really associated with cultural barriers and other social obstacles that might require more time to be tackled. An integrated system can be created where the legal financial situation of people and companies can be depicted. The development of such a system might not be an easy task, but it would prove useful for many aspects in the public affairs and for the public transparency. Moreover, like in the

case of Belgium, “one stop shops” can be created. The infrastructure could be supported by the already existed centers; in each municipality in Greece there are “Service centers” for serving needs of citizens concerning public official papers. They have proven to be significantly efficient in eliminating bureaucracy. These centers can be recruited with specialized personnel that can support the application procedure for governmental schemes, if creating more infrastructures is not possible under the current situation. Thus it would only be necessary either to hire some employees or devote some of already working, train them for these procedures and network the centers with the relevant public institutions and public authorities.

Another important problem identified in the Greek situation is the **absence of guarantees** in some schemes and the minimum guarantees demanded in some others. The Greek economy, as has been mentioned in the relevant paragraph, faces many difficulties at the moment. Even though lack of guarantees seems very attractive and would probably have a serious impact on entrepreneurial behavior, absence of guarantees requires more stable economy and well established business environment. Efforts appear in this direction through TEMPME in Greece. These efforts need to be more consistent and feedback from those who benefited from it has to be taken into consideration for more efficient implementation. More about schemes from TEMPME are presented latter in this section. A proposal suggested that might resolve the problem of absence of guarantees is to use public subsidies and incentives as collateral to the loans of the banks. By this banks will be secured and thus provide more easily funds and the entrepreneur is supported both by government and bank. This collaboration would prove beneficial under a clear framework for this cooperation and since it will not include additional bureaucracy.

Moreover, **cultural barriers** were identified that hinder the implementation of some schemes. Cultural aspects can have various implications on the business environment. From the research it came out that “Win-win” and “Business Angels +” were those that were recommended as not adaptable because of cultural reasons.

More precisely, for the case of “Win-Win”, it was clearly stated that family and friends’ bonds do not permit the family and friends to make use of a scheme that could provide them benefit. Even though informal financing is broadly used in

Greece and such a scheme might prove to benefit investors and therefore boost investments, it would probably not succeed because of the Greek mentality. Possibly, other suggestions have to be made in case the state considers the informal sources of finance as a way to support investments with paying special attention to cultural aspects.

Furthermore, "Business Angel +" seems attractive in terms of characteristics, but faces the cultural barrier of the Greek entrepreneur who is not really willing to provide shares (which is the most common method for this type of cooperation). A second barrier which is both cultural but also of the market is the fact that the **market of innovative projects is still immature**. Talking for the existing mentality, innovative projects sometimes are perceived in Greece as extremely ambitious to be realized, and therefore are not supported from the birth of an idea. By having such a scheme, it would be possible to change the perception of people towards new ideas. If governments, through such governmental schemes support the innovative ideas, people would better perceive their potential and further take initiatives for implementing them into real businesses.

Relevant to the business environment is the support that an SME receives for internationalization. In the literature review it was revealed that Greek SME's face difficulties for realizing exporting activities. By lacking of a reliable representative and the same time lacking and an authorized principle or governmental institution that can provide them with relevant directions it becomes apparent that exporting activities are not supported by the state. Once more national strategy to strengthen the openness of SME's to the international business environment is required. An informational center with consulting services on the exporting activities would resolve the above mentioned problems. Part of the strategy for reinforcing exports should be the strengthening of the competitiveness of SME's. This could be achieved by removing export barriers, reduction or elimination of taxes on exports, incentives - such as support schemes - to companies for being present in international market and thus increase exports.

Information gap is a key point to consider in the framework of governmental support schemes. Such a gap became apparent during the interviews. There were cases that respondents reported that a relevant support scheme could not support them at the time of initiation, a fact that according to the relevant

experience of the interviewer was not true. Since governments give effort to support their economies, the message should be directly communicated to the public. Appropriate promotion strategy should be developed as integrated part of the general strategy for the support of the SME's and entrepreneurship. Governmental institutions, banks, consulting firms cooperate and remain aligned concerning the message transferred to the public. The key responsibility lies on the governmental institutions for sending the message downwards, to firms and banks and the media, so the public is widely informed of the scope of each measure. An additional responsibility of the policy makers is to communicate problems that identify concerning the performance of specific sectors. A chasm was identified in the literature. Policy makers reported as weaknesses characteristics that SME's and entrepreneurs perceive as their strong elements. Such a difference shows off the deficient communication downwards.

Upward communication is also of great significance. Another helpful communication channel is recognized to exist in Belgium. Similar to the Belgian case, policy makers come closer to where research is taking place. Such cooperation can have strong implications in the decision making for the structure and the characteristics of the support schemes. The same upward or collaborative form of communication is strongly suggested for the case of SME's and entrepreneurship. As it is not feasible for policy makers to communicate with every single SME or entrepreneur; communication networks can be built through the relevant governmental organizations. The latter can receive the feedback and further information for the current needs of SME's and of the market, communicate it to the policy makers and why not actively participate in the decision making process. Institutions and organizations such as the NCGT, the Chambers and others can be the poles of information both for the public but also for the policy makers.

Last but not least, a topic worth of discussion but beyond the scope of this dissertation is the **evaluation of the proposals** for funding. The focus of this study is towards the governmental schemes, their characteristics and their impact on SME's and entrepreneurship. As the process of evaluation of the proposals for funding emerged during the research, it can create a field for further research because it has an impact on the perception of the people for the governmental support and also is related to the bureaucracy of the procedures.

7.3 SUGGESTIONS FOR THE EXISTING GREEK SCHEMES

At this point, it would be constructive to comment upon the existing Greek governmental financing schemes. Some similarities revealed with the Belgian schemes and in correlation with the comments on the press as mentioned in the previous section (4.3.1 “Organizations, institutions & support programs”) conclusion were drawn.

Table 7-3: Suggestions for the existing Greek schemes

Suggestions for the existing Greek schemes
TEMPME - Create synergies with Banking institutions and guide the scheme towards efficient implementation without illiquidity and other problems. Potential expansion for the funding eligible activities. Constantly communicate with organizations that represent SME’s for receiving feedback of their needs.
Woman & Youth entrepreneurship – Create vision that will guide these schemes with focus on long term growth and market development. Also, enforce the support scheme with consulting services for more efficient and stable outcomes.
NSRF 2007-2013 -Exploitation of this funding framework, facilitation of the procedures, appropriate communication of the opportunities. Removal of bureaucratic procedures.
New development Law – Take the most out of it, as it promotes large scale investments. Create business plans with long term vision that will incorporate the potential to support economic growth.

Source: own research

TEMPME faced many problems in the first launch but seems to be approved by the businesses. This incorporates the potential to make it a very successful scheme for supporting the SME’s. The problem with the banks lacking liquidity needs to receive great attention. TEMPME should provide banks with motives to participate in the program and in case TEMPME reaches agreement with banks to cooperate for this scheme, penalties should be mentioned in the agreement if banks are not providing the SME’s with the loan. Banks need to cooperate because delays in providing such loans create serious problems to SME’s and consequently in the market. Another problem mentioned is related to the

structure of the program and more precisely with the payback schedule. The current situation of the crisis did not allow many SME's to be as profitable as they should be to pay back the loan. Suggestions would be to include extension of the repayment of the loans, reduction of the installments to monthly repayments, extension of the grace period included in the loan. The specific characteristics of the scheme should be evaluated at this point in order to include those that serve the markets needs. Another suggestion is to consider the expansion of its utility also to other categories of expenses and not only restrict its potential to two (expenses for social and pension security and purchase of raw material).

Keep supporting the entrepreneurship coming from specific groups with the programs of **women and youth entrepreneurship**, but furthermore include consulting support. This will provide the new ventures with clear strategic directions, support the entrepreneur in situations of insecurity and as a consequence the money granted from the governmental scheme is secured. Consultants can follow up the company in the first years of operation, hence they will be able to provide solutions to problems, identify opportunities for expansion of activities, diversification of the product(s) and/or services in cooperation with the entrepreneur. This has consecutive benefits for the economy, by serving better the needs of customers, the company can be more competitive and potentially more profitable, and this can lead to increasing employment and let the market grow.

As for the **NSRF 2007-2013**, it proves to have great potential for the Greek economy and market. The implementation of it seems to be problematic. Greek authorities need immediately to allow the market to take advantage of this opportunity before it is too late. The state apart from facilitating the procedures should also better communicate to the citizens the business development opportunities in these schemes. As the schemes are diversified according to different goals each Operational program OP's serves, organizational institutions should address citizens to authorized consultants in order to inform them about the possibilities to participate in it, and the same time substantially promote the benefits of NSRF and not let the consulting firms "chase" customers, as it is being done at the moment.

The "**New Development Law**" is rather new measure to support investments. The amounts provided are quite high and as a consequence it is a scheme which

has the potential to support large scale investments. Its recent launching requires patience so that first investments are taking place and the outcomes of them can be observed.

A tool that has received little attention up to now it has the dynamic to prove useful to the entrepreneurs and not only. The ***“Identification & Implementation Business Planning”*** tool can be further expanded to an integrated tool for all the interested parties, namely entrepreneurs, consultants and public organizations. With the support of information technologies, such a tool can receive as input, the type of the project, the needs of a venture each time, i.e. financing, consulting, training, etc., and give as an output the existing mechanisms for the relevant support each time and the reference point. This could better communicate the schemes provided, enable the entrepreneur to get an initial idea of the opportunities and facilitate the consultant to be an efficient mediator of the citizen and the governmental organization.

7.4 GENERAL CONCLUSIONS & POLICY RECOMMENDATIONS

In the following paragraphs general conclusions and policy recommendations are demonstrated as a result of the information revealed through the dissertation.

7.4.1 General conclusions

The most important general conclusions can be summarized in the following table (Table 7-4):

Table 7-4: General conclusions: A summary

General conclusions
▪ SME's have a direct impact on the national economies and significantly affect their growth.
▪ While financing support is the first priority for the start – up, consulting support proves to be crucial both as a motive for start –up and for ensuring sustainable growth of the company.
▪ Cultural aspects and mentality noteworthy affect entrepreneurial behavior and attitudes towards financing possibilities.

- Belgian and more precisely Flemish government provide numerous schemes for fostering entrepreneurship with a clear focus on eliminating the existed obstacles; the results of them should be evaluated internally for further conclusions.
- An imperative need becomes apparent in the Greek case for building and communicating a focused strategy on tackling the problems of SME's and entrepreneurship with clear and specific objectives.
- As a consequence of culture diversification and different business environment, a simple "copy-paste" of financing schemes does not provide solution to all levels.

Source: own research

The above mentioned points are discussed more widely in the paragraphs below. It is evident through the literature and the research argumentation that SME's are embedded in both countries economies and actually they are a significant - if not the most significant – pedal of the countries economies and growth and as such the should be treated.

Financing consists one of the most vital aspects for SME's and access to financing is also an obstacle that SME's face due to many reasons. Even though financing is the first priority for a start up, support of the entrepreneur by means of consulting is judged as a crucial factor that would motivate people to initiate a business. As a consequence of consulting, sustainable development of businesses can be enforced.

The national entrepreneurial behavior and activity are strongly related to cultural issues. Such barriers have to be identified and hit in the root of their origin. By just ameliorating a current situation superficially, entrepreneurship will not boom. Obstacles that are related to mentality are the most difficult to overcome and can prove more important than expected.

Coming to national observations, Belgian governments provide a broad range of schemes and mechanisms to support SME's and enhance entrepreneurship, whereas in Greece such a consistent effort is not apparent and the current measures do not effectively satisfy the needs of the SME's and the boost of entrepreneurship.

The selected measures that were evaluated appear to tackle the problems of low entrepreneurial indices in Belgium. The actual outcomes of the schemes should be also evaluated internally.

The complexity of the situation in each country requires sophisticated solutions and not a simple “copy-paste” of financing schemes. As a consequence of culture diversification and different business environment other countries suggestions provide powerful insights for how certain phenomena were tackled, but not security for their efficiency under different conditions. Pure adoption of other “recipes” does not guarantee success.

Finally, the Greek financing schemes provided so far, have the potential to tackle some of the problems of SME’s. Unfortunately, up to now, the efforts for boosting entrepreneurship do not appear in the market as a part of strategic governmental policy and as a consequence the outcomes are not those expected and more actions should be taken.

7.4.2 Policy recommendations

To take this research one step further, the need for some general policy suggestions emerged. Keeping all the information on mind, some interesting points related to policies for the support of SME’s and entrepreneurship are being described. Shortly these recommendations are presented in the following table (Table 7-5), and some more explanations accompany the summary.

Table 7-5: General suggestions concerning relevant policies

General Policy Suggestions
Financing roadmap for the companies financing needs -A comprehensive strategy for the SME’s and entrepreneurship should incorporate support for all the stages of the business life cycle, namely start up, growth, expansion, maturity, transition.
“The umbrella of the entrepreneur” – Correlated with the above statement, such a consistent effort creates a healthy environment where the entrepreneur feels secured, creates value with consecutive results in the business environment and the economic growth.
Coherent efforts –Public and private initiatives aligned for setting realistic

objectives and attaining targeted goals. All parties should have clear responsibilities in the system for rendering the efforts efficient, compatible and complementary without unnecessary overlaps.

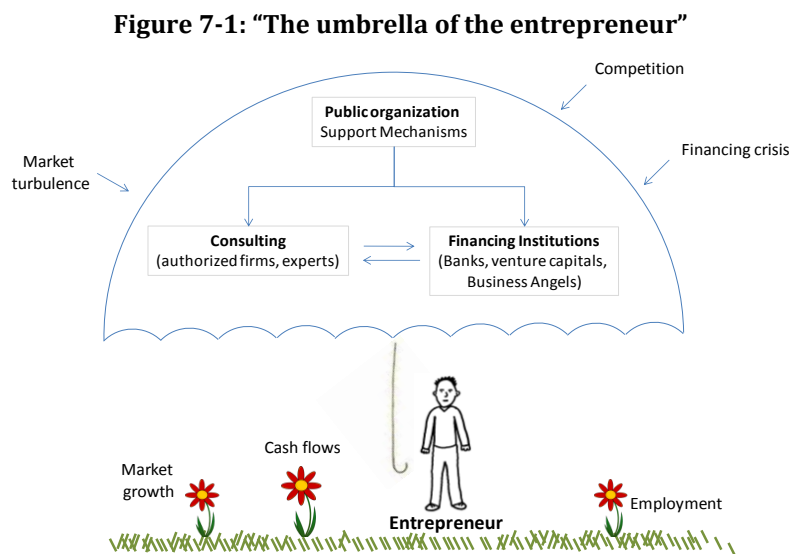
Source: own research

A very interesting point articulated by an interviewee was that it would be really beneficial for the market that governmental organizations for SME's are able to provide **financing roadmap during their whole entrepreneurial cycle**. The strategic plan for the support of the SME's and entrepreneurship should be ideally built on this idea. A clear and focused strategy has to provide a complete framework with action plans that serve the goals incorporated. Starting up companies in an environment that is not able to let them grow or later support them, only temporary results can provide. So a policy suggestion is to create a stable business environment able to support idea generation and provide the opportunities to cultivate the ideas, support the birth of businesses, their growth, their expansion, and facilitate their transition, so they become again functional and profitable.

To this perspective, compatibility and complementarity of public initiatives with private initiatives should be achieved. Public - Private schema is one potential solution for the Greek case, a feature which is present in the governmental schemes existed in the Belgian market. To achieve private-public collaboration, demarcation of roles is an important element of rendering the cooperation effective. Discrimination of who is responsible for which actions among the diverse organizations, is of crucial importance. A proposal for the public-private cooperation is that the public organization can hold the central control of the Referring to the demarcation of roles, the governmental organizations should keep their central role and within the support scheme the responsibilities of each party are clarified. Governmental organizations should hold a list of recognized financing institutions as well as a list of the authorized consultants. Following, financing institutions should keep their role only by providing funds and consulting firms their services according to the specific needs each time.

This will enhance both entrepreneurship as well as the rates of employment. Because public organizations are able to provide the central control of the scheme, financing institutions do not need to provide consultancy because the consultancy firms responsible and authorized to provide this type of support.

The suggestion can be simply depicted in the following figure (Figure 7-1), having the governmental organization, the consulting firms and the financing institutions as an umbrella protecting the entrepreneur and letting economy grow, despite the effect of market turbulence and of other factors.



Source: own research

The demarcation of roles is suggested as important element considering the fact that organizational cultures are absolutely different between the private (Banks, financing institutions, etc.) and the public sector (TEMPE, EOMMEX, etc). Therefore a clear framework should be created in order to make any type of cooperation feasible and most importantly viable.

To sum up, the effectiveness and performance of financing initiatives is subject to the socio-economic and cultural settings and the degree of awareness of the target groups. The absence of real commonalities between the countries' results leads to the conclusion that a national approach must be followed for the development of financing schemes in order to meet the countries specificities.

The schemes provided in Greece, especially in the past, are proven not to be part of a strategic governmental policy from what has been identified so far. The potential from the entrepreneurial behavior perspective exists considering the qualitative characteristics, but obviously this is not enough. Attention should be paid in order to ensure sustainable development of the market and maximum results from the financing provided from governmental sources.

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v. Other reason

- All the above
- Other

5. What are the main reasons why you choose this type of financing?

6. How long did it take in order to realize the project from the moment you made the decision to initiate the company?

- Within the same year
- From 1-2 years
- From 3-4 years

7. Was the timing dependent on the financing? YES NO

8. If you were to start at this moment your company you would choose the same means of financing?

- YES NO

IF No, what would you change and why?

FURTHER FINANCIAL SUPPORT

<p>1. Within the years of operating have you asked further financial support?</p> <p><input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p><i>(☞ If YES, continue...)</i></p>
<p>2. For what reasons did you ask for further financial support?</p> <ul style="list-style-type: none"><input type="checkbox"/> Lack of liquidity<input type="checkbox"/> Training programs<input type="checkbox"/> Hiring staff<input type="checkbox"/> Expansion<input type="checkbox"/> Other reason, please mention
<p>3. What was the source of the fund and why you chose this source?</p> <hr/> <hr/>

EVALUATION OF THE BELGIAN MEASURES

1) Premium Growth	
Type of loan	Subordinated loan for a company operating over 5 years
Period	The investment must be realized within 3 years after the granting.
Min amount	€ 12.500
Max amount	€ 25.000
Interest rate	Support Fixed Rate ~ Since 2005, it is not possible to choose the rate. This will remove as a criterion in judging the projects
Repayment	-
Guarantees	-

- Which characteristic is the most attractive?

- “Premium growth” can be adopted in the current Greek situation?

YES NO

Why

.....

➔ **Additional Comments:**

2) Solidarity Loan	
For people with a viable project who do not have access to bank credit and who have difficulty in acquiring the starting capital because of their financial position.	
Type of loan	Mini Loan
Period	4 years
Amount	Maximum amount of the investment - € 12.500
Interest rate	5%
Repayment	No refunds the first 3 months
Guarantees	No guarantees
Extra	The project will get over 24 months free guidance. There are 5 fixed moments of evaluation. Additionally, free credit analysis.

- Which characteristic is the most attractive?

- “Solidarity Loan” can be adopted in the current Greek situation? YES NO

Why

.....

➔ **Additional Comments:**

3) Deposit Scheme

It is providing Guarantee for business loans & venture capital

Guarantees	The Flemish government guarantees 75% of the requested loan amount.
	There are financial institutions that have received a guarantee of the Flemish government.

Check the example

Miss Evita worked for several years to assist in a newspaper business but now she is finally on her feet. She has a newsagent on the eye in Aalst and has requested the bank a loan of € 35,000 for 5 years to take over the business and stock to expand.

Acquisition goodwill	€ 28.000	Own financial contribution	€ 4.500
Expansion stock	€ 10.000	Claimed credit	€ 35.000
Credit stocks	€ 1.500		
TOTAL	€ 39.500	TOTAL	€ 39.500

But, Evita owns no property. She can not offer real guarantees to the bank. The bank is willing to provide a credit but requires an additional security. Here is where the Guarantee Scheme offers help. The Flemish government by focusing guarantees 75% of the requested loan amount. The bank guarantee must be hold. These are financial institutions that have received a guarantee of the Flemish government.

Miss Evita should pay a premium to get this guarantee. This premium depends on the amount and duration of the guarantee. The premium for an intervention of 60% (35,000 euros x 60% = 21,000 euros) with a maturity of three years is 315 euros (21,000 euros X 3 years X 0.5%).

- Which characteristic is the most attractive?
- “Deposit Scheme” can be adopted in the current Greek situation? YES NO

Why

.....

➔ **Additional Comments:**

4) Starteo			
For starting up or a company that have been active for a maximum of 4 years			
Type of loan	Subordinated loan		
Period	Period of 5, 7 or 10 years (According to the nature of the project)		
Min amount	€ 7.500		
Max amount	€ 250.000 limited to	Max amount For take-overs	€ 350.000 limited to
	to the amount of the loan granted by the credit organisation		to the amount of the loan granted by the credit organisation
	4 times your personal capital contribution		to 35% of the business investment if the amount of the requested intervention exceeds € 250,000
Interest rate	the credit-oriented bank rate less 1.25% with a floor equivalent to the Belgium Prime Rate (BEPR), Reduced rate of 3% during the first 2 years		
Reference rate	(from 09.11.2010 to 15.11.2010) 5 years: 3% , 7 years: 3% , 10 years: 3.25%		
Repayment	Possibility of a period of capital repayment grace of 1 to 2 years, according to the nature of the project		
Guarantees	A minimum of guarantees required		
More info	Starteo benefits from a guarantee issued under the European Community's Competitiveness and Innovation Framework Programme.		

- Which characteristic is the most attractive?

- “Starteo” can be adopted in the current Greek situation? YES NO

Why

.....

➡ **Additional Comments:**

5) Optimeo			
For the self-employed, for small companies and for professional people seeking to finance the expansion of their activity or for companies active for a minimum of four years			
Type of loan	Subordinated loan - Reduced rate of 3% for 2 years		
Period	Period of 5, 7 or 10 years (According to the nature of the project)		
Max amount	€ 250.000 limited to	Max amount For take-overs	€ 350.000 limited to
	to the amount of the loan granted by the credit organisation		to the amount of the loan granted by the credit organisation
	3 times your personal capital contribution		to 35% of the business investment if the amount of the requested intervention exceeds € 250,000
Interest rate	the credit-oriented bank rate less 1.25% with a floor equivalent to the Belgium Prime Rate (BEPR)		
Repayment	Possibility of a period of capital repayment grace of 1 to 2 years, according to the nature of the project		
Guarantees	A minimum of guarantees required		

- Which characteristic is the most attractive?

- “Optimeo” can be adopted in the current Greek situation? YES NO

Why

.....

➔ **Additional Comments:**

6) BUSINESS ANGEL +

For innovative companies, entrepreneurs whose company is in a launch phase, or which has reached a stage of strategic development for the future of the business, and which does not have access to traditional bank credit because of the innovative or technological nature of the project, but which on the other hand enjoy the financial support of one or more Business Angels.

Period	5, 7 or 10 years
Max amount	€125,000 by means of a contribution from the Business Angel(s) & the creator/entrepreneur(s) > or = to the Participation Fund's loan
Interest rate	fixed interest rate
Repayment	1 to 3 years of capital repayment grace
Guarantees	A minimum of guarantees required
More Info	The Business Angel+ loan benefits from a guarantee issued under the European Community's Competitiveness and Innovation Framework Programme. The projects are pre-selected by the Business Angel network, which proposes them to potentially interested Business Angels. The Participation Fund gets involved when the "matching" is nearing a conclusion.

- Which characteristic is the most attractive?

- "Business Angel" can be adopted in the current Greek situation? YES NO

Why

.....

➡ **Additional Comments:**

7) Win-win

Used to encourage private funds available to start-ups.

Type of loan	Affordable subordinated loan from friend, relative or acquaintance.
Period	8 years
Max amount	€ 50.000
Repayment	Repaid at once
For the Investor	
Annual Tax	Reduction of 2.5% of the loan amount
Condition	If the borrower of the subordinated loan was not able to pay back, the investor gets 30% of the non-reimbursed through a one-time tax refund

- Which characteristic is the most attractive?

- “Win-win” can be adopted in the current Greek situation? YES NO

Why

.....

➔ **Additional Comments:**

8) SME Portfolio

Grants towards training and advice on entrepreneurship, innovation & internationalization

Type of loan	The SME portfolio is an electronic payment for small and medium enterprises and professional services can purchase a service. This service is aimed at improving the current or future performance of the company. The service is provided by authorized service providers. There is a list of approved service providers.
Government Contribution	50% to 75% (innovation advice) the entrepreneurship promotion services
Max contribution	€ 15,000 per calendar year
Exceptions	Certain sectors such as agriculture and horticulture, fisheries, transportation and many companies remain excluded from the aid.
More Info	To avoid one of the services to be overstretched, the subsidy separates each portfolio for each pillar. <ul style="list-style-type: none">▪ Training can be maximum € 2,500 grants.▪ Opinion on entrepreneurship and internationalization are limited to € 5,000▪ Advice on innovation is limited to €10,000. Each pillar on which the service is invoked different.

- Which characteristic is the most attractive?

- “SME portfolio” can be adopted in the current Greek situation? YES NO

Why

.....

➔ **Additional Comments:**

9) Young Self-Employed Plan	
For unemployed jobseekers under the age of 30, who become self-employed for the 1st time.	
Type of loan	The SME portfolio is an electronic payment for small and medium enterprises and professional services can purchase a service. This service is aimed at improving the current or future performance of the company. The service is provided by authorized service providers. There is a list of approved service providers.
Extra	De minimis aid
STEPS	<p>1. Preparing With the Support of a Professional <i>Mentoring structure for a period of 3 to 6 months.</i> <i>If, without income will benefit from monthly expenses of €375 for the preparation of the project, as well as an establishment</i></p> <p>2. Financing the Project</p> <p>3. Subsistence Tranche <i>A young starter also has the possibility of obtaining a loan (maximum €4,500) to provide for his/her needs during the first months of his/her activity. This special tranche of the Starter Loan, interest free, is repayable in the 6th and 7th years</i></p> <p>4. Support after the creation of the activity <i>Mentoring structure continues to guide and advise the starter during the first 24 months of activity</i></p>
Additional Fund	Starter Loan can be combined with a Starteo
Exceptions	It imposes restrictions on the agriculture, transport & export sectors.

- Which characteristic is the most attractive?

- “Young Self-Employed Plan” can be adopted in the current Greek situation? YES NO

Why

.....

➡ **Additional Comments:**

10) Start Loan

For unemployed on full benefit, for jobseekers registered for at least 3 months with the regional employment office, & for beneficiaries of waiting allowances or integration income wanting to set them up as principally self-employed or to create a company. For the financing of tangible, intangible and financial investments or for the financing of the working capital requirement accompanying the launching of the business or the implementation of the investment project concerned.

Type of loan	Subordinated loan
---------------------	-------------------

Subordination - In practice, subordination means that the Participation Fund's loan is tantamount to capital. Indeed, subordination decreases the risk for the other creditors. Ordinary bank credit is therefore easier to.

At the legal level, the subordination of the loan can be described as follows: subordination means that the Participation Fund waives being treated on an equal footing with the other creditors. In the event of contest, and therefore when several creditors put forward their requirements simultaneously, the Participation Fund accepts that the other creditors be refunded in the first place. However, this is not valid for the leaders of the company, the associates or the managers of the association or the company, the non-institutional creditors without fixed-date receivables, with the exception of suppliers whose proof of receivables is in conformity with the rules of commercial law.

Period	5, 7 or 10 years
---------------	------------------

Max amount	4 times the liquid monetary contribution, either: via ones own contribution, or via an additional loan.	Min amount In theory, there are no minimal amounts, but in principle it is preferable for applications < €5,000 to be financed in some other manner.	€ 30.000
			25% self contribution (via bank credit or equity)

Interest rate	Fixed interest rate of 4% - A reduction of the rate to 3% is granted for the first 2 years if the recipient effectively follows the support & guidance that is offered free of charge.
----------------------	--

Repayment	Constant monthly payments - During the 1 st year, capital repayment grace is granted automatically. A 2 nd & a 3 rd year of grace can also be granted according to the nature of the project.
------------------	--

Guarantees	No guarantees
-------------------	---------------

Conditions	When this goes hand in hand with the constitution of a company, the applicant must have the majority of the shares and be responsible for its daily management.
-------------------	---

Extra	<ul style="list-style-type: none">▪ Support the first 18 months of his/her independent activity
--------------	---

Support	<ul style="list-style-type: none"> ▪ Projects approved, receive free support for 3 to 6 months in order to be prepare. He/she is advised on his/her activity, the administrative steps, and the training that would prove to be necessary. ▪ Receive monthly expenses of €375 for the pre-creation support period as well as an establishment allowance. ▪ Possibility of obtaining a loan of €4,500 to provide for his/her needs during the first months of his/her activity. This special tranche of the Starter Loan, interest free, is repayable in the 6th and 7th years. ▪ Same mentoring structure will remains at his/her side after the granting of the Starter Loan for follow-up during the first 24 months of his/her activity.
Additional Funding	The “Starter Loan” can be accumulated with a Starteo. In this case, the applicant must meet the conditions in force for that loan. The amount of the 2 loans added together may not be higher than the maximum Starteo amount.
Cessation of Activity	<p>If the cessation occurs during the first 5 years, and if it is beyond the control of the person concerned, the Participation Fund can regard it as involuntary and in this case no other repayments would be required. The person concerned must however provide proof of this situation, at the latest within the three months of the cessation.</p> <p>If this cessation occurs for any reason within 9 years of the beginning of the activity, the right to unemployment benefit remains intact.</p>
Debt Remittal	<p>The case of debt remittal has been expressly defined by Royal Decree: in the event of bankruptcy, legal settlement with transfer of goods and death; also in the event of force majeure or of lack of viability of the discontinued activity, measured over a significant period, and beyond the control of the person concerned. Remittance of the Starter Loan capital and interest constitutes assessable income.</p> <p>The amount of the remittance is taxable, on a personal basis, for the tax period during which the debt remission decision is definitively taken by the Participation Fund’s Board of Directors. According to ITC 92 Article 171, 5°, this income is taxed at the average rate applying to all of the assessable income of the last prior year during which the taxpayer had a normal business activity.</p>

- Which characteristic is the most attractive?
- “Premium growth” can be adopted in the current Greek situation? YES NO

Why

.....

➔ **Additional Comments:**

FURTHER PROPOSALS & DISCUSSION

I. The collaboration among financing institutions seems appealing? Namely, collaboration among the Greek Banks, Eommex, TEMPE, etc. seems to be useful or viable?

II. Could you please give me your opinion for the combination of the funding possibilities? *For example, in the Belgian measures it is possible to combine Starteo with Young Self employed loan.*

III. Do you consider exceptions in some activities necessary?

(For example in the most Belgian measures there are exceptions in agriculture, transport & export sectors.)

2. LIST OF INTERVIEWEES

Table 0-1: Interviews according to the interviewee's category

Start up entrepreneurs		
1.	Avdikos Gewrgios	High – tech innovative projects, Lidar systems
2.	Boudalis Aris	Limousine services - Transportations
3.	Boundros Vasilis	Pastries shop – Tourism sector
4.	Dikonimos-Makris Evaggelos	IT & Network Infrastructure Services
5.	Dimitriou Aggeliki	Clothing store
6.	Dimos Konstantinos	Event Management Services
7.	Drakakis Konstantinos	IT services & Consulting
8.	Lessi Lena	Accounting services
9.	Karaindros Christos	Restaurant – Tourism sector
10.	Kiriakoulia Katerina	Fast food – Tourism sector
11.	Kourkoutas Panayiotis	Manager - Hairdresser services
12.	Koutis Thanasis	Hotel – Tourism sector
13.	Maleros Evaggelos	Supplier of “Winesave” (innovative product) in Greece
14.	Pastras Christos	Bookshop
15.	Stratopoulou Xristina	Hairdresser services
16.	Vlasiadis Ioannis	Constructing company
17.	Panagiotopoulos Kostas	Technical and consulting services for building a “clever house”
Financial experts – Consultants		
18.	Blathra Sofia	Project Manager in Grant Thornton
19.	Georgiou Dimitris	Central financial offices in Probank Greece
20.	Lanara Ifigeneia	Business Consultant
21.	Meletiadis Vasilis	Business Consultant, specialized in raising funding for entrepreneurs
22.	Panagiotopoulos Ioannis	Supply Manager in Factory of electricity production

23.	Papastergiou Apostolos	Financial auditor in National Bank of Greece
24.	Papastergiou Vasiliki	Auditor in Deloitte
25.	Sofianopoulos Emannouil	Business Consultant, Project Manager in European projects
26.	Yiannouli Ioanna	Business Consultant, Project Manager in European projects
Academics		
27.	Markellos Rafail	Deputy Professor (specialized in Finance)
28.	Lioukas Spiridon	Professor (specialized in Entrepreneurship & Strategy)
29.	Voudouri Irini	Deputy Professor (specialized in Entrepreneurship & Strategy)
Policy makers		
30.	Argitakos Stavros	Mayor of Sparta (South Greece)
31.	Karayianni Vasiliki	Ministry of Economic Affairs, Department of European projects
32.	Kiriakoulis Panayiotis	Responsible for the promotion & internationalization of the Greek agricultural products
33.	Papamihail Ioannis	General Secretary of the Prefecture of Trikala (Central Greece)

3. FINANCIAL SUPPORT FOCUSED ON SME'S IN BELGIUM

All the measures which are provided by the Belgian government for the several activities realized in the area of Belgium are provided in this list. Belgian government(s) significantly supports business activities with numerous programs and measures and it is worthy to present in order to have a general view of the efforts which have been done so far. All the programs and measures in which a company is possible to participate are the following:

1. 7th Framework Programme for R&D – Programmes:
 - a. “Capacities”, b. “Ideas”, c. “People”, d. “Cooperation”
2. Approval and funding of local development initiatives, employment and enterprise integration
3. Help with energy saving & energy production from Renewable Energy Sources
4. Aid to Urban Integration
5. Help Consultancy: External Advice
6. Assist Consultancy: Feasibility studies
7. Training Aid
8. Assistance in setting standards for non-environmental professions
9. Support the production of Green Products
10. Helps protect the environment (adaptation to new standards)
11. Help with environmental protection (exceeding the mandatory standards)
12. Recruitment assistance for associations active in supporting SME's
13. Tutoring assistance for the supervision of a trainee
14. Tutoring assistance for the formation of a take-over
15. Help for general investment
16. Help for Proactivity
17. Help to defray the costs of intellectual property right
18. Help in case of works on public roads
19. Aid to Industrial Research
20. Aid for technical feasibility studies
21. Support for the experimental development
22. Financial assistance to maintain the employment of workers aged 45 & over
23. Help for micro R&D
24. Help for the provision of facilities & equipment

25. Aid for recruitment of a prospective buyer
26. Aid for recruitment in the context of a specific project
27. Help to support the Early Childhood Home
28. Help on improving energy production processes or the adoption of sustainable environmentally friendly traveling
29. Insurance of export risks
30. Credit insurance for SME's
31. Exchange "Sustainable Entrepreneurship" Village Finance
32. Caring Entrepreneurship Fund
33. ACB Business Center Factory
34. Training check
35. Check language
36. Check ICT
37. Completion of a resumption of cooperative work activities
38. Tax credit to individuals
39. Ruling in Tax Matters (ruling)
40. Notional Interest Deduction
41. Deduction of Income Received
42. Tax deduction for Patent Income
43. Deduction for Investment
44. Corporate Donation 3%
45. Reduced inheritance tax in case of transfer of business
46. Erasmus for young entrepreneurs
47. EURODYSSEE
48. Exemption from the tax increase in renal advance payments
49. Exemption of capital gains on shares
50. Exemption from withholding tax on certain dividends
51. Partial exemption from income tax of researchers
52. Partial exemption from withholding tax on professional teamwork and night work
53. Exportbru
54. Financing of private enterprises: "Société Régionale d'Investissement de Bruxelles, (BIRS)"
55. Financing of new SME's: Brustart

56. Financing for SME's: B2E - Brussels SME
57. Finexpo - Committee for financial support of Export
58. European Development Fund (ERDF)
59. Corporate Training for job seekers: (a) Francophone, (b) Dutch
60. Warranty on commercial loans and leasing operations
61. Impulseo II
62. Financial assistance for the opening of collective representation offices outside the European Union
63. Financial assistance for
 - a. the collaboration of experts in Foreign Trade
 - b. technical training of potential Foreign Customers
 - c. participation in bidding for contracts outside the EU
 - d. participation in International Trade Fairs outside the European Union coupled with a survey
 - e. participation in International Fairs Abroad and/ or the invitation to potential buyers at trade fairs and exhibitions in Belgium
 - f. participation in Programs or Training Seminars on Export
 - g. the Exploration of Markets outside EU
 - h. the realization of informational materials to Promote Export
 - i. Start-Ups, Extension or Conversion
64. Association Financial
65. Micro-credit for local and social economy: Brusoc
66. Micro R&D (between 3 and 15 months)
67. Occupancy by CPAS (Rule 60 § 7 of the Act CPAS)
68. Open Soon
69. Hiring Plan, "Win-Win"
70. Plan and label diversity
71. Independent young map
72. Ready Business Angels
73. Ready Casheo
74. Ready Impulseo
75. Ready Initio
76. Starter Loan
77. Ready Optimeo

78. Solidarity Loan
79. Ready Starteo
80. Premium façade improvement
81. Premium first settlement:
 - (a) in the municipality of Anderlecht, (b) in the commune of Ixelles
82. Premium associated with:
 - a. a career transition program for corporate training
 - b. employment transition agreement first job type II
 - c. career transition training, alternating
83. Innovation premium
84. Energy 2010 premium for the service sector and industrial
85. Rewards soil studies
86. Framework Programme (CIP)
 - (i) Entrepreneurship & Innovation (EIP), (ii) Programme Intelligent Energy Europe (IEE), (iii) Information technology & communication (ICT PSP)
87. Research for SME's
88. Reduce employers' contributions - Target group: long-term unemployed - Activa
89. Reduce employers' contributions:
 - (a) long-term unemployed, (b) disadvantaged youth (CA 499), (c) young workers, (d) first commitments, (e) research, (f) reduction of working time, (g) older workers, (h) workers laid off during restructuring
90. Special tax regime for: (a) Distribution Center, (b) Service Centers
91. Investment reserve is tax-exempt
92. Start INVEST
93. Tax status of foreign professionals
94. Grants for businesses located in commercial centers of Anderlecht
95. Over taxation of certain gains on tangible and intangible

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Comparative study of the financial tools used by Belgian and Greek entrepreneurs

Richting: **Master of Management-Corporate Finance**

Jaar: **2011**

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