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THE PUBLIC FINANCIAL AIDS FOR THE CREATION OF COMPANIES: THE CHALLENGE OF COMPANIES AND FINANCIAL ENTITIES IN THE CRISIS CONTEXT

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Abstract. Public financial aids for entrepreneurs often respond to their inability to access bank financing. The financial institutions limit the loans granted due to the lack of guaranties. The research aims to analyse the way in which granting public financial aids for the start-ups, helps to improve the efficiency of these institutions by strengthening their competitiveness and their ability to survive in environments of economic slowing down.

The research conducted an empirical analysis on a sample of companies with less than three years of age that have accessed to Mutual Guarantee Companies (MGC's) (2.218) and others that have accessed to the Spanish Official Credit Institute – Small and Medium Enterprises (SME's) ICO Line – (10,018). Meanwhile, a representing group of companies who have obtained financial aids has been extracted from the Sistema de Análisis de Balances Ibéricos (SABI) database. The definition of these groups allows the application of a counterfactual methodology, which aims to detect the possible causal relationship between public aids and business performance by verifying the existence of significant differences in the efficiency variables.

Considering the efficiency variables (profitability), the companies that have received public financial aids optimized it by maintaining a higher outperform than the obtained by the rest. However, the evolution of the companies backed by Mutual Loan-Guarantee Societies is effective during the period that they receive the aid, but once the funds are repaid the companies are positioned below the market levels. These results confirm that the aids granted by a MLGS get to overcome the barriers of accessing financing, while the ICO aids, due to the optimal results obtained, do not seem to fulfil this purpose.

Key words: *public financial aids, start-ups, financial guarantees, business competitiveness*

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Introduction

Access to financial resources remains one of the main aspects that public institutions pay more attention to, in the effort to overcome the inequalities of access and the cost for SMEs through EU and national economic policies (Stiglitz and Weiss, 1981; Van Praag, 2002). These aids are essential to promote economic growth, especially in times of recession. Financial difficulties are higher in the initial or in the post-constitution phase or if intangible assets are require due the limitations of the internal and external funding. Internally, the company capitalization is reduced to the contributions made by the businessman, the partners or other informal funders including family, friends or “fools” (three “f” in internal financing: family, friends & fools) (Mullins, 2003) or the so-called “Business angels” (Hall and Woodward, 2007), and to the accumulation of funds from self-financing. Similarly, Berger and Udell (1998) determined that there is an optimal financing structure for the better use of resources, depending on the age of the company, reached firm size, sector of activity and the quality of information that the company is capable of transmitting to its environment. Thus, in the early years of the company, it has neither guarantees nor information, therefore, in order to meet its funding needs it only has at its disposal the initial contributions of the promoter or entrepreneur and the credit generated in commercial operations by negotiating the collection and payment periods with customers and suppliers. These limitations push those responsible for the new business initiatives to seek outside financing. However, the size, the lack of business experience, the lack of viability of the business plan, the lack of necessary guarantees and the limited bargaining power are major restrictions encountered by entrepreneurs trying to access external financing for long term and in the right conditions. This situation justifies the appearance of public aids for financing??? (Caminal, 1995; Crecente, 2011).

Public financial aids to start-ups are vital to allow the entering and survival of new entrepreneurs, due to the lack of credit access, motivated by persistent information asymmetries in markets due to the adverse selection problem. To reduce the access barrier public institutions have developed an extensive variety of public aids: incentives for training, setting quality standards, legal advice and, in particular, financial aids programs? (Audretsch et al, 2002). The existence of restrictions and imperfections in markets requires the governments to design systems of public financial aids to facilitate companies’ access to credit, at least home banking, especially for younger firms and certain sectors (Beck and Demirguc, 2006). In the Spanish case there are remarkable remedies provided by the Official Credit Institute SME’s Line (ICO), with specific funding to entrepreneurs in order to facilitate the infrastructure acquisition and the principal repayment with more favourable conditions than in the market. It also highlights the access to Mutual Guarantee Companies granting guarantees to its partners helping to limit the financial cost to business financing and have the support of a public institution, the Compañía Española de Reafianzamiento (CERSA).

This research analyses the efficiency of Spanish public financial aids received by a sample of start-ups, through a counterfactual methodology, which compares the performance of firms that receive public aids to those who have not received them. After this introduction, the paper is divided into three main sections: the first covers the goals to achieve, methodology and studied variables, the second stresses the efficiency main results of analysed companies and the last one presents the study conclusions and the challenges for financial institutions that mediate public financing aids.

Research objectives and hypotheses to be tested

This paper focuses on the financial aids provided by the ICO and the MGC’s to startups. We analyse the efficiency of these public financial aids available to these businesses. The main objective is to study the problem of financing new business and solutions provided by public institutions. Solutions that pass through the replacement of non-repayable capital grants for financial instruments that have to be repaid, with advantages in terms of lower interest rates or lengthy payback period. Such instruments are more effective for all SMEs that mere grant (Becker, 1996; Bergstön, 2000). Therefore, we try to test whether the business performance of companies benefiting from public aids, different from capital grants, grow throughout their life cycle, or if instead the empirical evidence shows that in newly established companies such approaches should be reviewed.

Therefore, it is deepening the economic performance of the newly established companies receiving public financial aids, compared to the other companies who have not obtained any public aids, not need or can not access it. This hypothesis verification is performed through the analysis of an economic-financial ratios set indicative of the company operational management, its profitability and its ability to generate effective liquids means. This analysis aims to verify if the economic and financial exploitation of the beneficiaries of such aids has been greater than that of the companies that have not used them, or if, on the contrary, these aids have not had the desired effect or only have improved in certain quantities. To establish that the public aidsare efficient it is necessary to ask the following question: how can be measured, in terms of efficiency, public aids to start-ups? The research interest rests with business and how to leverage the financial aids, so that the main criterion for measuring the efficiency is profitability. The choice of this indicator is not casual. Obviously, achieving a positive return is an arduous task in the initial stages of any business by inexperience in the management of resources, high starting payments (setting up expenses, assets acquisition), ignorance of the market and the consumer business, the low level of benefits and the high cost of funds (interest, fees, etc.) in case of having access to them.

Once set the indicators to measure efficiency, if companies show that they are efficient, we have to consider the results heterogeneity, specifically to address whether: Are beneficiary companies' results different by type of assistance received? This research considers two different ways of public aids, one from the ICO, which may take the form direct lending or leasing and assistance provided by the SGR that is indirect by providing guarantees. Demands that the employer must assume are different in both cases, especially in terms of cost, which can result in different business performance. The form taken by these different financial aids make necessary to discern whether there are differences depending on the nature of the aid or not.

Information sources and databases

This section details databases used, data treatment and subsequent operation to obtain statistical results on different behaviours of identified groups and their evolution over time. There are three databases to perform the analysis, specifically are:

- The base compiled by the Official Credit Institute (ICO), which refers to the SME's ICO. Composed all lending transactions arranged by the institute until 2007.
- Database developed by Compañía Española de Reafianzamiento, Sociedad Anónima (**CERSA**), which provides guaranteed transaction records performed by Spanish mutual guarantee companies with societies possessing legal entity until 2007.
- Análisis de Balances Ibéricos (SABI). This private database provides information about financial statements deposited in Spanish and Portuguese Registry of Commerce. The number of companies contained in the base amounts to 1,266,305 companies with legal personality (version November 30, 2012).

The first two databases have been used to identify Spanish-up companies that have come to public financial aids systems as opposed to those that do not have such aids. From the third database are extracted key accounting ratios of companies with legal personality included in the database. In total we have obtained four groups of SMEs according to the way in which are financed in their first years of life ("starts-up" and "new firms"). To have a series with sufficient data to analyse behaviours that both long and short term, are considered as newly created entities that were formed between 2000-2002. Although there is no consensus on the definition of "start-up" and "new firms", we mean that a company is in this stage among the first three to four years (42 months) of activity (GEM, 2008). Some authors materialize further specifying that a business is under "start-up" or fundraising and business development during the first three months of wages and other costs payment, being from the time when the company is considered newly created during the 39 months. After 42 months it is considered that the company is established in the market (Reynolds, 2007; Parker, 2008). For research, the different populations and samples to be used in case it is required that you attend a public assistance funding to do so within the first three years after its date of incorporation. Having defined the databases and the companies under study, groups identification is as follows:

- Companies formed between 2000 and 2002 who have come to the aid of the ICO SME line within the first three years of its activity: 10,018 companies.
- Companies established between 2000-2002 who have come to a mutual guarantee company (SGR) for an endorsement during the first three years since the company was founded: 2218 company.
- Companies established between the years 2000-2002 that have benefited simultaneously an endorsement and financial aids of the ICO SME Line: 270 companies with legal personality.
- Companies using borrowed funds to long and short term, but not resort to any of the public aids and are not described in the above groups: 7516 companies. The latter group of companies was obtained from the SABI database at random stratified sample, by firm size and sector of activity, according to the percentage distribution of total spathe incorporated companies between 2000 and 2002. This distribution has been obtained from the Central Business Directory, prepared by the National Statistics Institute of Spain (INE).

Methodology and variables used

Quantitative analysis starts from an analysis of the main economic-financial ratios arising from the annual accounts of companies. Methodology is based on a counterfactual approach that allows to know what would have happened if a certain action that had not been carried out, by comparison with control groups. This methodology can detect the existence of causality between public aids policies and changes in business results (Rivera and Munoz, 2003). You select a random control group has similar characteristics to the groups under study, so that by applying statistical sampling techniques (stratified probability) are able to eliminate those factors which hinder the expected changes (independent own choice) and to obtain results from differences resulting from its own public action or decision to be evaluated. The reference control group provides information about the convergence or divergence of the companies under study for it, and for assessing whether the observed changes are due to become general or group they belong, however, to a change in behaviour as a consequence of the fact studied.

All firms' ratios in the four defined groups are from the SABI database, with the time horizon of the data series between 2000 and 2011. There was also a high dispersion of the values obtained by the youth motivated enterprises that require data cleaning to get results free of outliers. For this reason the samples were employed with the median statistic distribution as central reference position, and not the average, in order to eliminate the irregular behaviour of the tails of the distribution of the variables used.

Furthermore, to compare the results of the graphical evolution and the existence of significant differences between groups analysed, other statistical techniques of cross section are used. Specifically, we performed an analysis of variance (ANOVA) to detect the equality between the means of several groups, assuming normality and homoscedasticity of the dependent variables assumptions. However, the variables do not meet these conditions. Therefore, contrast non-parametric Kruskal-Wallis is used. This is a nonparametric ANOVA F test version and detects whether different groups follow same distribution without normality and homoscedasticity of the variables.

The set of indicators used to analyse the performance of companies that have requested financial support are: Return on Assets (ROA), return on equity (ROE), the liquidity ratio and debt ratio. The debt ratio indicates the weight of borrowings compared to the company's own resources. This ratio will tell whether newly established SMEs that have come to public financial support are able to improve their access to long-term financial sources gradually reducing its dependence on borrowings to short. The company's ability to meet its payment obligations in the short and long term is analysed through liquidity indicators. Meanwhile, the return on equity (ROE), defined as the ratio of profit after tax and equity, said the result available free to the employer as compensation for the risk taken. Profitability, measured by the ratio of earnings before interest and taxes between the annual average total assets of the company indicates the efficiency in the performance of entrepreneurs in the management structure of the enterprise, both as its capital assets of its current assets, regardless of the method of funding.

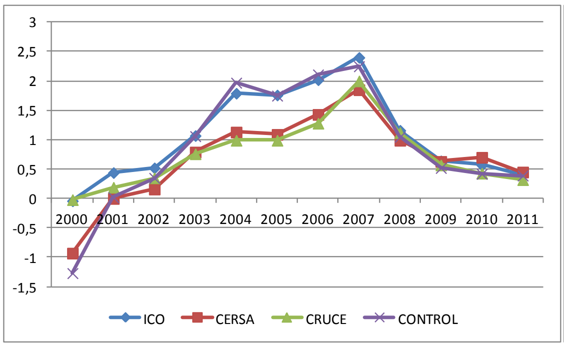
Evolution of the efficiency indicators (profitability) of the companies that have received public aids

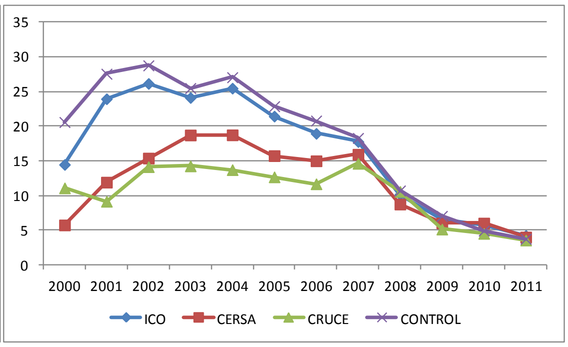
In this section we will obtain evidence about the behaviour of the efficiency variables (economic and financial profitability) followed by the four groups of companies identified and we will detect the existing differences depending on the origin of access to a long-term financing.

The ICO companies optimize throughout their entire life cycle the aid received by maintaining a economic profitability higher than the one obtained by the other groups, and a financial profitability similar to the sample that acts as representative of the tissue of Spanish recently created companies. (CONTROL). The evolution of the economic profitability of the companies in the sample of SGR is effective for the period during which they receive financial support (first three years of life), but as they repay the funds they face new complications, being positioned below market levels. The financial profitability, which supplies information on the surplus available for the businessman after deducting the taxes payment and the financial charges, that is, the profit derived from the risk taking and management of the resources, is maintained throughout the period below the profitability of other groups, converging, at the beginning of the crisis (2007) with the values of the other groups (15%).

The reason of this reduction can be found in the survival of the company, the lower risk of bankruptcy and the accumulation of the self-financing achieved. From that moment until 2011 the evolution of all the companies taken into account has maintained a downward trend of around 5%. The companies that have requested simultaneously both financial aid (BOTH) maintain a behaviour similar to the SGR companies (figure 1). Therefore we could affirm that the aids granted by a SGR have overcome the barriers of access to business financing while the ICO aids do not appear to meet that goal, given the high profits obtained over the period. These results confirm in what way the increased risk of the companies of recent creation requires high returns.

At this point it must be stressed that the organization has the financial expenses ratio in the groups considered to determine the importance of state aid received. They are, in this order, the CONTROL group, ICO, SGR and BOTH. If we organize by the aids received, we can highlight that the companies that have required aids from the guarantees system have to support a higher financial cost than those that have only obtained funds from ICO. The companies that rely more intensively on borrowed funds in the long term are those that have to dedicate most of their benefits to covering financial expenses. A greater degree of involvement in obtaining financial aids signifies higher financial expenses, but inferior if such funding has not a public character intermediation. To summarize, it can be affirmed that public aids allow newly created companies the access to bank resources in the long-term with really beneficial financial conditions.





Source: Prepared by the author using information from the SABI database

Fig. 1. **Economic Profitability and Financial Profitability**

Thus, the learning process that the businessman acquires in managing the resources positively influences the evolution of the economic profitability by reducing the operating costs and the consolidation of his commercial demand, and influences negatively the financial profitability, given the lower level of risk of failure of the company as it is consolidated and secured in the market.

An analysis of the survival and the mortality of the different groups (Table 1) during the first six years of a company's life, just before the beginning of the crisis, shows that the companies that have received public aids manage to remain active longer than the CONTROL group companies. We can, therefore, appreciate how the aids are not limited to introducing the businessmen to the complicated market, but also to ensure their survival during the phases of expansion and development.

Table 1

Risk rate of the companies according to the type of financing, period 2000-2007

	Sample	Survivors	Inactive	Survival Rate	Failure Rate
ICO	10,018	9,531	487	95.14%	4.86%
SGR	2,218	2,087	131	94.09%	5.91%
BOTH	279	264	15	94.62%	5.38%
CONTROL	7,516	7,063	453	93.97%	6.03%

Statistical tests show the significant differences between ICO companies and the other groups. Throughout the study period the ICO companies have maintained the economic profitability levels superior to the ones of the CONTROL group, exploiting efficiently the public aids obtained. Meanwhile, the SGR companies have presented during the first part of the period rates superior to the ones of the CONTROL group, although after 2003 they have experienced a decline in profitability that situates them slightly below the CONTROL. Therefore, the profitability of the companies turn to external in long term financing through the guarantee scheme does not experience a positive effect in the long term, although they did in the early years allowing the survival and adaptation of these companies to the market. Table 2 presents the statistical tests used to determine if there are statistically significant differences between the groups.

The Kruskal-Wallis contrast reports differences among the groups, but does not specify which ones present a different behaviour. To identify them we used an ANOVA analysis corrected with the Brown-Forsythe test and the Tamhane test. The latter, considers that the difference between the averages is significant at a 5% level. Therefore, if the significance is greater than 5% it can be said that the pairs of values that exceed this level and form a homogeneous group and, by contrast, those that do not exceed it are groups with a differentiated behaviour. In this case, Table 2 indicates how ICO companies have a differentiated behaviour from the rest of the groups, except from CONTROL with which they form a homogeneous group. In turn, CRUCE and SGR form a second homogeneous group distinct from the above groups. These results would vary if the series under study started in the year 2007, given that from that moment on all companies have non differentiated behaviours in both profitabilities.

Table 2

Comparison of differences according to the type of funding received

Statistic significance	**Kruskal-Wallis**	**ANOVA**	**Brown-Forsthe**
	0.000	0.000	0.000
Test of multiple comparisons according to funding (Tamhane)			
Groups	**SGR**	**BOTH**	**CONTROL**
ICO	0.010	0.008	1.000
SGR		0.997	0.039
BOTH			0.008

All these results are conditioned by the sectorial composition of each of the groups considered. Thus, ICO firms differ from the companies that have obtained SGR guarantees on the higher percentage weight of the construction industry (19.2% in ICO vs. 10.5% in SGR) and on the lowest share of companies engaged in non-commercial services (34% vs. 42% SGR). For industrial companies – traditional manufacturing (15%) and intermediate and advanced manufacturing (2%) – there are hardly any differences in their weight percentage.

However, the importance that the traditional manufacturing sector acquires when we consider both public aids, assuming a 24.3% of the enterprises total, is remarkable. Logically, the elevated expenditures in order to acquire the complex and costly manufacturing facilities require large amounts of long-term financing, depending on the period of amortization of the non-current assets and on the expectations of cash flow generation, confirming the low assets rotation of this group. Nevertheless, taking into account the efficiency indicators depending on the activity sector, the companies in the construction sector are the most profitable and the most productive, although they are the ones with the lowest cash generation capacity. Immediately after, are situated the extractive and energy companies, in particular, the companies of renewable energy, which rapidly transform the benefits to cash flow. The liberalization of the energy sector and the construction boom during the period under study explain these results.

Evolution of liquidity ratios and debt capacity of firms with public support

The two following ratios indicate the degree of indebtedness of the company, and the resulting leverage and liquidity, which measures the company's ability to meet current obligations in the short term payment. In medium terms, the way the startups are financed can be summarized in the following manner: a low level of capitalization that does not exceed 15% of total funding sources, a intensive use of external sources in the short-term with a value close to 65% of total liabilities of the company and restricted access to external long-term financing. In the control group this funding represents just 22% of the total available resources. Therefore, we can verify that financial aid meet its goal of allowing access to long-term financing.

Thus, the right representation of figure 2 can be seen how companies with public aid have an ownership structure similar to the CONTROL sample, with a degree of leverage that ranges between 80-85% in the early years of their life cycle, but with a gradual reduction of external funds as loans are repaid and the company is approaching its maturity phase, in full economic crisis. However, it is significant as the experience with banks that intermediate in granting public support has enabled these institutions to hold higher levels of long-term debt exceeding of the companies that have not attended to these support systems. This low participation of equity in the capital structure of start-ups could be due to the contributions made by other agents (family, friends, etc.) in the form of external financing without cost or at a reduced cost.

The common note in all groups is the positive trend regarding the equity, so that the level of capitalization increases as growth and consolidation is produced, as established by the theory of "hierarchy of preferences" the constitution of reserves and the gradual return of the external capital (Myers and Majluf, 1984).

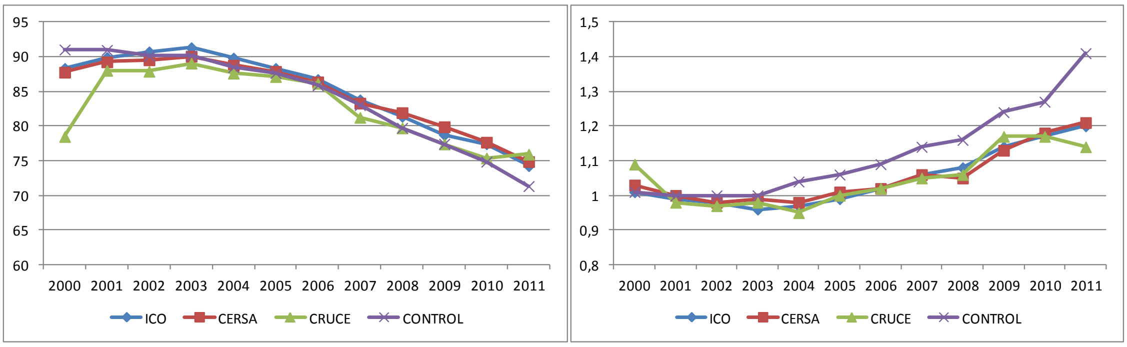


Fig. 2. **Overall liquidity ratio and debt ratio**

As companies go to its phase of growth and expansion is possible to detect changes in trend. There is a gradual increase in equity in all the groups considered accompanied by a reduction in the non-current liabilities and a maintenance of the short-term cash commitments. After six years there is a convergence between the companies with financial aid and those that do not. Therefore, of the evolution of the different ratios it follows that as companies consolidate continue to maintain as the main financial source resources in the short term while maintaining the low weight of the permanent financing, although with a progressive replacement in the origin of the same.

On the other hand, companies that rely on public aid presented a positive value of the ratio of liquidity (left figure of the graph 2) but below the control group. Even though all have very similar values, the one which provide less liquidity are the companies that have obtained guarantees (in particular CRUCE), in part, by its greatest difficulties of access to finance that pushes them to use all its resources to maintain their productive capacity and financial response, as well as by the greater volume of income to pay the interest of the funding. Table 3 lists the contrasts that will verify the statistical homogeneous behaviour of firms supported publicly. The temporal evolution of the series presents a slightly decreasing trend during the early years of business life, which does not preclude the maintenance of a reasonable excess cash flow from all groups. This behaviour seems to indicate a conservative financial management in order to be able to comply strictly with the corresponding obligations of payment. However, this approach leads to a series of implicit costs, but also in terms of opportunity cost, to not take advantage of these surpluses in profitable investments or maintain their productive capacity with the consequent reduction of their returns. Therefore, at the initial stage of its activity the entrepreneur prefers to abandon high returns in pro to transmit a lower risk, whereas under the company achieves to survive in the market there is an optimization of the management of current assets. However, during the economic recession companies prefer to increase their working capital in order to be able to meet any temporary situation that can ensure them, either due to the lack of payment of your customers or by the rise of the interests of their financial sources.

Table 3

Comparison of differences in the liquidity ratio by type of funding

Statistic significance	**Kruskal-Wallis**	**ANOVA**	**Brown-Forsthe**
	0.000	0.000	0.000
Test of multiple comparisons according to funding (Tamhane)			
Groups	**SGR**	**BOTH**	**CONTROL**
ICO	**1.000**	**1.000**	0.000
SGR		**1.000**	0.000
BOTH			0.000

Conclusions

The first conclusion that can be drawn from the analysis is that the public financial aids to companies of recent creation is efficient because they improve the performance of the beneficiaries during the beginnings and they also increase the existence of differences between the average values of the efficiency indicators according to the type of aid received.

The analysis (charts and statistic contrasts) confirm the fact that the public aids have allowed the beneficiary companies (beneficiaries of ICO or SGR) to improve their business performance and in particular the financial profitability.

However, the financial profitability of the companies that have received an endorsement is below the CONTROL group profitability, converging, in a progressive way, into the average values of the period of the study, fact that confirms the improvements obtained during the period of the benefits of the endorsement. Nevertheless, it is important to highlight the two financial circles that the companies have been through during their own life circle: the stage of introduction and growth coinciding with the phase of expansion in the economy and the phase of maturity coinciding with a period of recession.

Therefore, as businessmen acquire not only knowledge and abilities, optimising the productive structure of the company, but also commercial skills on managing both the clients and the suppliers, the financial profitability increases. The financial profitability of the companies decrease as the risk of failure related to the beginning of the business activity is reduced.

In addition, the role of banks is essential to understand the situation. For banks, one of the most valued signs at the time of granting funds is the borrower's ability to repay debts and to present high profitability expectations. Furthermore, the use of banking brokerage by the ICO to grant public funds raises the question whether financial institutions use these resources in a discretionary way, that is, whether they fund their preferred customers. In some cases even the entrepreneur/ businessman himself doesn't know that the funds they received from their bank come from the ICO. This way, the restriction of credit would be eased for the newly established entrepreneurs.

However, the economic boom times in which financial aid was received, the increase of business wealth, the existence of low interest rates as well as the increasing bank competition, contributes to the fact that the aids received is not really perceived as needed. Therefore, to combine economic and social efficiency in the allocation of the aids, it is necessary to redirect the granted funds to beneficiaries who have higher financing needs, such as the collectives of women and unemployed, and to those companies with high growth potential. This would leave out of the system the entrepreneurs/ who could have obtained financing on the same terms. However, to retain the entrepreneurs who truly have financial difficulties, it should be the ICO itself the one to make the final decision at the time of granting the aids, which would redefine the existing relationship with their brokers.

For the endorsed companies the progress of the business favours the increase of the financial autonomy, perceiving, in consequence, to a lesser extent the benefits from the public aids. These assessments along with the reduction of the efficiency ratios, as the debt is paid off, allow us to affirm, on one hand, that the entrepreneurs who resort to guarantee companies have greater financial difficulties and, on the other hand, that the additionally of the public aids is perceived more intensely within the group of the aidsed entrepreneurs.

Moreover, considering the changing economic cycle we can highlight the fact that companies that have received financial aids at the beginning of 2007, especially the beneficiaries of the ICO, have remained in a position which allows them to face the effects of the crisis. Therefore, faced with the reduction of the consumption, the companies who have received public aids have an operational profit that grows by reducing operating costs and by having reached a balance in adapting its production structure. Consequently, coping with market failures such as asymmetric information problems and adverse economic situations, the public aids are essential in order to reduce the problems of access to credit.

However, the configuration and the design of the public systems should be made considering the future sustainability of the system. The reduction of financial charges and the extension of the repayment deadlines for borrowers, without ensuring a correct return of the borrowed funds, should not make the public aids programs subject to successive interventions, since this would produce interferences in the functioning of the market.

Public aids, in the context of the ratios examined, are perceived and used by the companies in need – SGR and ICO BOTH, in this order – which justifies their existence. Therefore, although both programs pursue the same objectives, regarding the easy access to bank credit at an affordable cost that enhances the productive investment of newly established SMEs, although all types of SMEs can access them, the SGR are the ones that best fulfil their mission of removing barriers for the companies that actually have major financial problems.

Moreover, the benefits of the public aids programs for the borrowing entity should not be measured only by the amount of credit obtained or by the financial cost reduction because there are other equally relevant aspects, such as the positive experience for emerging SMEs. This first contact with credit entities and public institutions provide to them a valuable know- how, which will be useful during the stage of growth and consolidation of the company when it will have to interact and negotiate with financial institutions the application or renewal of bank financing. In return, the lender entity is also benefited by obtaining basic references useful for its relations with the companies as well as comprehension of the kind of information the lender entity should ask for.

The mutual guarantee systems or the ICO aids should not be used as the only way to solve financial nature problems. If a company is a bad borrower, it will remain a bad borrower. Therefore, according to the criteria of economic and budgetary rationality, mechanisms that allow a better distribution of resources among entrepreneurs with difficulties and at the same time transmit to the market the entrepreneurs' personal and professional integration with the project should be established.

This step requires a continuous relationship between the beneficiary and the public institution so as to obtain ex-post information on the application of funds. However, an excessive control is considered negative by the beneficiary, because it generates distrust. Consequently, throughout the operation, a constant relationship as well as an information feedback in both directions should be favoured. It is the responsibility of the public and the financial institutions in charge of the funds distribution to integrate to the public aids some reasonable and quantifiable indicators, in particular financial ones, and which should be known by the borrowers at all times, in order to measure the degree of exploitation of the investments.

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