TOURIST ENTERPRISES FINANCING IN GREECE

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ABSTRACT

The main purpose of our paper is to examine the financing framework of the Greek tourist enterprises. More specifically, in the first part of this paper we analyze the sector of the Greek tourism market in order to be able to define its operational framework. Then, we examine the structural problems of the sector and analyze the relevant Institutional financing framework. In the second part we work out a critical assessment of the tourist enterprises existing financial framework, focussing on the financial difficulties that they face. In the last part of our paper, we set out our proposals concerning the adoption of the appropriate tourism policy that will contribute to the supporting of the aforementioned firms and especially to their access to finance (through Developmental Laws, E.U's programs, financial Institutions like Credit Guarantee Fund for Small and Very Small Enterprises, etc).

The most important conclusions that come out of the whole analysis of our paper, show that the majority of Greek Tourist Industry are small enterprises that they have the same structural characteristics (e.g: seasonal bussiness, mainly situated in insular regions, stayed behind large companies in terms of productivity, technological experience, financial and other areas. Particularly, they often lack creditworthiness and have trouble securing funds needed for their business activities). Furthermore, tourist enterprises, like most small companies have only limited capital resources. So, they have to rely on banks and other financial institutions for their funds. Banks require sufficient collateral or a well-established surety for their debtors to secure a loan. The lack of such assets or appropriate surety makes it difficult for many small tourist business to obtain loans from financial houses. Thus, it is obvious that the pin pointing of the financial problems that the tourist enterprises face, facilitates the planing of the appropriate mix of tourism policy measures, that can lead to a more effective running of tourist enterprises and also contribute to the reinforcement of local entrepreneurship.

Keywords: tourism policy, structural problems of tourism sector, financing of tourist enterprises.

1. INTRODUCTION

The post-war tourism development model in Greece, which in a great way remains actual even today, is related to the development of infrastructure and the providing of services to organised mass tourism that takes place mostly during the summer season. This post-war model addressed to a demand type with particular features and was only related to one part of the country, i.e. the regions were the appropriate resources for holiday tourism were available. As pillar for the above mentioned model were used the small and medium enterprises. For this reason, tourism policy was oriented towards the market demands, providing financing motives in order to support small and medium enterprises construct small tourism resorts that would eventually cover the excessive tourism demand.

Tourism enterprises in Greece can be divided into three main categories:

Main hotel enterprises which include hotel units of every kind, classified according to their class, which are the ones providing the main accommodation.
1st Class: in the year 2004 existed 8,899 hotel enterprises of this class with 351,891 rooms of a total capacity of 668,271 beds (75 beds/ unit).

Secondary hotel enterprises: they comprise of all kinds of units that provide complementary accommodation (rooms and apartments to let, camping, etc.). In the year 2004 existed in this class 28,000 units of rooms and apartments to let; those units are very small enterprises having 15 – 20 rooms. There are also 320 camping locations with 28,504 places for campers that can serve 43,228 persons.

Other tourism enterprises: they are enterprises of all kinds which support the tourism industry (travel agencies, road transportation enterprises, car-rental offices, restaurants, boat-ticket agencies). In the year 2004 existed 9,000 enterprises, of which 4,500 were travel agencies, 750 road transportation tourism enterprises, 1,500 car-rental offices, 250 boat-ticket agencies, and about 2,000 tour guides working freelance. More than 98% of these tourism enterprises are of small size and employ less than 10 employees each (Tsartas P. and D. Lagos, 2002).

The allocation of hotel units into classes for the year 2004 shows that 1.55% of the beds is in 5* luxury units, 10.07 6% in 4* units, 18.66% in 3* units and 50.27% in lower classes 50.27% in 2* units and 18.66% in 1* units.

Comment [Τόχσ1]: ΕΛΕΓΧΟΣ ΑΡΙΘΜΟΥ!!

70% of the hotels in Greece are located in places that are considered “saturated” or “tourism development control places”. This causes additional problems both in local and regional level, since many tourism locations have exceeded the limits of tourism carrying capacity and intervention for the correction of this phenomenon is necessary.

The average annual booking of hotel accommodations in Greece amounts to 65%.

Hotel sector comprises of many small enterprises, family enterprises, with a limited range of additional service providing, low level organisation and administration as well as high competition among them, which limits the profit margin.(more details in Table 1 that follows).

TABLE 1

Number of beds	Number of hotels	(%)
0- 50 beds	4,879	58.9
51-100 beds	2,063	24.9
101- 300 beds	1,052	12.7
Up to300 beds	290	3.5
Total	***8,284***	**100**

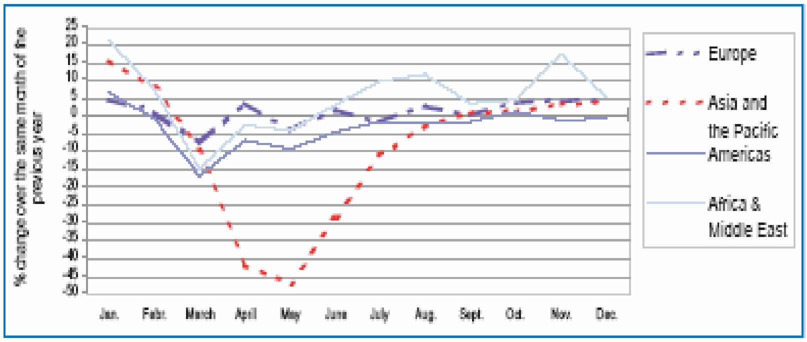
HELLENIC HOTEL CHAMBER (2001)

.Finally, one of the main problems of hotel sector is the lack of quality of the provided services, which causes variances to clients’ satisfaction indexes as well as low level of competition.

2. STRUCTURAL PROBLEMS OF GREEK TOURISM

Although the estimations of the World Travel and Tourism Council (WTTC:1995, W.T.O. 2000) show a constant increase of international tourism (arrivals and earnings on foreign exchange), Greece's picture is not that steady, in contrast to the predicted increase tendency.

Greece has serious structural problems to handle, which have an inhibitory effect to Greece's efforts to improve the management level of hotel enterprises and to achieve a balance in tourism development.(see the following diagramm).



World Tourism Organization 2000

The most important of the aforementioned problems are the following:

- The competition among the Mediterranean Countries has been very increased during the last years because the tourism product they offer is not enough differentiated. Consequently, tourist attraction depends mostly from price reduction. During the last years besides from the European countries (Italy, Spain) the North-African countries (Morocco, Tunisia) have also entered in tourism market. Mediterranean countries strive to remain the first preference of tourists in comparison to other small regions (Indonesia, Caribbean). Greece cannot respond adequately to this competition framework because of the inelastic prices of its hotels, as a result of the Euro-zone integration (Papatheodorou 1999) (see table 2 that follows).

TABLE 2

E.U. MEMBERS	VISITORS	Sorting by visitors arri8vals	IMPUTS in million $	Sorting by inputs
FRANCE	70 million.	1	29, 7	3
SPAIN	47,743 million	2	29,585	4
ITALY	34,829 million	2	30,427	2
GREAT BRITAIN	25,475 million	5	21,295	5
AUSTRIA	17,282 million	10	11,56.	8
GERMANY	16,504 million	11	15,859	6
PORTUGAL	11 million	15	4,665	27
GREECE	**11,077 million**	**16**	**4.050**	**30**
NETHERLANDS	9,08 million	20	5,749	20
BELGIUM	6,152 million	23	5,375	23

IRELAND	6,073 million	24	3,159	38

(STATISTICS OF 1998).

- Foreigners' overnight stays do not show any constant rising tendency. This leads to low bookings of hotel accommodations and to restrained rise of tourism exchange.

- The use of non-official accommodations has become a major problem and has caused serious damages to the whole sector (unfair competition, low quality services).

- The average size of hotel accommodations is 75 beds per accommodation. This is a small size for the utilization of scale economies and for the ensuring of a satisfactory quality level of the provided services.

- The problems hotel enterprises face (financing, professional specialisation, high operational costs, low profit margin, etc.) are mostly due to their small size and create unfavourable conditions for their existence.

- Great seasonality is a holdback to qualitative improvement and productive cost reduction of the Greek tourism product. This has negative consequences for the competitive ability of the country. Seasonal operation characterises also the rest tourism supply of the complementary tourism enterprises, i.e. those of food providing, entertainment, etc., which –of course- are gathered and operate where and when there is a large number of hotel beds.

- The rise of the existing competition during the last years has lead many enterprises to merges, takeovers and co-operations, a fact that resulted in the creation of large chains by the method of franchising. However, this expansion tend of hotel enterprises is rather weak. Only in a few cases there has been verticalisation of service offerings (e.g. cruisers, tour-operating, sight-seeing, etc.).

- The dependency, i.e. the prevailing and controlling situation, which our economy experiences from the countries that provide us with tourists. According to Eurostat in 2003 the Greek tourism consisted mostly of people coming from Germany, 27.3%, followed by those coming from England, 20.35%, the tourists from France, 6.64% and finally a 6.2% coming from Italy.

- *Overgrowth* of some tourist destinations (Corfu, Rhodes, Myconos, Crete) that causes inter-regional inequities and long-term problems in the tourism sector.

- The inability of the country to improve its basic infrastructures (transportation, health services) and to activate mechanisms (spatial planning, regional planning, staff specialisation) constitutes a negative factor for tourism development.

- Lack of great differentiation of tourism destinations. The most popular destinations are very much restrained (Corfu, Crete, Rhodes, Chalkidiki).

- The regional features of Greek hotels are related to their place of location (islands, near to the sea, mountain areas) and the development pattern prevailing in each periphery.

- It was noted from a relevant research that the Mediterranean hotels (Greece, Spain, Italy, Portugal) lack high management, except from the local subsidiaries of international chains (E.C. 1997). This means that the conditions in those countries are the same and the obstacles are due on one side to the hotels enterprises and on the other side to the tourism policy of the hotel sector in general.

The aforementioned structural problems of the hotel sector constitute obstacles for the financing of tourism activity. These obstacles are distinguished into two categories. In the first category the obstacles originate from the internal environment of the enterprises and are due to the philosophy characterising their operation. In the second category the obstacles are located in the external environment of the enterprises and are due to infrastructural issues, competition, competition and regulative provisions (Patsouratis 2002:165).

3. FINANCING SOURCES OF SMALL AND MEDIUM GREEK TOURISM ENTERPRISES

The main financing sources of Greek tourism SME are the following:

A. Developmental Laws

As a matter of fact, the development laws have largely contributed to the effort made to improve the Greek tourism product. A typical example is the most recent of them, L. 23299/2004. This law provides the following kinds of aid:

- Grants
- Leasing subsidies

The above kinds of aid form a direct participation of the state in the investigation cost.
- Tax deduction and various other special motives
- Granting aid for the costs of the business investigation plan which includes covering from the state, for a period of two years, part of the salary costs for those jobs created as a result of the completion of the investigation plan, excepting the first three years after the completion of the plan.

Its target is to support a series of tourism business activities, such as:
- Establishing or expanding of hotel units, at least of the second class
- Modernisation of integrated form operating hotel units, at least of the third class.
- Modernisation of integrated form operating camping places, at least of the third class.
- Establishment, expansion, modernisation of special tourism infrastructure works (marines, congress centres, golf fields, sea therapy centres, ski resorts and others).
- Reconstruction of traditional or protected monuments into hotel units, at least of the third class.

Subsidiaries granted by this development law are according to the category and the location of the investment. Here it should be mentioned that aid of higher percentage, i.e.:
- 5% is granted for the establishment in industrial, business zones but also in some cases of modernisation of tourism units.
- up to 15% for SME, since one of the most important targets of this new but also of the previous development laws is to reinforce business activity and SME.

Bank financing of investment plans governed by the new Development Law

In case that in the proposed for reinforcement investment plan the use of a loan has also been provided, then this should:
- be of a minimum four years duration
- have the form of a bank loan or bonded loan, publicly issued or not, or a loan issued by other financing institutions, excluding though the form of current accounts.
- be obtained for the realisation of the investment plan, as it explicitly described in the relevant borrowing agreement.

- have been approved by the financing bank or the financing organisation during the submission time for the applications for participation to the grants of the aforementioned Development Law was submitted. The relevant approval document should mention the terms of granting the loan.

Common relevant financing products granted by banks are:
- Investment loans
- Leasing
- Loans for discounting the subsidies as well as
- Letters of guarantee for obtaining the subsidy.

Taking into consideration all the above, the new Development Law offers great opportunities for the expansion of banking works and consequently it marks new ways for the Greek Banking System, since a new market for loans is opened, and particularly one of special interest. The competent banking institutions predict that by means of an appropriate strategy this sector will take up a large proportion in the total market of financing investments of the new Development Law.

B. Credit Guarantee Fund of small and very small enterprises S.A.

The establishment of Credit Guarantee Fund of small and very small enterprises in Greece is governed by L. 3066/18.10.2002.. The operation of Credit Guarantee Fund of small and very small enterprises accessed in July 2003 in the Third CSF and more specifically in the Operational Programme " Competitiveness", axis 2, measure 2.6. regarding "financial support and encouragement of SME", regulation 69.

Credit Guarantee Fund of small and very small enterprises S.A. aims to facilitate access of small enterprises (employing less than 50 employees and having an annual turnover that does not exceed 10 million EURO) and very small enterprises (employing less than 10 employees and having an annual turnover that does not exceed 2 million EURO) to financial and credit institutions of Greece and in this way covering a large part of commercial and financial risks. It should be noted that the Credit Guarantee Fund provides support to all stages of a business cycle (starting-up, developing, maturing, internalisation, restructuring, succession) of the aforementioned enterprises, either existing healthy, viable ones with good perspectives or newly established ones.

The realisation of Credit Guarantee Fund of small and very small enterprises S.A. aims takes place through the following 5 programmes (the allocation is according to the SME years of operation and the amount of loan). Here are submitted applications by enterprises/ businessmen with a usual turnover up to 7 million € and in some cases even up to 10 million € belonging to all economy sectors (exception is the transportation sector, but also the travel agencies that are considered to be of the same category). The other tourism enterprises (hotels, restaurants) can be normally financed by Credit Guarantee Fund of small and very small enterprises S.A. and form a 10% of the total provided loans:

- C.G.F. of small and very small enterprises1: Guarantee for the establishment of small enterprises or the development of relatively new small enterprises (operating less than 3 years). According to TEMPME's statistics this programme has granted loans amounting to 170,000 € (55% to the regions of Attica and Thessalonica and 60% to the rest of the country).
- C.G.F. of small and very small enterprises 2: Guarantee for very small enterprises
- C.G.F. of small and very small enterprises 3: Guarantee for small enterprises
  The 2nd and 3rd programmes concern guarantee providing for enterprises that are not newly established but they lack in providing adequate securities.
- C.G.F. of small and very small enterprises 4: Guarantee for small loans granted to very small enterprises. This category includes all small loans (30,000 – 50,000 €) which comprise the greatest percentage (90%) of the granted loans by the Credit Guarantee Fund.

Comment [Τόχσ2]: ΕΛΕΓΧΟΣ ΠΟΣΟΣΤΩΝ!

- C.G.F. of small and very small enterprises 5: Guarantee takeovers, merges and transfers of small enterprises. I should be noted that until today there was no application for entering this programme, which will operate until 2007.

In fact, C.G.F. of small and very small enterprises operates in a very simple and flexible way. More specifically, the granting of a guarantee by C.G.F. of small and very small enterprises can be realised very quickly. It takes 4 – 5 days for the Credit Guarantee Fund to evaluate the risks to be undertaken and respond –either positive or negative- after the intermediating bank has estimated that the application submitted for granting a loan concerns a viable enterprise with good perspectives and has send the application to the Credit Guarantee Fund. The most common reasons that lead to the rejection of an application by C.G.F. of small and very small enterprises are:

a) Lack of income tax information – insurance information
b) Transportation sector (already mentioned)
c) Low marking (regards applications marked with less than 40)
d) Reasons relating to the institutional/ regulatory framework

The participating enterprises that are granted a guarantee by C.G.F. of small and very small enterprises are benefited in many ways, since when this Credit Guarantee Fund provides guarantee for a loan:

- Prohibits the bank from mortgaging or prenotating for mortgage the permanent and unique residence of the businessman, if this is not already mortgaged or prenotated.
- C.G.F. of small and very small enterprises′ guarantee can be granted even by the sole guarantee of the businessman himself (contract securities), in case no other securities are available.
- Prohibits the bank from requiring real securities (mortgage or prenotation) for the amount of the loan that is not guaranteed by C.G.F. of small and very small enterprises higher than 125% of this amount.
- Covers a high percentage of the risk for all medium and long-term loans of the Investment Fund, since 50% of this guarantee is covered by the counter guarantee of the European Credit Guarantee Facility of the European Investment Fund (it replaced the Counter-Guarantee Fund established by the previous institution of Mutual Guarantees Enterprises).
- Finally, because of the existence of C.G.F. of small and very small enterprises' guarantee, banks lower their interests, a fact that results to the reduction of the final cost of the guaranteed loan as well.

The relevant benefits for the Banking System from loan granting with C.G.F. of small and very small enterprises guarantee are multiple, and the most important are the following:

- Risk reduction
- Better management of the bank's portfolios due to risks allocation, a fact that makes it easier for them to respond to BASEL II requirements, according to which banks are obliged to have adequate capitals able to cover the risks they undertake (further information are found in the following section).
- New enterprises in the market, new portfolio
- New approach regarding enterprises' creditworthiness.

Taking all the above mentioned into account it should be noted that until today 34 banks in total (18 commercial and 16 co-operative banks) have signed a co-operation contract with SMALL MEDIUM ENTERPRISES GUARANTEE FUND S.A. However, the system we analyse is not equally popular in the whole country. The greatest response comes from the islands, and more particularly the Cyclades and the Ionian Islands, where the markets tend to be smaller and the information about C.G.F. of small and very small enterprises travels very quickly. On the contrary, the Institution is not well-known in big cities (mostly in Athens and Thessalonica as well as in the greater region of these cities, because of lack of information).

From all the above it is inferred that the Credit Guarantee Fund Institution consists a national long-term investment and operates a means of support for small and very small enterprises, a fact that had been a constant demand of all the Chambers in the country. As such a means of support it also constitutes a way of supporting employment (creating and maintaining of jobs) as well as regional development in Greece.

C. BASEL II and bank financing of SME

Basel Committee, taking into account the changes in the modern bank system, recognises the need to modify the Capital Adequacy Treaty, in order to accord with the modern bank practices.

The proposals of BASEL's Committee are focused on the following three pillars (Charalambidis M., 2003):
1. First Pillar: modification of the calculation framework for minimum capital requirements towards the credit risks with the addition of requirements for the covering of the operational risk.
2. Second Pillar: establishing supervisory review process for constant adequacy control of the own capitals of banks.
3. Third Pillar: strengthening of market discipline for banks through the establishment of rules regarding the announcing of financial and other information.

From the aforementioned it is inferred that the BASEL Committee, with the reform analysed here, aims at the increased sensitivity of capital requirements towards the real financial risk that banks undertake.

As far as the financing of SME is concerned as well as in what extent it is affected by this new framework depends from the kind of financing. That is, if this financing is debt financing or equity financing. In our case of interest is debt financing; in other words the calculation of capital requirements granted to SME. It is estimated, based on certain quality methods used for the calculation of capital requirements towards credit risk, that it would be particularly profitable for healthy SME with a high rating index, where the capital requirements are limited, because of risk allocation. On the other hand, for those enterprises that do not have a high rating index applies the increased capital requirement. Especially, it should be highlighted that the following enterprises will face difficulties:

- Enterprises of low creditworthiness that cannot provide securities
- Newly established enterprises
- Enterprises that cannot respond to bank requirements to provide those information needed in order for the creditworthiness and viability of their business plans to be evaluated
- Enterprises that wish to have equity financing from the banks.

D. Venture Capital

This institution was established in Greece by the Law 1775/88. The core of Venture Capital is investments in enterprises' share capital with great medium-term development opportunity from institutions undertaking an active role of administrational support and aiming at achieving an increase in value from their participation. It should be noted that Venture Capital Enterprises (VCE) provide not only capitals but also know-how as well as international experience in all sectors of an enterprise (sales, production, administration, organisation, etc.).

E. Special operational programmes "Competitiveness"

The E.U. subsidies the efforts for the development of rural tourism and alternative forms of tourism in general by means of the community programmes LEADER and the Community Support Frameworks.

F. Structural Funds E.U. – Regional Operational Programmes (ROP)

SME can benefit from the various programmes and Community Initiatives operating in certain regions, receiving direct participation in the financing of their investment plans.

4. CRITICAL EVALUATION OF THE FINANCING FRAMEWORK OF GREEK SMALL AND MEDIUM ENTERPRISES

We estimate that tourism SME will greatly benefit from the aforementioned sources of financing and especially from the newly established Institution of the Credit Guarantee Fund of small and very small enterprises, given that this Institution is not based – unlike its precedent the Mutual Guarantee Enterprises- on the establishment of a Counter-Guarantee Fund (which was never established and consequently the previous credit guarantee institution was facing a full lack of counter-guarantee terms). We would like to believe that now the new credit guarantee institution has the opportunity as well as the ability to be reinforced by and to co-operate with the European investment Fund (E.I.F.) mostly because of its initiative to facilitate SME, in the form of a Counter-Guarantee Fund, a fact that can prove to be an important advantage for its successful and effective operation. In addition, this institution is no longer supported by in the participation of Chambers in C.G.F. of small and very small enterprises' share capital.

On the other side, the new treaty of BASEL Committee "BASEL II" seems at the beginning a threat for the financing of SME, for the reasons mentioned in the relevant section. However, this is not true, given that such problems will only concern those enterprises that do not have a high rating index (because of low creditworthiness, recent establishment, inability to provide information needed for the evaluation of their creditworthiness and their viability). On the contrary, "BASEL II" can be real beneficial for healthy SME with high rating index, where there is also a reduction of capital requirements because of risk allocation.

We estimate that the banking system has nothing to be afraid of, and on the contrary it can benefit from financing tourism and other kinds of SME, when there is appropriate management of bank risks. In particular, for the unimpeded functioning of Greek banks within the free, competitive bank environment, it is considered necessary to manage effectively the bank risks (credit, market, fluidity, operational and above all systemic risk). For this reason, banks should strive to maintain the quality of their portfolio in high levels. The application of the "Portfolio Theory" cannot provide any important assistance at this point, then –as it is known- its main principle is that the risks included in the comprising elements of a portfolio are related to each other. In particular, when referring to banks, we may say that if a bank has accumulated a large part of its investments in an enterprise, the degree of its credit risk will be higher than it would be if this particular bank had allocated its investments in different enterprises (Alexakis, 1999). The application of the New Basel Capital Accord (already mentioned in a previous section) is also expected to contribute essentially to a more rational management of bank risks, which aims at increased sensitivity of capital requirements towards the real financial risk that banks undertake. In order to realise its targets, the new Basel II framework changes radically the way of risk calculation and enters credit rating as a criterion of creditworthiness of an enterprise and recognises guarantees and securities as a way of credit mitigation. This is a very important fact, mostly for the financing of SME, to which an important percentage of the Greek bank crediting is addressed. As it has already been mentioned, the financing of those enterprises is usually characterised by high cost, given that due to lack of tangible assets the chance of incapability on behalf of the counterparty to come up to one's liabilities is high and consequently, capital requirements by such investments are also high. We estimate that the guarantee possibility for the loans granted by Greek credit institutions to SME operating within the local markets, even more when accompanied by a counter-guarantee from the European Investment Fund Credit Guarantee Facility for SME can essentially contribute to facilitating the financing of the investment plans of those enterprises, while at the same time lowering the credit risk originating from them.

Of great importance is also the evaluation role by the Greek Banking System of the investment plans of SME that apply for financing, but also of the enterprises that design and realise these plans in all stages: ex ante, on going and ex post evaluation. For this reason banks must use modern processes and evaluation systems.

When the above mentioned conditions are fulfilled, we think that the financing of tourism and other SME can prove profitable for the Banking System of our country, which should in this case take into account –apart from the private financial criteria**-** the social criteria too, when planning and realising its credit policy regarding the reinforcement of SME. In other words, the credit bank policy should be exercised in a rational way, satisfying as much the quantitative criterion of efficiency, but also operating in a meritocratic way, taking into consideration the qualitative criterion of inter-regional equity and justice. Therefore, bank financing should operate legally and in order to promote common benefit, taking –of course- into account the parameter of "rational profit", so that it can function as a powerful promoting means of the financial and especially the regional development in Greece (Balomenou, 2003).

5. CONCLUSIONS – POLICY-MAKING PROPOSALS

From the above mentioned, can be inferred, the following:

- ❖ Greek SME (tourism or not) play an important role for the country's economy, given that they contribute to its economic growth, to the reduction of unemployment, but also to the internal local and possibly even regional development because of their large number (they consist about 80% of all Greek enterprises) and their great allocation within the Greek geographical area.

- ❖ The aforementioned enterprises, although they are directly depending on bank financing, face difficulties when trying to access bank credit system for various reasons (e.g. either because they do not have real securities, or because their institutions cannot provide personal securities-guarantees, or because they have exceeded their financing limits or -as a last reason**-** because some facilitating financing regulations are no longer in force, such as the special capitals established by the Monetary Committee's Decision 197/78 addressed to SME with annual turnover less than or equal to 235,000 €, and which in a progressive way constituted an important percentage of the total financing for the manufacture sector) (Balomenou, 2003).

- ❖ The existing institutional/ regulative framework and legal laws (Development Laws, Credit Guarantee Fund of small and very small enterprises) contributes greatly to the access facilitation of SME to bank financing and to their potential development. More particularly, the TEMPME institution is –if we prefer using SWOT ANALYSIS terms**-** a great chance for SME which are in the starting and expansion development stage as well as for those with good perspectives, as it is expected to help them in an active and direct way to cover their needs.

- ❖ For the effective operation of the above financial source is required a good co-operation of all concerned institutions. In particular:

  - ➢ National Authorities should complete the Legislative Framework governing this institution and remove any obscurities and vacancies and subsidy the institution and its activities by participating in its share capitals, utilising in this way the capitals of the Industry Programme.

- The Chambers, acting as representatives of small, very small, but also SME should undertake the required initiatives for the development of co-operation and the activation of the aforementioned enterprises, but also the information of businessmen (announcements, organisation of relevant meetings/ seminars/ conferences), in order to reinforce in an effective way the above mentioned institution and become in this way its active members.
- Credit institutions should promote to the Credit Guarantee Fund healthy enterprises and viable and effective investment plans. For this reason, banks should –according to our opinions- also participate in the share capital of the Credit Guarantee Fund (a policy already followed by many countries). Besides, the whole process can also benefit banks, given that -in this way- they undertake less risk.
- SME should strongly support the Institution, seeking themselves the right information provided by competent authorities (Chambers, Hellenic Organisation of Small and Medium Sized Enterprises, Ministry of National Economy, Ministry of Development, Banks), in order to be able to ask for the more profitable loan and not expecting to hear suggestions from other concerned parties.
- Finally, the Credit Guarantee Fund (G.G.F) itself should:

  a) provide those guarantees that will assist its members to have relatively better terms from the banks (such as expansion of duration and reduction of the loan costs).

  b) inform/ notify (press releases and tv advertising spots, distribution of relevant brochures, organisation of relevant meetings/ seminars/ conferences) all concerned institutions about its operation, its products and its utility.

  c) depend on rules of trustworthiness/ trust and creditworthiness, especially during the first most difficult years of its operation, through which it can secure all concerned parties, because this is the only way it could manage to contribute essentially to the development of SME.

  d) have a lot of branches –not only in metropolitan/ urban regions- but also in decentralised/ remote areas (islands, mountain areas) that can contribute to the creation of a co-operation network among SME and may lead to the encouragement of the local business operation and probably even to the encouragement of internal regional development process in Greece.

- Greek SME –tourism or not- can benefit from the new Basel II Treaty, which can be a great chance for their modernisation and restructuring/ reformation, if:

  - They adopt and use modern Management/Marketing methods as well as methods for the administration/ training of human resources, through which strategic thought can be developed and their competitive advantage can be highlighted. (Tsoukas, Theocharakis, Mylonopoulos, 2004).
  - They apply modern organisation structures and use advanced physical and technical infrastructure of modern technology.
  - They inform and explain to their bank the special risks they face in the market, in which they operate, in order for the bank to be able to evaluate them more effectively and to offer respective financing terms.

  On the other hand, banks should get better acquainted with their customers, something that can be achieved only with consistent and honest relation between the two parties.

- ❖ Within the BASEL II framework banks wishing to maintain or expand their SME financing activities should create internal systems of credit risk rating, since the Greek enterprises have neither motives nor the ability to refer to evaluators of international institutions (Pechlivanidis, 2005).
- ❖ The bank – client relation is redefined and an advisory role from the first towards the second is created and especially towards SME, regarding the desirable changes that should be realised in the financial and organisation sector of an enterprise, in order to improve their creditworthiness as well as the systems they use so that they can provide the necessary information to evaluators from the bank.

There should be no time delay as far as the adaptation to the new rules is concerned and consequently the required changes must be realised soon by both parties (banks – enterprises/ clients).

- ❖ Credit quality that arises from the observance of the above parameters will lead to the release of prudential capitals, giving in this way the opportunity for credit expansion of banks, a fact that would allow them to quote prices based on the credit risk of each individual client, a method that can bring very important benefit to the proven properly managed enterprises and can reinforce our national economy (Pechlivanidis, 2005)

- ❖ Bank evaluating instruments should exercise an effective internal control to SME. In this way the banking system but also the SME would be further secured, given that the SME are acquainted with constant systematic controls and will therefore always try to be active, thus eliminating or at least greatly reducing the moral risk of inactiveness and relaxing. Therefore, they will have better and more effective organisation.

- ❖ The thorough organising of a unit dealing with risk management in the banks, where the SME evaluation takes place would help even further the rational evaluation of the plans requiring financing.

- ❖ The financing from the Greek Banking System of productive enterprises, SME and other kinds of enterprises will contribute to the reinforcement of the Greek Economy and will strengthen our country's role within the E.U.

Below are presented the main measures of tourism policy, which can contribute to the reduction of financing problems of Greek tourism enterprises.

- Increase of the average size of the Greek tourism enterprise through merges and takeovers, aiming at achieving scale economy and higher effectiveness in their operation. Use of strategic confederations among tourism enterprises in order to improve their financial sizes.
- Differentiation of tourism motives and development framework according to the comparative advantage of each region and according to the needs, the potential and the identity of each tourist destination.
- Activation of municipal corporation in order to undertake initiatives from the authorities located in the region and to decentralise control mechanisms.

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