FINANCING THROUGH NEGOTIABLE OBLIGATIONS. THE PROBLEM OF BEING SMEs

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ABSTRACT

The issue costs faced by Small and Medium Enterprises (SMEs) to access funding in the Argentine capital market through negotiable obligations (ONs) has been analyzed. To do this, we make a simulation of transaction costs and signaling for different amounts of debt, and employment of signals by Mutual Guarantee Societies and Rating Agencies (RA).

The results indicate that the smaller the amount of the issue, the greater the relative cost faced by SMEs. Another issue to note is the important role of transaction costs, more specifically of professional fees, in relation to the total cost; this incidence increase is evaluated as higher amount emissions.

KEYWORDS: SMEs Financing; Negotiable Obligations; Issue Costs.

INTRODUCTION

Access to finance is often a difficult problem to be overcomed by Small and

Medium Enterprises (SMEs). The credit crunch, the trend towards the concentration of the large companies, the requirement of guarantees, and interest rates higher than those faced by larger companies, are some of the problems faced by SMEs to apply for external funding, and have been extensively studied in the economic literature. The main cause of these difficulties lies in the presence of asymmetries information in financial markets, which creates problems of moral hazard and adverse selection.

The aim of this work is to make a contribution to the study of financing alternatives for SMEs in the Argentine capital markets, particularly on the financing through the issuance of negotiable obligations (ONs), scant development tool in this market. The ONs are debt securities that may be issued by companies on capital markets. Researches focuses specifically on analyzing the barriers faced by SMEs in accessing financing medium and long term ones, and proposes guidelines for use in the application policies that allow SMEs to overcome these obstacles.

Previous papers (Gamero, 1998) have shown that the main barrier to entry of SMEs is in additional costs to the direct interest rate faced by these companies to enter the capital market. The aim of this paper is to analyze these costs today and see if they continue to be an obstacle, given the new economic context: the changes in the legal and the requirements for the issuing companies. In particular, the emphasis is on the rise they have had in recent years Mutual Guarantee Societies (MGS). To this end, a simulation of issuance costs must be incurred by the company to enter the capital market and compare these results with those obtained in Gamero's (1998) work.

The relevance of this study lies in the fundamental role that SMEs represent in the economy of Argentina, as in all countries of the region. These companies, employ approximately 66.3% of total employment in the formal sector, and generate 50.2% of GDP. Moreover, Argentine SMEs are about 500,000, representing over 98% of the total number of companies.

The paper is structured as follows: first, there is a brief review of the literature on the financing decisions of firms. The following describes the financing structure of SMEs in Argentina, and presents the main characteristics of SMEs ONs. Additionally, it discusses about the influence of the rating Agencies and the MGS in access to finance for SMEs. Then, we present the research methodology and data used for the empirical

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work. Finally, we present the results, the discussion of them, and the conclusions.

DEVELOPMENT

1. Literature review

Among the most relevant proposals about SME financing decisions is the focus of the Financial Hierarchy (Donaldson, 1961; Myers and Majluf, 1984; and Myers, 1984). This approach establishes that funding decisions are prioritized equity, including through reinvestment of profits. This is mainly due to the importance given to privacy managers of information, but also affect the flexibility and ease of availability of funds and the absence of administrative costs or emissions that do have external funding sources.

Following the reasoning of the Financial Hierarchy, after profit retention, could be located remaining funding sources in the following order: i) family Capitals, ii) Funding of suppliers, iii) Bank Financing, iv) Funding through the capital market.

Inside the financing in the capital market Briozzo and Vigier (2009) have found that owner-managers have some resistance to opening share capital and non-partners in the decisions surrounding environment of the firm, therefore, prioritizing the debt issue before the issue of shares.

In addition to the proposed order of preference theory, key factors in funding decisions are the costs associated with each instrument. In general, the first variable to be studied to evaluate the various alternatives to finance is the interest rate. However, there are extra costs to be met to obtain financing which directly influence the total financial cost, which varies according to the instrument. These deserve special consideration fixed costs, given that they evolve inversely with the volume of financing.

In the particular case of the ONs in Argentina, its limited development as a financing tool for SMEs, suggests that the magnitude of these costs and their influence on the total financial cost, represent a key limitation in accessing the market. This assumption becomes stronger when one considers, moreover, that there are certain costs such as those arising from hiring a Risk Rating and / or obtaining a guarantee that despite being optional in practice, become mandated by financial market characteristics.

The absence of complete information results first in an increase in interest rates for

SMEs and required signaling through ratings and guarantees reliable as those granted by MGS. Therefore, although the signals have positive effects on financing conditions of SMEs, it is necessary to emphasize that they represent a high cost for those emitting.

Beyond the consequences of asymmetric information in the Argentine capital market there is another problem related to the level of knowledge among managers of SMEs on the market in question and the tools it offers. Pietrantueno and Siebens (2010), about a survey of 100 SMEs in Argentina in 2007 indicate that only 46% knew the financing from the capital market. Within this 46%, 57% knew the financing through post-dated checks (DPCH), 36% of ONs and only 30% the existence of financial trusts (FT).

2. Funding decisions of SMEs in Argentina

Different research in Argentina on the capital structure of SMEs (Caballero H. 2011; Briozzo and Vigier 2009; Zaninni 2009; Cristini, et al 2003, Salloum, et al. 2001); have shown a high share of own resources and little impact on external financing. In this sense, the main sources of financing in Argentina are reinvested profits, supplier credit and bank credit, taking unusual relevance the first two options in the SME sector. Briozzo and Vigier (2009) from a descriptive research in the country on the capital structure of SMEs have shown that in addition to the characteristics of supply, financing decisions of these companies are affected by personal characteristics of owner-managers.

According to the Structural Survey to industrial SMEs made by SME Observatory Foundation in 2010, approximately 60% of the productive investment of manufacturing firms has been financed with equity. Within the external funding, the main source is bank financing (27.8%) followed in order of importance suppliers financing (7.7%), customer financing and public programs (4.8%) and finally is located, the capital market, with only 1.1% share in total financing.

Within the total funding obtained by SMEs in the capital market, which has increased by 26.4% over the past three years, it appears that the Deferred Payment Checks (DPCH) have been the main tool in 2011 (79.1%), follow by FT placements (13.8%), the ONs (5.6%) and finally the Shares (1.5%). Table 1 provides information on the share of each instrument in the total financing obtained by SMEs in the last three

"Visión de Futuro" Año 11, Volumen N°18, N° 2, Julio – Diciembre 2014– Pág. 154 – 169
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years, which also notes that despite their low participation, the ONs in the SME sector are financial resources that have grown in the last year (increased by 456%).

Table Nº 1: Financing of SMEs in the capital markets

	Total Financing. Mill U $ S		
	2011	2010	Variation
Total SME	436	346	26%
Negotiable Obligations	24	4	456%
Deferred Payment Checks	346	290	19.5%
Financial Trusts	59	52	13%
Subscription of Shares	6	-	-

Source: Argentine Institute of Capital Markets

Specifically in 2011, there have been made 11 emissions of SMEs ONs (ONs SMEs), a record in the market. Four of them reached the maximum allowable emission amount ($15 million), while the average amount in pesos emission was $ 9.7 million. Nine of the issues were denominated in pesos and only two in dollars. With regard to interest rates, the majority of the ONs in pesos were issued at variable rates determined by the Badlar plus a fixed component which averaged 6%, which added to the average Badlar 2011 leads to the conclusion that the paid on these ONs rate was approximately 17% (the Badlar is the rate of interest paid on term deposits of 30 days, in amounts equal to or greater than one million dollars). Emissions were also a fixed rate, they were set between 18% and 19% while the two issues in dollars paid 6% and 10% respectively.

While we can say that there is an improvement, financing of SMEs in the capital market remains weak. Of the total funding over the same, only 5.4% was used to finance SMEs, also dominated by short-term instruments such as deferred payment checks.

2.1. Financing through the issuance of ONs SMEs

The ONs are debt securities issued and traded in institutional markets that allow issuers to raise funds in the short, medium or long term. In Argentina there is a simplifie.d regime for the issuance of ONs for SMEs, which aims to facilitate them access to capital markets[1].

Among the advantages offered by ONs relative to other external sources of financing include raising funds at lower rates and longer terms, which in turn implies an

[1] For more information: http://www.bcba.sba.com.ar/downloads/Regimen_para_pymes_2010.pdf

improvement in the financial ratios of the company as the largest area of the deadlines, transforms in non-current liabilities, which translates into improved business ratios, and the possibility of tax exemptions of Value Added Tax and Income.

Additionally, the access to a broad investor base allows companies to be free from dependence on banks and the overall economic context, structuring emissions based on their own cash flows and needs. Finally, note that the entrance to the capital market, on one hand improves the image of the companies because the requirements of the system ensure a certain level of transparency and reliability, and on the other, offers the possibility that the same market be transformed into a powerhouse of resources if issuers fail to build a good reputation on good behavior.

Despite its many advantages, the ONs fail to position themselves as a tool widely used by SMEs. This issue has been raised previously by Gamero (1998), who has demonstrated through a simulation of the additional costs associated with the issuance of ON SMEs, they represented the main constraint to entry in this market.

2.2. Asymmetric Information, MGS and rating Agencies

The characteristic asymmetric information problems of financial and capital markets have the effect of requiring guarantees by lenders or investors. The guarantees, which function as signals in markets, moderating problems of moral risk and adverse selection.

Moreover, these guarantees may generate some negative effects, such as the disincentive to ex post monitoring and loan guarantees available in quantity and quality as a new barrier to entry.

Making this issue particularly relevant in the case of SMEs, especially among younger SMEs, since it is imperative for these companies to use some type of signaling. In this regard, SMEs have at least two ways: through the guarantees of the MGS and / or through the hiring of a risk rating.

The MGS are part of a figure driven by the state for creating business associations whose common goal is to create a fund to serve as a guarantee of the credit operations of its partners. Additionally, the MGS can provide technical, financial and economic partners directly or through third parties. This figure is directly related to access to

"Visión de Futuro" Año 11, Volumen N°18, N° 2, Julio – Diciembre 2014– Pág. 154 – 169
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finance for SMEs, and especially access to financial markets. The main advantage of these companies is to reduce the risk provided by borrowers against lenders, since the importance of coverage for each company within the fund is insignificant relative to the total background and default probability mass is reduced. Consequently, SMEs that offer guarantees of MGS can access better when seeking external funding. As evidence of the success of this system, it may be mentioned that 86.2% of SME financing through the capital market in 2011, has been endorsed by MGS (IAMC, 2011).

The occurrence of MGS presents a new scenario in the conditions of access of SMEs to capital markets which is proposed in this paper to analyze.

On the other hand, the risk rating is the assignment of a note from a rating agency, which reflects its opinion regarding the ability and willingness of the issuer to honor the payment of interest and repayment of debt. Additionally, this note takes into account, among other things, the credit quality of collateral or other credit support obligation, and the protection provided by the legislation and the relative position of the obligation in bankruptcy, or other situations affecting the rights of the creditor. It is important to note that it is matter of the emission rate and not the company.

Particularly, for debt securities issues, the rating categories have been established by Decree No. 656/92. These categories are represented by the letters A, B, C, D, and E, where A is for higher quality securities and lower risk and securities rated D for lower quality and higher risk, while the E is booking for companies that do not fully meet the requirements of information. Also, the National securities Commission (NSC) has authorized the use of subcategories; they depend on the rating company.

In Argentina risk ratings are provided by four companies, three of them are the most internationally recognized, Fitch Argentina, Moody's Latin America Ratings LLC and Standard & Poor's International Ratings, and one local ratings, Evaluadora Latinoamericana S.A. whose activity is also developed in Latin America.

3. Methodology and data collection

To analyze ONs SMEs issuance costs, the methodology used in this work is the simulation of additional costs to the interest rate for borrowing scenarios.

Additional costs to the interest rate (henceforth, additional costs) can be classified

as transaction costs and signaling costs. Below is a breakdown of the costs that have been considered within each type.

3.1. Transaction costs

Transaction costs are those that must be incurred by the company to be authorized to issue and comply with the regulations of the National securities Commission (NSC) and the Stock Exchange of Buenos Aires (BASE). These costs are mandatory for all SMEs who want to enter the capital market[2].

Transaction costs considered for the simulation are: Registration in the Public Registry of Commerce, Quotation Rights, Publishing, Professional Fees and Commissions. Below there is a description of them.

a. Registration in the Public Registry of Commerce: this cost is $ 250 and represents the value of the registration form[3].

b. Quote Rights: is a fee charged by the BASE and corresponds to an annual fixed sum plus an additional arising from the application of a coefficient decreasing the surplus of the issue on the lower limit of each category.

c. Publications: Issuers are obliged to make certain publications in the bulletins of the BASE.

d. Professional Fees and Commissions: The cost varies according to the type of relationship that professionals have with the company, the complexity and volume of transactions, etc. However, we will make a rough estimate of these costs from the following classification:

D.1. Legal fees: for the calculation Act 21,839 is taken into consideration of Professional Fees Legal, fees and solicitors, which provides for the drafting of contracts and other documents, a minimal fee of 1% and 5% of emission value. Thus, it will consider a value of 3% in the first year of each issue, and a minimum of 1% for the remaining two. Additionally, the associated costs should be accounted for advising, registration in the Public Registry of Commerce and registration in NSC. The value in question is close to 1% of the total amount issued.

[2] For more information about cost estimates in this section, please refer to the contact author.
[3] Inspección General de Justicia: www.jus.gob.ar

"Visión de Futuro" Año 11, Volumen N°18, N° 2, Julio – Diciembre 2014– Pág. 154 – 169
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D.2. Accountants fees: according to the guideline values published by the Professional Council of Economic Sciences of the City of Buenos Aires, these vary depending on the complexity of the activity and if it is low, medium or high. These costs were estimated on the assumption that emissions of $ 5 million or less have low complexity and in the rest is the middle level.

D.3. Agent Commissions organizer and underwriter: These costs involve the assessment of need for funding, repayment capacity and economic and financial situation of the organizing agent signing. The placement agent is the one who placed the issue among investors. There are three possible types of hiring the placement agent: given that is highly prevalent that to happen, it will be assumed that both agents together agree in the same institution or person. For the purpose of simulation, we have taken the value commonly charged for the services listed, 1.2% of the total amount issued. To estimate this cost, the information provided by professionals involved in the BASE and the Stock Exchange of Bahia Blanca.

3.2. Signaling costs

Signaling costs aim to reduce information asymmetries between the firm and the market. In this paper we consider two types of signs: through risk rating and through guarantees, mainly from a MGS. Signaling costs are calculated as follows:

a. Risk Rating: tariffs vary according to the rating agency, the complexity of the operation and the amount of the issue, and generally range between U$S 7,500 to U$S 11,600 (set values based on published tariffs by Rating Agencies companies mentioned above). While these are not directly proportional to the amount of emission, they are not independent of them, so that the effects of cost simulation will be used for the emissions of up to $ 5,000,000, the lowest tariff, of U$S 7,500, and for amounts over that of U$S 11,600. As in all cost simulation calculations are presented in dollars ($), corresponding to the Risk Rating has changed into pesos, by reference we considered the price at February 20, 2012, namely: U$S 1 = $ 4.35. Although the risk rating is not mandatory for SMEs ON, the fact that these companies rate their emissions makes them attractive to the investing public, while allowing institutional investors to include them in their portfolios. This way of signaling companies allows them to have a better chance of

placement of securities and lower interest rates.

b. Warranties. The options used by SMEs are: to ensure the issue with their own assets (guarantees mortgages, pledge guarantee, or trust assets), establish common guarantees (guarantee with their own assets), or become a Shareholder Partners Mutual Guarantee (MGS).

To simplify the analysis, the only cost simulation contemplates cases where companies are associated with MGS (with MGS in Table 2), and firms that are not associated to a MGS (no MGS in Table 2). The cost of accessing the backing of an MGS is represented by the immobilization of capital by a temporary initial investing of at least $ 1,000, plus a percentage of the total amount of the guarantee, which as noted in the issues made in 2011, provided it covers the total amount of the issue. Depending on the conditions set by each company, the percentage specified can range between 1% and 2.5%, so the cost simulation, It will take the average value of 1.75%. As risk rating, the use of this system is optional.

4. Estimates of additional costs and outcomes

To analyze the costs faced by SMEs to issue ONs calculate the Annual Additional Cost (AAC) corresponding to transaction costs (TC) and signaling (SC) for each year of duration t, ie:

$$CAA_t = CT_t + CS_t \qquad (1)$$

In equation (2) it shows the Additional Total Cost (ATC), which corresponds to the AAC for each year that lasts t issue.

$$CAT = \sigma_{t=0}^{n} (CT_t + CS_t) \qquad (2)$$

From here, you get Issued Additional Cost per Unit (IACPU) as:

$$CAUE = \frac{\sigma_{t=0}^{n} \pi CT_t + CS_t \pi}{ME} = \frac{CAT}{ME} \qquad (3)$$

where ME is the amount of issue.

"Visión de Futuro" Año 11, Volumen N°18, N° 2, Julio – Diciembre 2014– Pág. 154 – 169
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Finally, we calculate the Annual Additional Fee (AAF) which is calculated as the internal rate of return of the cash flows of the initial issue (assuming issued next to), amortization of capital, transaction costs and signaling (excluding interest). The addition annual rate is calculated clearing AAF from the following equation:

$$VAN - CAA_0 = \sum_{i=1}^{n} \frac{CAA_i}{(1+TAA)^n} \qquad (4)$$

The calculations of the additional costs arise for different scenarios in relation to the issue amount and type of signage. To do the ONs are divided into five segments of issue: $ 500,000, $ 2,500,000, $ 5,000,000, $ 10,000,000 and $ 15,000,000, the latter being the maximum allowed to emit ON SMEs. In turn, for each segment establish different assumptions relating to the use or nonuse of signals. In particular, we analyze emissions without signaling, with a single signal with either RA or guarantee MGS, and dual signal emissions, RA and MGS guarantee. With the aim of providing greater simplicity in calculation, emissions pose a single series, with annual amortization in proportion to the total capital. The term shall in all cases be of three years, which corresponds to the average duration of the emissions calculated for 2011. Table 2 shows the simulation results, they do not include emissions without signaling as there are no emissions made of this type[4].

Table Nº 2: Additional Cost Total Additional Cost per Unit Annual Issued and Additional Fee by issue amount

Issue Amount (thousands)	Terms	Transaction costs	Signaling costs		Additional Cost		
			RA	MGS	Total	CAUE	TAA
500	No RA - With MGS	100,110		18,500	118.610	23.72%	13.50%
	With RA - No MGS		97.875		197.985	39.60%	23.77%
	With RA - With MGS		97.875	18,500	216.485	43.30%	26.61%
2,500	No RA - With MGS	232.585		88,500	321.085	12.84%	6.95%
	With RA - No MGS		97.875		330.460	13.22%	7.12%
	With RA - With MGS		97.875	88,500	418.960	16.76%	9.21%
5,000	No RA - With MGS	393.050		176,000	569.050	11.38%	6.12%
	With RA - No MGS		97.875		490.925	9.82%	5.21%
	With RA - With MGS		97.875	176,000	666.925	13.34%	7.22%
10,000	No RA - With MGS	713.399		351,000	1064399	10.64%	5.70%
	With RA - No MGS		133.545		846.944	8.47%	4.48%
	With RA - With MGS		133.545	351,000	1197944	11.98%	6.46%

[4] For more information on detailed cost calculation by issue amount and type of collateral for various scenarios refer to the contact author.

15,000	No RA - With MGS	1035653		526,000	1561653	10.41%	5.57%
	With RA - No MGS		133.545		1169198	7.79%	4.11%
	With RA - With MGS		133.545	526,000	1695198	11.30%	6.07%

Source: Own Elaboration

When comparing the additional costs of emission section, what stands out first is the high cost of issuing ONs in the first segment in relation to the remaining segments. This additional cost differential corroborates the idea that fixed costs being an important part of the additional costs of issuance of ONs, as it increases the amount of issuance, Issued Additional Cost per Unit (IACPU) and decrease AAF[5].

In relation to the collateral costs, in the first segment it shows that the annual additional fee (AAF) (excluding the interest rate that compensates buyers) reach 13.5% if the company is signaled by a guarantee of MGS, and 23% if you hire a rating of risk, ie the cost differential between the two alternative signaling is 76%.

Comparing the result of the second segment of AAF emission, it is observed that the costs are reduced by half in the event signaled with MGS (a reduction of 48%) and a third of the previous value in the event signaled through a risk rating (70% reduced). Furthermore, in this segment the difference between the two alternative signaling reduces only 2.4%, and in the posterior segments, ie from emissions of 5 million, is less expensive signaled through a RA through an MGS, which shows the effect of decreasing cost that comes from the RA signaled, although from 10 million, the cost increases by 36% RA regarding previous segments.

Finally, we can see that, regardless of the actual funding needs of each company, the fact emissions values close to $ 15 million can get AAF minor due to the lower incidence of fixed costs, and it shows that small businesses whose debt capacity is lower, are disadvantaged compared to larger ones, which can borrow for higher sums.

The incidence of each type of cost on the total cost of emissions is presented in Table 3. First, it notes the importance of costs related to Professional Fees and Commissions (PF&C) for all emissions. In the first segment struck by the high

[5] It is important to note that although the lower AAF for all segments correspond to emissions without any signaling, this conclusion becomes irrelevant if one takes into account that such emissions are not performed frequently.

participation costs with regulatory publications (P) relative to total costs when considering the case without signaling and MGS warranty case. Moreover, a result that is corroborated mentioned above: for small amounts when emissions are indicated, the risk rating is the main issue costs.

Table Nº 3: Participation of issuance costs on the total additional cost[6]

Terms	Issuance Amount (thousands)	RPC	DC	P	PF&C	RA	G
No Risk Rating - With MGS	$ 500	0.21%	2.06%	41.38%	40.76%		15.60%
	$ 2,500	0.08%	3.40%	15.28%	53.68%		27.56%
	$ 5,000	0.04%	2.88%	8.62%	57.52%		30.93%
	$ 10,000	0.02%	1.62%	4.61%	60.77%		32.98%
	$ 15,000	0.02%	1.89%	3.14%	61.27%		33.68%
With Risk Rating - No MGS	$ 500	0.13%	1.23%	24.79%	24.42%	49.44%	
	$ 2,500	0.08%	3.30%	14.85%	52.15%	29.62%	
	$ 5,000	0.05%	3.34%	10.00%	66.68%	19.94%	
	$ 10,000	0.03%	2.04%	5.79%	76.37%	15.77%	
	$ 15,000	0.02%	2.53%	4.20%	81.83%	11.42%	
With Risk Rating - With MGS	$ 500	0.12%	1.13%	22.67%	22.33%	45.21%	8.55%
	$ 2,500	0.06%	2.61%	11.71%	41.14%	23.36%	21.12%
	$ 5,000	0.04%	2.46%	7.36%	49.08%	14.68%	26.39%
	$ 10,000	0.02%	1.44%	4.10%	53.99%	11.15%	29.30%
	$ 15,000	0.01%	1.74%	2.89%	56.44%	7.88%	31.03%

Source: Own Elaboración

6. Compared Results

From the calculation of the additional costs and analysis, we compare them with the results of the additional cost simulation conducted in 1998 by Gamero (Table 4). To make the results comparable, first, cases are selected which is indicated by the rating agencies (RA), because in 1998 although there were already MGS, which had not yet used their collateral to access the capital market. Secondly, as can be seen in Table 4, the maximum and minimum amounts in 1998 were different from 2011. For comparability it is necessary to update the amounts for the price index that takes into account the cumulative inflation. To update the amounts of 1998 is used the price index published by IPC City which resulted in 1st segment 1998 is comparable to the 1st of 2011, the 2nd

6 References: RPC: Cost associated with the registration in the Public Registry of Commerce; DC: Cost derivative from Quote Rights; P: Regulatory Publications Cost; PF&C: corresponding Cost Professional Fees and Commissions; RA: Cost of Risk Rating; G: Cost associated with the Guarantee.

segment with the 2nd of 2011 and the 3rd segment of 1998 with the 4th segment of 2011.

Table Nº 4: Comparison of the results of additional costs

Simulation 1998					**Simulation 2011**			
Segment	Issue Amount (thousands)		Additional Cost		Segment	Issue Amount (thousands)	Additional Cost	
	Values 1998	Updated by IPC	**Total** (Values 1998)	**AAF**[7]			**Total**	**AAF**
1st	100	546	49359	26,60%	1st	500	216.485	23,80%
2nd	500	2728	72959	7,40%	2nd	2500	418.960	7,12%
					3 º	5000	666.925	7,20%
3 º	2000	10914	160139	3,80%	4th	10000	1197944	4,50%
4th	5000	27184	322115	3.00%	5th	15000	1.695.198	6,07%

Souce: From Gamero (1998) and own elaboration

By comparing the AAF by emission segment, you can see that in both simulations the smallest segment is the most affected. It also appears from this comparison that in the first segments the additional cost is reduced between the simulated 1998 and the 2011. However, these results cannot be generalized, as 3rd segment between 1998 and 4th of 2011 the AAF in the latter case it is greater. It does not observe a reduction of AAF when compared to the last segment of 1998 compared to 4th of the 2011 simulation. These two latter events originate at the fixed cost of AR 2011 incremented in both emission as in 10 Million and 15 Million, causing an increase in the AAF, while at the same simulation 1998 remained constant in all segments.

These results imply that the costs of market entry for companies higher segment, have increased, which could worsen the problems of access to these tools for these businesses.

CONCLUSION

The main objective of this paper is to analyze the costs of issuance of the ONs for

[7] The methodology used to obtain the AAF by Gamero, differs with respect to the one applied in this work. In the aforementioned work, the AAF is calculated as the geometric mean of the AAF. In this section, we performed calculations of the AAF Gamero methodology and concluded that the results are not significantly different from those obtained in this paper, and that the conclusions are the same regardless of the methodology applied.

SMEs and determine whether they can be considered as the main reason that prevents this financial instrument is massively disseminated as an important alternative financing for SMEs in Argentina .

With that in mind we performed a detailed analysis of the additional costs associated with the issuance of ONs for SMEs, and the estimated Annual Additional Fee (AAF) from a simulation of the additional costs are generated for different segments of issue and different type of signaling. It is clear that the estimated additional AAF involves determining the percentage that must be assumed, to which must be added the interest rate at which the emission is performed to determine the total cost of the broadcast.

Thus, the addition of AAF and interest rate, should allow to compare the costs of obtaining funds by ONs with those of other alternatives, such as bank financing.

Simulation results of the AAF, yielded the following conclusions. First, and as expected, it can be said that companies seeking financing for small amounts are the most affected, as the AAF obtained has high values even when compared with the other segments. By contrast, for sums over emissions, the AAF is significantly lower, regardless of the type of warranty you choose. This result clearly shows why emissions that were conducted in 2011, identified in Section 3, were carried out by average values reached nearly ten million pesos.

Second, to assess how each affects the total cost, there is significant involvement of Professional Fees and Commissions and publications required by BASE on the additional costs of issuance.

This result leads to an important conclusion, while signaling costs are high; transaction costs are not negligible as limiting access to capital markets. Therefore, this assessment should be reviewed is evidenced fees and commissions of professionals who advise SMEs, as their decline would allow a significant reduction in the costs of market entry and a possible increase in companies which enter it. An alternative is to incorporate this activity into existing programs, such as SME Expert (SME Secretariat, Ministry of National Industry), which would significantly lower part of this cost.

Thirdly, signaling costs (RA and MGS) allowing guarantees to attract the investing public, and even being significant costs of emissions; they are part of the intrinsic problem solving SME financing originated in the existence of information asymmetries.

In particular, these costs can be seen that the emissions of 2.5 million dollars seem to be the turning point in the decision to signal via RA or a MGS. Below 2.5 million costs indicate that it is desirable MGS, above this value, the lowest cost corresponds to a RA. Among the possible solutions that would enable moderating signaling costs, is the implementation of programs of subsidies to tariffs Risk Rating or warranty costs of MGS (Vigier and others, 2009). Public programs of financial assistance if they are to be massed instruments like these, should consider these limitations that will undoubtedly be obstacles to develop them.

Finally, it was found that the results to which Gamero (1998) reaches remain in force, in this regard, it was noted that the additional costs of emissions are a major barrier to entry for SMEs to market.

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Please refer to articles Spanish Bibliography.

BIOGRAPHICAL ABSTRACT

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