

**UNIVERSITY OF MISKOLC
FACULTY OF ECONOMICS**

Doctoral school ‘Enterprise Theory and Practice’

Marián Gál

**VENTURE CAPITAL AS FINANCIAL SOURCE FOR SMEs IN TRANSITIVE
ECONOMY OF SLOVAKIA AND HUNGARY**

PhD. thesis of defence

Chairman:

Prof. Dr. Ferenc Kovács, Academician

Supervisor:

Prof. Dr. Nagy Aladár D.Sc.

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I. GOALS OF THE RESEARCH, METHODOLOGY

The emphasis on small and medium enterprises (SMEs) development in the Eastern and Central Europe parallels the shift in emphasis in the EU countries from developing economies of scale to fostering small, innovative companies. As in EU programmes, the goal of fostering job creation and growth in disadvantaged regions is conducted through policies aimed at overcoming institutional constraints such as obtaining finance and developing an adequate infrastructure. In transition countries, the need to develop business skills in areas such as marketing and bookkeeping is given special emphasis. The wave of liberalization at the end of the 1980's created large-scale possibilities for private individual undertakings and partnerships. A lot of private undertakings appeared in the retail, services, building industry, and agriculture. This mainly concerns undertakings with little capital and few employees.

The area of my research are the small and medium sized enterprises and their financial sources with the emphasis on borrowed sources such as venture capital, their interactions and relationships at the market, and cooperation with public sector organizations and strengthening of the public-private partnership. The activities focus on problems that small and medium size firms in Hungary and in the Slovak Republic face in a transition process from planned economy to the market economy. Such a theme is therefore important to be studied and investigated in this territory in order to help firms regain their competitive strength in a tough fight with domestic and foreign competitors. One of the reasons to choose a theme of dissertation was also to analyse the impact of the most up-to-date form of capital – venture capital in SMEs on their profitability, market share, and basic financial indicators. What is

more, this reflects the field of my study and future career specialisation. These are the main reasons to choose the theme.

The main scientific objective of the PhD dissertation is on a basis of SME analysis in transitive economies of Hungary and Slovakia to determine usage and impact of venture capital on profitability, growth, market share and position of analysed SMEs and thus explore their trading activities in every day business and explain the role of SMEs in the transition from planned economy to the market economy.

In order to achieve scientific objective of dissertation I set up following partial objectives:

- to analyse transition of Hungarian and Slovak economy from planned to market economy,
- to analyse SME performance during the transition period,
- to determine the main elements and indicators that created market environment for the SMEs,
- to compare the impact of SMEs on Hungarian and Slovakian economy,
- to draw a comprehensive analysis of financial sources of SMEs,
- to characterise venture capital as modern and important financial source for SMEs,
- to indicate problems that perceive the entrepreneurs before they decide to use venture capital,
- to explain the role and impact of venture capital on financial performance and economic results of chosen SMEs,
- to formulate the recommendations for the entrepreneurs on a basis of provided analysis in chosen firms.

The methods were appointed and specific methodology applied. The theoretical facts and figures in dissertation were collected from secondary research – from the relevant literature both from foreign and domestic sources. The survey of the literature concentrated on (1) how Hungarian and Slovak economies ran through the transition period, how these countries changed their market environment, legislation and what was the impact of transformation changes on SMEs; (2) the economic policy of the SMEs, their specific characteristics and financial sources; (3) implementation of new forms of investments – a venture capital into SME capital sources and its usage in successful competition fight.

Stated Hypothesis 1 and 2 were verified and tested by collecting the theoretical issues from literature sources and thus the theoretical basis was created in order to provide a constant switch from theory to practice and to allow an easy use of theoretical knowledge in a practice. In Hypothesis 1 I examined what were the main reasons and what methods in each country were chosen to support and allow creation of SMEs. Final interpretation and confirmation of tested hypothesis were provided after the analysis of transition process and system of SME creation in both countries. Hypothesis 2 was verified by determining and testing depending variables (number of SMEs, growth of SMEs, share of SMEs on total employment) and independent variables (GDP growth, employment growth, inflation rate), which were further associated in cross tables in order to confirm statement that SMEs increase GDP, employment rate, contribute to stabilisation of inflation rate, and create value added. Final judgements of set hypothesis were provided after whole analysis of SME sector both at macro and micro level in analysed countries was provided.

Hypothesis 3 was verified by analysing data from researches, statistic evaluations and opinions of entrepreneurs' surveys done by the institutions listed in literature. All possible financial sources of SMEs were verified and calculated, compared with each other and thus final justifications and statements provided.

The final chapter is dealing with the analysis of concrete existing SMEs that applied the venture capital and thus serve as a positive example for the other entrepreneurs who are suffering from lack of capital and are unable to obtain less expensive sources concerning the interest payments of both banking and non-banking institutions after accepting a loan or certain provisions such as leasing price when purchasing some goods and equipments from company by leasing. Data from SMEs such as revenues and costs were collected from financial statements and elaborated using the financial analysis' qualitative and quantitative methods. Except of total revenues and sales, profitability/return on assets (ROA) and profitability/return on equity (ROE) were also calculated.

Stated Hypotheses 4 and 5 were verified and tested on a basis of secondary research from relevant sources as described in dissertation with combination of the results of primary research of data about the economic performance of selected SMEs using the financial analysis methods. Testing variable was growth of venture capital as a financial source for SMEs, impact of venture capital on financial performance of SMEs in general, and in the final chapter on concrete chosen SMEs, their financial stability and profitability. Final statements were provided after the venture capital is introduced, characterised and defined, and after all calculations mentioned above provided.

II. THE MAIN THESIS FOUND OUT WITHIN THE RESEARCH

In the first stated hypothesis I supposed that the major influence on SME establishment in both analysed and compared countries had the privatisation of the state property and legislative changes that would allow spreading out of the market economy in practice.

Thesis 1: From all mentioned facts and figures in Chapter 2.3 of dissertation I confirm the first hypothesis and I state that: the structural transformations that included privatisation of big state enterprises, taking away property from the state and creating of new class of capitalists and entrepreneurs were the major elements in SME creation. Former Czechoslovakia representatives decided also for a coupon privatisation and thus they allowed all citizens to participate on shares and created value. The main objectives to launch privatisation and thus to make a potential for the entrepreneurs' creation were: (1) to change the mechanism of funds allocation in the economy, (2) to support the stimulation at micro level, (3) to force the enterprises to react on demand and consumer behaviour instead of fulfilling the central plans, (4) to lower state budget deficits and bring new taxation revenues, (5) to liberate production and entrepreneurial potential in order to satisfy the ever changing need of consumers for brand new products, (6) to make the economic re-structuralisation easier, and (7) to allow people to make profit. Privatisation together with legislative changes such as bankruptcy law, price liberalisation, reform of financial and banking system consisting of central and commercial banks, taxation and accounting reforms, liberalisation of whole market have become the main driving force for latter foreign direct investments.

When is transition over? A transition may be understood as a journey from one point to another. It is thus necessary to define where one comes from, and where one is heading to. The theme of dissertation deals with those SMEs in Slovakia and Hungary that were affected by the transition from centrally planned economies to market economies. The catching-up process is meant chiefly to recover the pre-transition level, and later to gradually reach the average level of other 'Western' EU countries.

The EU accession of Hungary and Slovakia is a great tribute to a successful transition from a centrally planned economy to a robust, fully functioning market economy, deeply integrated into the European economy.

The conditions for the transition were more favourable for Hungary since the country had the region's most liberal economy before the collapse of the Iron Curtain. The Hungarian model included a large decentralisation of decision-making; encouragement of private production activities; price flexibility, coupled with international openness allowing the repercussion of external prices on domestic ones; regulation of the use material and human resources through interest rates and taxes; some enterprise autonomy in the choice of suppliers and buyers. This all generated a climate of uncertainty in the environment of the enterprise. In former Czechoslovakia and later on in Slovakia, two conceptions of SME creation were introduced:

- division of state enterprises with constant price and currency rates liberalisation. National Property Fund was to become their temporal owner. State enterprises had to submit to this fund their consolidation and privatisation projects. State enterprises lost

their monopoly position and thus contributed to star-up privatisation process.

- direct privatisation especially on a basis of coupon privatisation that supposed to overtake two major barriers of state enterprise transformation: lack of capital and time costs of standard methods of privatisation. Finally, the second option was chosen at the beginning.

Thesis 2: I confirm the second hypothesis that SMEs did contribute to the growth of both economies during the analysed periods and they are expected to maintain their position within the economic significance. My statements are: Real GDP grew in both countries, although its growth in Slovakia was much stronger (6-9% per year) than in Hungary (3-5% per year). Technology transfer together with direct investments in SMEs contributed to the growth of the labour productivity which was bigger in Hungary than in Slovakia (60-70% comparing to 55-65% per person employed of the EU-25). As supposed in hypothesis 2, the SMEs with their positive performance (increased revenues, growing number of SMEs, growing employment in SME sector) contributed also to price stability, since the inflation rate decreased in Slovakia from 13-15% in 1994 and 1995 to 6-7% in 1999 and 2-3% in 2006, and in Hungary from 18-22% in 1992-1996 to 10% in 1999 and 2-5% by 2006 respectively. Significant is also an impact of SMEs on employment growth. The number of SMEs both enterprises of all legal forms as well as natural persons increased (in Hungary up to 1.2 mill, in Slovakia up to 500 thousand by 2006 respectively) and thus they increased the employment rate. The highest share on employment

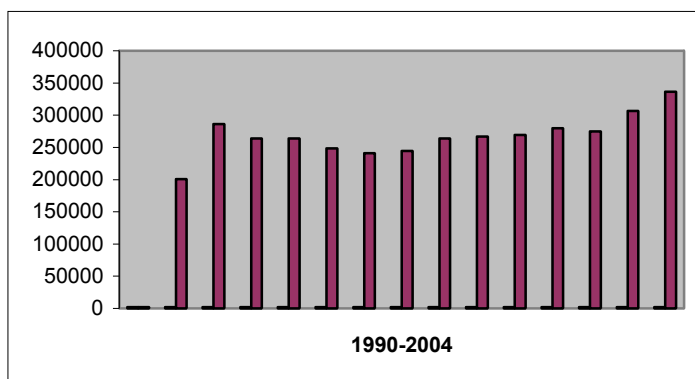
have services, the lowest agricultural production. The share on employment of natural persons has grown up to 30%, medium enterprises 20%, small enterprises 14%, micro enterprises 7%, the rest belongs to big enterprises. Share of SMEs on gross production and total export was with increased volumes since 2003 what also increased GDP.

The second hypothesis supposed that SME sector is one of the main influencing elements of the economic stabilization and growth. The growth of the economy is measured and in dissertation expressed by GDP per capita, and latter also by rate of inflation, growing employment, or decreasing level of unemployment. As seen from presented facts and figures in several charts and tables in dissertation from both Hungary and Slovakia, we can conclude that SMEs maintain a strong and significant entrepreneurial sector and that these enterprises have vast and vital impacts on whole employment and increasing living standard of citizens.

Development of small and medium enterprises has been declared as one of the priorities of the economic development of both Slovak and Hungarian economy. An important factor for this context is the creation of an adequate business environment, and this assumes making the legislation simpler and more transparent, reduction of administrative and tax-related burdens, reinforcement of supporting infrastructure, and improved access to capital.

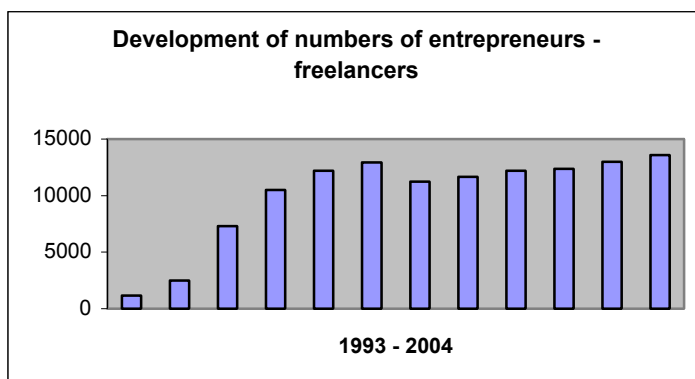
From figures and facts presented by Statistical Office of the Slovak republic and Hungary results that position of SMEs has improved, their importance and influence on national economy raised.

Chart 1: Development of natural persons in 1990-2004.



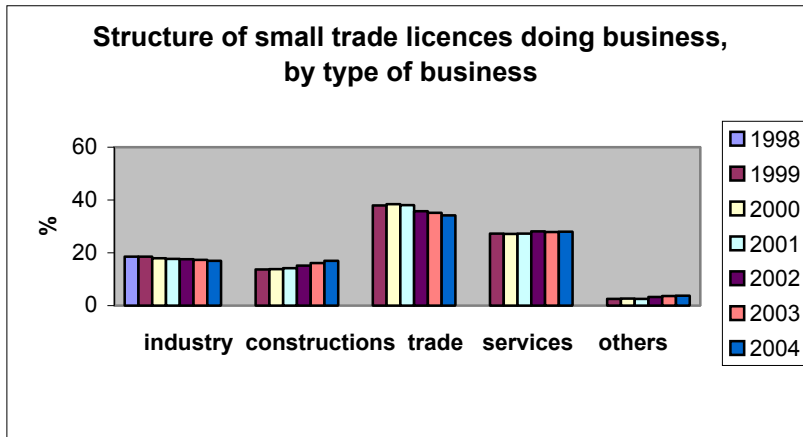
Source: Statistical Office of the Slovak Republic.

Chart 2: Development of numbers of entrepreneurs - freelancers in 1993-2004.



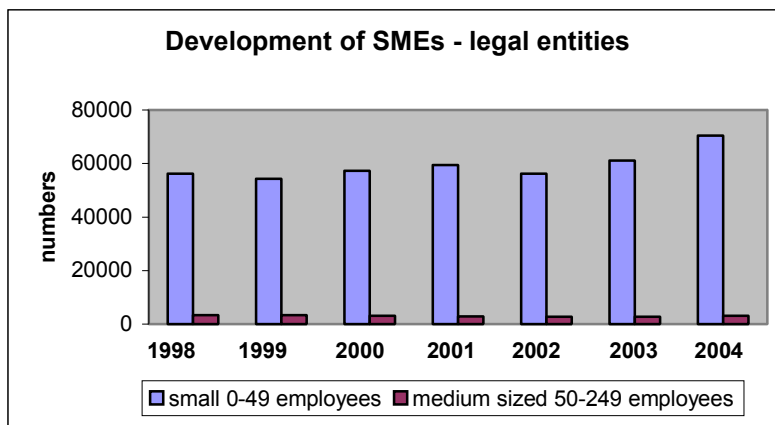
Source: Statistical Office of the Slovak Republic.

Chart 3: Structure of small trade licences by sectors.



Source: National Agency for the SME Development.

Chart 4: Development of SMEs – legal entities.



Source: National Agency for the SME Development.

Table 1: Number of registered enterprises by legal form, 2000-2004.

Period	SP	GP	LP	LLC	CLS	Co-op	Total
2000	682925	7873	188136	167033	4372	7516	1094446
2001	698001	8213	199152	172919	4423	7074	1124835
2002	708513	8113	208454	182242	4425	6768	1152221
2003	716729	7889	214787	193247	4345	6790	1176934
2004	717323	7725	219023	209720	4357	6532	1198628

Source: Hungarian government.

Table 2: Distribution of active enterprises by legal form and staff category, 2004 (in %).

	0 employee	1 – 9 employees	10 – 49 employees	50 – 249 employees	250 + employees	Total
SP	17.5	82.0	0.5	0.0	0.0	100.0
GP	28.3	68.6	3.0	0.1	0.0	100.0
LP	35.5	62.9	1.6	0.1	0.0	100.0
LLC	27.9	58.7	11.3	1.9	0.3	100.0
CLS	13.3	25.5	25.2	24.4	11.5	100.0
Coop	50.0	28.0	15.4	6.4	0.2	100.0
Total	26.3	69.8	3.2	0.6	0.1	100.0

Source: Hungarian government.

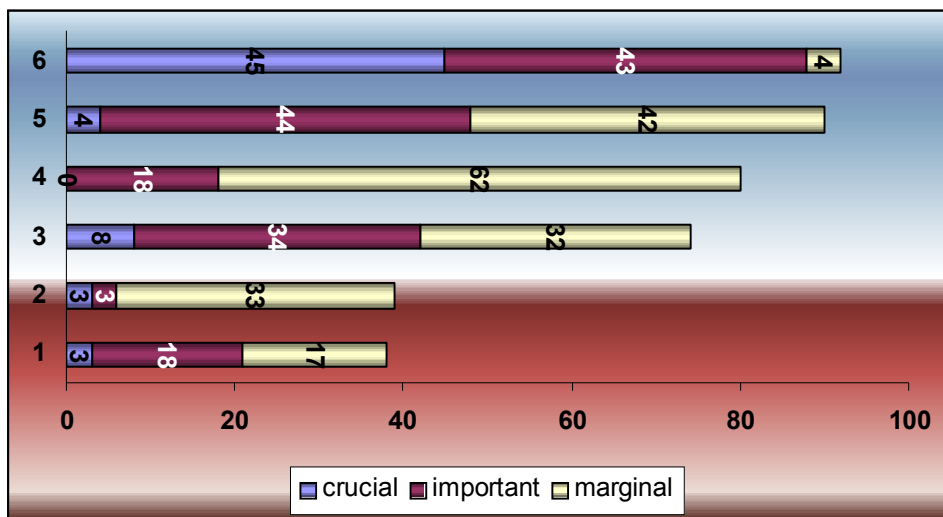
The third hypothesis assumed that profit from own capital and bank loans with leasing from borrowed capital are dominant financial

sources for the SMEs in analysed countries when providing the entrepreneurial activities.

Thesis 3: Resulting from provided facts in Tables 14-16 and Chart 23 in dissertation I state that: bank loans were dominating the foreign capital as they grew in Hungary from 1844 mill. EUR in 1999 up to 10490.8 mill. EUR by half of 2005 and in Slovakia with rather similar situation with significant growth of provided loans, leasing was mainly used by micro enterprises so it did not show significant position within the borrowed financial sources. We see that second biggest growth noticed use of EU funds in both Hungary and Slovakia. The growth of provided bank loans can be interpreted by improved attitude of banks to SMEs, improved market environment with legislation compatible with the EU, and creation of guarantee banks. Profit is the most important financial source form own capital, since depreciations are only such sources that lower taxation base as far as they are included in costs and deposits of partners usually occur when SME is based. So deposits are occasional revenue while profit is long-term revenue what means continual growth and development of enterprise. The advantage of financing from profit is that it increases own capital base. Finally, enterprise thus decreases a need for foreign financial sources.

Providing the entrepreneurial activities is connected with financing. Access to finance is one of the main issues for an entrepreneur. The opinions of entrepreneurs and kinds of capital used are presented in Chart 5.

Chart 5: Used financial sources (in %).



Source: National Agency for the SME Development.

Legend:

- 1 – factoring/forfeiting,
- 2 – bill of exchange,
- 3 – supplier loans,
- 4 – received advance payments,
- 5 – leasing,
- 6 – bank loans.

The most important borrowed capital turned out to be the one obtained from bank loans, leasing, state support, and definitely from venture capital fund investor. Despite of rather refusing attitudes to venture capital investors, these foreign sources of financing have become one of possibilities to obtain capital, since the bank loans are little bit too

expensive to be used. Even an access to bank loans is more complicated for SMEs than for big companies with long history. Remaining sources of capital such as factoring and forfeiting are not often used. EU funds are mostly used for financing such activities of SMEs as: advisory and consultancy services, launching business using the incubators, hiring of buildings and places in the industrial zone, in the scientific and technological parks and services, elaboration of studies and project documentations, spreading out of existing entrepreneurial activities, rationalisation, modernisation and diversification of existing SMEs, transfer of innovative and information technologies, etc.

Venture capital is relatively a new term in financing of SMEs both in Slovakia and Hungary. Such investments face certain level of disbelief, the entrepreneurs are afraid of loosing the control over the company, they do not want to share future economic results (see Charts 27-29 in dissertation). Venture capital is mostly popular and used in developed economies of USA and former EU-15 countries. Venture capital has been invested in Slovakia and Hungary into branches such as industrial production, trade, construction industry, and financial services.

Thesis 4: I confirm the fourth hypothesis and therefore I state that total venture investments grew in Hungary up to over 121 mill EUR and in Slovakia up to 7 mill. EUR, what was 0.15 % of GDP in Hungary and 0.021 % of GDP in Slovakia respectively. Dominant were expansion investments in both countries (99% of all venture investments in Hungary and 87% of all in Slovakia respectively). Although such investments did not notice significant share on total GDP, their growth in analysed periods is of positive trend and will contribute to further development and competitiveness of analysed SME

sector. Such shares on total GDP are greater in developed countries as USA or former EU-15 but they notice constant growth in all sectors.

Since 1999, many researches in Hungary and Slovakia dealing with the economic impact of venture capital were elaborated. I compare them and make final judgements. I provide following evidences and statements of hypothesis 4 and thus confirm its assumptions: (1) the revenues after the venture capital entry into enterprises were doubled comparing to those SMEs without such investments, (2) the number of employees usually grows faster and in significant numbers (app. 15% per year), (3) the investments into equipments, buildings and financial tools grew by one half, (4) development of venture capital in enterprises has brought higher revenues in state and municipal budgets from taxes, it has brought new trading and exporting facilities, venture capital growth accelerated the employment, (5) venture capital funds offered the expertise aid in enterprise development.

Companies applying the venture investments have stimulated the economy as whole: (1) They show a fast growth – such investments are rather new in this territory and therefore it is bit difficult to evaluate their whole impact on economy, but they noticed faster growth of turnover than 100 other most meaningful enterprises within analysed region. (2) They invest intensively – they invested almost three quarters of whole turnover by 2004. Research and development costs showed growth in more than 50% of companies. (3) They export – growth of export in venture-financed firms was more than one third and meant almost one quarter of all their revenues since 2000.

Venture capital investors are attractive partners because they offer financial and non-financial aid to SMEs: (1) they offer capital

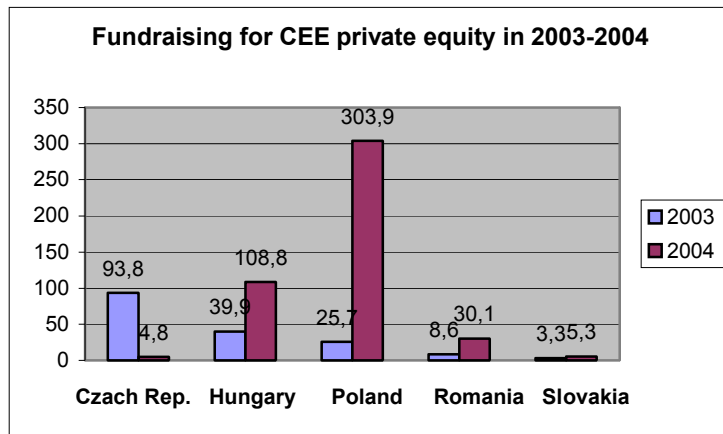
allowing fast growth of SMEs, (2) they offer leadership and experiences, (3) their contribution is evaluated positively.

Venture capital is the alternative form of obtaining the financial sources for small and medium enterprises. Venture capital means investments to basic capital of newly established enterprise. Its main task is to establish and further develop the enterprise or to realise a promising business plan in practice. The key criterion is fast investment return and its high profitability. Enterprise is under detailed analysis and audit before it receives venture capital.

Comparing to traditional developed economies, financing of SMEs in Slovakia and Hungary by venture capital is underdeveloped. Such fact could be rather surprising for uninformed market participants. Despite of anticipations and prognoses, development of venture capital financing stagnates.

The concrete examples of venture capital growth in Slovakia and Hungary are elaborated in the EVCA research from 2003-2004 where several factors were investigated. First, fundraising for CEE picked up dramatically in 2004. Notably, the vast majority of funding across the CEE region is sourced from non-domestic investors.

Chart 6: Fundraising for CEE private equity in 2003-2004 (in mill Euro).



Source: www.evca.sk.

Investment levels increased significantly in 2004 with a total 547 mill. Euros invested across the CEE region. This is an overall increase of 22% compared to 2003. However, the investments trends by country varied. Hungary and Slovakia showed increases in investments by amount, while activity in Poland, the Czech Republic and Romania decreased compared to 2003.

Table 3: Investments as a percentage of GDP in chosen CEE countries in 2003-2004 (in mill. Euros).

Country	2003 Total investments	2004 Total investments	Invest. % of GDP 2003	Invest. % of GDP 2004
Hungary	110 755	121 562	0,154	0,150
Poland	177 213	134 437	0,098	0,069
Slovakia	4 479	7 059	0,016	0,021
Czech Republic	39 422	16 074	0,052	0,019
Total	331 869	279 132	0,320	0,259

Source: www.evca.sk.

As in 2003, the largest portion of invested capital went into buyout transactions, followed by expansion capital investments and replacement capital. Notably, there were no reported seed stage investments and a significant reduction of start-up capital. It is fair to say that the equity gap seen across Europe is even more visible in the CEE region.

Table 4: Type of investment by chosen CEE countries in 2004.

Capital/Country	Czech Republic	Hungary	Poland	Slovakia
Seed	-	-	-	-
Start-up	2 245	501	-	947
Expansion	13 829	120 561	44 100	6 112
Replacement capital	-	-	59 494	-
Buyout	-	500	30 843	-
Total	16 074	121 562	134 437	7 059

Source: www.evca.sk.

Measured by investment costs, the level of exit activity decreased significantly in 2004 as compared to 2003. The statistics, however, do not measure the actual proceeds received upon exit and therefore do not fully show trends in terms of capital return to investors. Divestments through trade sales, sale to management, repayment of principal loans and by other means showed the largest decreases year to year. Exit through the public markets and in secondary sales to other venture capitalists in 2004 were similar to 2003 levels and write-offs showed a slight increase.

The final chapter focused on attitude of entrepreneurs to use and accept the venture capital investor for financing the enterprise. Research showed rather conservative attitude of representatives what is a typical feature in the transition economies of Hungary and Slovakia. Only SMEs with year's turnover over 50 mill. Sk and located in developed regions showed positive trends in acceptance of minority partner. The main contribution of investor is perceived in increasing the profit and shares (Charts 27-29 in dissertation).

Thesis 5: After analysing four companies, two from Slovakia and two from Hungary that used the venture capital investments in order to improve their financial situation, to spread out their trading activities onto foreign markets and to strengthen their competitive position, I state and confirm the fifth hypothesis that venture capital contributes significantly to increased revenues, better economic performance and indicators of the financial analysis. Although this choice is not representative and it is impossible to make final conclusions on such sample of enterprises, the SMEs were chosen in order to introduce the possibilities of venture investments and to demonstrate the positive influences and impacts of venture capital on SMEs and thus support its usage in practice. It would take more than hundreds of SMEs to analyse in order to provide serious judgements what would be far from my research field and dissertation capacities. In all analysed SMEs venture capital succeeded in increasing the revenues and sales:

- ***In BALA Company earnings grew by over 150% within 5 years of venture capital investments (1999-2004) and ROE up***

to 10%, ROA up to almost 2%. This company also expanded on foreign markets.

- *SLOVPACK Company increased sales expressed in mill. Euros by almost 150% (from 4 up to almost 10 mill. Euros). VC investment also contributed to the productivity growth (1997-2002).*
- *ENIGMA Company increased sales from 77 thousand Euros up to 1137 thousand Euros and venture investment contributed to the positive productivity.*
- *Significant growth of revenues noticed also EURONET WORLDWIDE Company within 8 years of investment fund performances (increases from 11 mill. USD up to 362 mill. USD).*

The research results show a conservative attitude of Slovak entrepreneurs to mentioned form of financing. More than three quarters of asked businessmen do not want partner in a firm. Only almost one fifth is more open to such non-banking financing and to accept a new partner under certain conditions. This form of financing is fully accepted only by every twentieth research representative. Enterprises with year's turnover from 10 mil. to 50 mil. Sk (27%), with number of employees from 10 to 49 (25%) as well as SMEs performing in the industrial production (27%), hotels and restaurants (33%) and in Trenčín region (25%) concerning the regional division, accept this form of financing depending on contract conditions.

Financing of business by investing into basic capital is accepted mostly in firms with year's turnover from 50 mil. to 100 mil. Sk (14%),

from 100 mil. to 500 mil. Sk (11%), with 50 to 249 employees (9%), performing in the industrial production (11%) and exporting firms (25%).

Chosen analysed companies showed a positive influence of venture investor capital. The results of provided financial analyses are shown in Charts 30-35 in dissertation. They indicate that venture capital contributed to growth of sales, revenues, employment, spreading out of market activities and new production potential.

III. USAGE OF THE RESERACH RESULTS

Research was focused on SME representatives using venture capital as borrowed financial source in two transitive economies of Slovakia and Hungary. Research showed that entrepreneurs are not ready to use an investment partner to finance their trading activities. The answers of responders were rather conservative, almost refusing another partner to share decisions, profit, sales, personal agenda, etc. Therefore, I analysed those SMEs from Slovakia and Hungary that used venture capital as financial source and it brought them positive results for their further development. The results of the research of entrepreneurs' opinions on investor partner in providing the business activities as well as the analysis of chosen firms can be used in practice as positive examples of venture capital impact on firm performance. Since venture capital brought important financial sources, it became a key element in firm successful business. Several results of the analysis were already published and interpreted on international scientific conferences. The analysis is still not over and it will be elaborated in more detailed and comprehensive analysis of venture capital usage in Slovakian and Hungarian SMEs.

Stated scientific dissertation objective and all partial objectives were completely fulfilled. Specified methods were chosen and applied in order to satisfactory end up dissertation tasks. I summarize own contributions to theory and practice as follows:

- I clarified that venture capital and private equity are new forms of borrowed capital in conditions of transitive economies of Slovakia and Hungary and therefore they cause certain disbelief of entrepreneurs to accept a foreign partner who would share management decisions and profit,
- I confirmed that firms which used and applied the venture capital either in a form of start-up business or in a form of recovery or large-stage-development capital (or in any of the other forms) successfully continued in their trading activities and developed their firm on key market players and even spread out their businesses onto foreign markets,
- On a basis of financial analysis methods I calculated several financial indicators and thus confirmed that firms that used venture capital increased their revenues by over 150%, productivity up to 10%, total sales by almost 200%, they expanded onto foreign markets, increased the production portfolio and made the production more qualified, they improved the management, etc.,
- I recognised that Slovak and Hungarian SMEs are mostly dependent and financed from own profit out of all own financial sources and profit has become a long-term and unique financial source in order to maintain continuum business,

- I recognised that bank loans and micro credit programmes are most frequently used borrowed capital of the Slovak and Hungarian SMEs,
- I showed on a basis of several provided researches that ability and willingness to obtain financial sources from foreign partner (such as private equity and venture capital) who would share decisions, profit, sales or who would influence the SMEs in everyday activities is not accepted in huge and significant numbers from several reasons mentioned in text above,
- I showed that although venture investments are developing in USA and in EU countries in various industry branches and services, the Slovak and Hungarian SMEs are rather unaware to implement them and reach the advantages from accepting such partner,
- I found out on a basis of the economic indicators of the macroeconomic development of Hungary and Slovakia that these countries are still in transition from planned economy to market economy and must improve their entrepreneurial environment by further legislative changes compatible with the EU directives in order to simplify SME expansion and trading,
- On a basis of collected and summarised data and information I confirmed hypothesis that mainly privatisation of state property and following legislation changes led to the growth of private sector in both countries and thus contributed to the development of SME sector as we know it nowadays.

IV. LIST OF RELEVANT LITERATURE

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V. LIST OF PRESENTATION CONCERNING THE PhD. THEME

- University of Miskolc, 2001 – 2006,
- Scientific International Conferences at Masaryk University in Brno, The Czech Republic, 2005-2006,
- Scientific International Conferences at University of Tomáš Baťa in Zlin, The Czech Republic, 2005,
- Scientific Exchange within project DAAD in University in Zwickau, Germany, 2006,
- International scientific conferences held on Technical University in Košice, Slovakia, 2000-2006.

