The Venture Capital Investment Process In Greece: Some Evaluation Aspects

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The term “Venture Capital” is quite new in Greece and in the beginning was referred only to the ventures of new innovative firms. Recently it has been expanded to include a wide range of financing, which already covers the existing developed firms. The Venture Capital was firstly appeared in U.S.A. in the early of 40’s and later in Europe in the early of 70’s. The foundation of venture capital firms was introduced with the laws No 1775/88 & No 2166/93, but due to their insufficient results the law No 2367/95 was instituted to reject the two previous in period of two years and to change the name of the venture capital firms.

The purpose of this paper is to present the development of Venture Capital in Greece. The realization of this development was succeeded via a) a questionnaire, which was sent to all the venture capital firms of Greece and b) interviews, which were held to the managers of the venture capital firms. Consequently, the objective of this paper deals with the results of this research, which are:

- The development and the investment policy of the venture capital firms (geographical division of the invested amounts, sectorial division, type of venture capital (seed capital, start-up financing, etc)
- The decision procedure, which is adopted by the venture capital firms (time-sharing of the venture capital process, evaluation criteria)

Finally, the paper deals with the conclusions derived from this market research and the development perspectives of the venture capital firms in Greece.

**Keywords:** Venture Capital, Investment policy, Evaluation criteria, Statistical Analysis

1. Introduction

The Venture Capital (VC) was firstly appeared in the U.S.A. in the early of 40’s and since then it has been expanded worldwide. The VC finances new companies or start-ups especially those that develop new technologies and conquer new markets and helps them to grow and become profitable. At the same time, VC contributes to the development of business spirit.

The profits from the use of VC as financing tool, according to the authors Ganetsou and Fronistas (1995), could be categorized in two levels: (1) in the economy of a country, and (2) in the firm. In the level of economy, the two authors report that VC facilitates the foundation of new enterprises and simultaneously supports the renewal and modernization of the already existing companies, contributing to the economic growth and the confrontation against the unemployment. For example in the U.S.A. the 4% from the developing companies which were financed from VC created the 70% of the new places of work. In France, the firms, that are financed by VC, contributed to an increase of 34% to the working places, 42% to the sales, 80% to the exportations as well as a duplicating of the investments in the period 1981-1991. Concerning the level of the firm, VC allows the firm to accomplish the necessary investments of growth and modernization without the imminent financial risk due to the loans. At the same
time, VC with its participation to the stock capital of the firms adds value, which is expressed with its support on issues of strategic planning, marketing and sales, financial planning and control, technology transfer and introduction of modern methods of management [Zopounidis (1990)].

The VC finances and intervenes to all the stages of growth of a firm: creating, start-up, development and introduction to the stock market. Each stage of growth corresponds to special financing. Moreover, the needs of financing and management support of the companies and the involving risk for the investors of VC differ enough depending on the stage of growth.

The comparison of the VC with the traditional kinds of financing (e.g. loan) leads to the following three differences: 1) The VC is invested in relatively new firms, for which there are no sufficient historical data, 2) the investment is provided to small firms and with direct participation in the stock capital, in order that the investor participates in the life of the firm; this fact does not happen with the investors of large firms that entered into the stock market (their role is inactive), 3) the investment in venture capital does not ensure short-term liquidity to the investor because the capital is “trapped” in the company for a period of 5 to 10 years.

This paper presents, for the first time, the results of a survey based mainly on questionnaires, that were distributed to all the venture capital societies that exist in Greece and on interviews of the executive staff of the above firms. This research refers to the profile of the VC societies, their investment policy and their evaluation criteria.

The next section presents the basic characteristics of this survey. In the last section the conclusions are summarized and the basic results of the research are outlined as well as further research directions for the development of the VC in Greece are proposed.

2. The survey

The initial sample of the research, that began on July 2001, was constituted of 24 VC firms. During the first year it was reduced to 15, since many of them interrupted their activities after the financial crisis of the Greek Stock Market. The questionnaire was finally answered by 11 VC firms. The main objective of the survey was to outline the profile and the investment policy of the VC firms as well as to determine their investment decision-making process. Consequently, the responses have been separated to three units: a) Profile of the VC firms, b) Investment policy and c) Evaluation criteria.

2.1 Profile of the venture capital firms

The legislation of VC was firstly introduced in Greece with the law of 1775/25-5-88, according to which the VC firms are Sociétés Anonymes (S.A.), whose main objective is the promotion and the financing of high technology and innovative ventures. Due to the inefficiency of this law the next modification of the law cancels the previous one and expands the financing to other activities like agricultural, industry, tourism, commerce etc (law N2367/95).

The growth of the VC afterwards 1999 was related direct with the dynamic growth of the Greek Stock Market. The returns of the VC firms’ investments were impressive and there were founded a lot of venture capital firms (more than 10), the majority of which was subsidiary of stock exchange companies. This fact is also confirmed by the present survey where the majority of the VC firms are young and they are less than 3 years old (46%). 27% of the VC firms are among 10 and 15 years old, whereas 18% and 9% belong to the age among 4 and 9 years old and greater than 15 years old respectively (Figure 1).

Only one VC is administrated by another company and uses the staff of the financing company (in the figure it is referred as exterior management).

The others constitute members of the groups (27%) or they are subsidiaries of other companies (mainly banks) (37%), whereas the rest 27% refer to independent companies (Figure 2). It is also worth noting that even when few companies are independent they have no staff and charge their administration to other economic company. Due to this the majority of VCs has
few staff (64% from 0 to 9 persons). Only one VC firm could be characterized as intermediate firm, since it disposes 69 persons (9%). Generally, they are very small firms, since 91% in total does not employ more than 50 persons (Figure 3).

The education level of the staff is very high, since 8% possess a Phd, 46% has a master, 20% a Bachelor, 13% belongs to the under graduate level, while only 6% is of higher education and 7% of senior high school (Figure 4). From these, 48% includes stock market analysts, 23% works on secretarial support, 14% is top management staff, and only 3% includes legal consultants (Figure 5).
2.2 Investment Policy

The investment policy of the Greek VC firms is conditioned by the Greek law 2367/95, as it determines the way that a VC firm participates in the firm, the support that will provide to the management team and its liquidation from the investment, that should take place among 3 years.

The foundation of the New Economy Fund S.A. (TANEO), constituted by the article 28 of the law N. 2843/2000, contributes to the growth of VC in Greece. The main objective of TANEO is to co-finance the foundation of venture capital firms, which invest on innovative preferable start-ups firms in Greece and to support the capital market, as well as the development of entrepreneurship. On April of 2002 the declaration of the tax neutrality was founded posing a more flexible law frame. The recognition of TANEO by the European Union was a great success for Greece concerning the conditions of governmental reinforcement and since nowadays the first Greek fund of funds is activated.

Table 1. Available and invested funds for the years 1998-2001. Number of submitted and approved deals for the same period

<table>
<thead>
<tr>
<th>(in Keuro)</th>
<th>1998</th>
<th>1999</th>
<th>Change (%)</th>
<th>2000</th>
<th>Change (%)</th>
<th>2001</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available amount of VC</td>
<td>82,708</td>
<td>86,369</td>
<td>4,43</td>
<td>301,583</td>
<td>249,18</td>
<td>491,549</td>
<td>62,99</td>
</tr>
<tr>
<td>Invested amount on VC</td>
<td>23,127</td>
<td>44,289</td>
<td>91,50</td>
<td>133,013</td>
<td>200,33</td>
<td>52,996</td>
<td>-60,16</td>
</tr>
<tr>
<td>Percentage of Invested/Available VC (%)</td>
<td>6,44%</td>
<td>1,72%</td>
<td>11,28%</td>
<td>8,12%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of submitted deals</td>
<td>167</td>
<td>238</td>
<td>42,51</td>
<td>907</td>
<td>281,09</td>
<td>905</td>
<td>-0,22</td>
</tr>
<tr>
<td>Number of approved deals</td>
<td>18</td>
<td>14</td>
<td>-22,22</td>
<td>47</td>
<td>235,71</td>
<td>37</td>
<td>-21,28</td>
</tr>
<tr>
<td>Percentage of approved /submitted deals (%)</td>
<td>10,78%</td>
<td>5,88%</td>
<td>5,18%</td>
<td>4,08%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to the data of Table 1, the available and invested VC funds presented extraordinary increase during the period 1998-2001 (494.32% for the available and 129.15% for the invested funds). This is due to the creation of 5 newly founded VC firms afterwards 1999, which substantially started their activities in 2000. In 2001, the invested amounts on VC presented a significant reduction of 60%, although the available capital had a remarkable increase (63%) because of the lack of interesting deals, as the venture capitalists had notified. However, due to the continuous fall of the Greek Stock Market the interest of the venture capitalists turned to the start-up firms, that include higher risk and consequently they seem to be less seductive investments.

The number of the approved deals was doubled during the period 1998-2001, but the percentage of the approved deals was decreased although the increase of the number of the submitted deals (the percentage falls from 10.78% in 1998 to 4.08% in 2001). This fact shows that the VC firms apply an extremely selective policy whatever is the evaluation of deals.
The VC firms derive their investment capitals mainly from private sources (32%), from corporate investors (13%) and from European reinforcements (13%), while alternative resources are the increase of the share holders’ capital sources (7%), the national reinforcements (7%), the administration of Private Equity Fund (7%), the Reserve Funds (7%) and the banks (7% especially those that are subsidiaries or members of groups of banks) (Figure 6).

In the deal originating phase the candidate firms determine to approach the VC companies (100%). Since each VC firm has more than one choices of approaching the firm planning, the results are presented in Figure 7. For example the selection “Initiative of the candidate firm” has been proposed by the 11 VC firms and for this reason it takes 100%, while both the selections “Initiative of VC firm” and “Recommendation of another VC firm” present 82%. It should be mentioned that based on researches that took place abroad (USA), the origin of the firm derives mainly from the recommendations of other VC firms.

Concerning the investments on venture capital these are given mainly on industries. Especially the Food and Beverages Industry had absorbed the 72% of the total investment amount, having conducted the 50% of the total number of the approved deals. Figures 8 and 9 show how these investments are distributed according to the invested amount, as well as the number of the investments.
The geographical distribution of the VC firms is presented in Figure 10. Athens with percentage 78.95% accepts the majority of the investment capital of all the VC firms. Then, follows Thessaloniki with 8.17%. This result shows that it is preferable to invest in developed industrial areas.
Most of the VC firms invest abroad (55%). The most preferable regions are mainly Eastern Europe (27%) and Balkans (27%), while follow Cyprus, Western Europe and North Africa with percentages 23%, 18% and 5% respectively (cf. Figures 11 and 12).

The VC firms liquidate almost at 24.35% of the total investments (47 out of 193 investments) (cf. Figure 13), preferring mainly (43%) the sale of their shares afterwards the introduction of the firm in the Stock Exchange Market (Public Offer) and less (31%) the sale in a strategic investor (Trade Sale). More seldom (2%) they prefer the sale in the management team of the financed firm. Quite high is the percentage of the failures (Write Off) in these investments, which reach the 23% of the total investments (Figure 14).
It is worth mentioning that it is interesting to study in depth the venture capital performances but this survey needs a long period of operation in a country in order to have reliable results.

2.3 Finance stages

The VC finances a firm in various development stages. In general the fundamental role of venture capital is to finance and help young companies or start-ups to grow and become profitable. When starting a new firm, an entrepreneur will in many cases require money to buy assets or hire staff. In a later stage, money will be used to finance the development of a product, for the set-up of an organization and for initial marketing and manufacturing activities but it can also be used to bridge the time period until a venture goes IPO. Although it does not exist precise limits among the stages, the development stages of a company can be discrete to the following categories [EVCA (2000)], [Zopounidis, C. (1999)]:

1. **Seed Capital.** Funding for research, evaluation and development of a concept or business before the business actually starts trading. It is the most risky kind of investment, where the 70% of the investments is abandoned.

2. **Start-Up Financing.** Funding for the product development and the first market plan of a new company or even being to the process of establishment, which have not promoted their products commercially yet. The investment may last up to three years and is characterized by high risk.

3. **Other Early-Stage Financing.** It is given to companies that have not completed the stage of product development and there is need for further funds to start the commercial production and the sales. It should not be produced still profits.

4. **Development or Expansion Financing.** Funding for the growth and the expansion of a firm, which is trading profitably. The fund may be used to grow up the production possibility, the development of the market or the product and/or to supply additional labor. The cost is not extremely high because of the relatively low risk, while it can last much more time or to demand much higher funding than it has been programming

5. **Mezzanine (Bridge) Financing.** It prepares the sale of part or all of a company on a stock exchange and lasts at most one year.

6. **Management Buy-Out/Buy-In Financing.** Financing to enable the existing management team (Management Buy-Out) or a new management team (Management Buy-In) to acquire their business from the existing owners. These investments became profitable in relatively short time, present low risk, while their returns are not so important.

7. **Turn Around or Rescue Financing.** Buyout of a company with damages and financing them with purpose to become profitable.

8. **Replacement Financing.** Funding for the purchase of existing shares in a firm from other shareholders, be they individuals, other VC firms or the public stock market.
In Greece, VC firms invest mainly on already existing firms for their development and expansion (with percentage 16% for 1998, 80% for 1999, 82% for 2000 and 28% for 2001) which include limited risk. It is quite remarkable the fact that due to the continuous fall of the Greek Stock Exchange the VC firms turned to new born firms which in the long run create higher values. Consequently, while in 2000 the percentages of the invested money on seed-capital, start-up finance and early-stage occupied the 0.5%, 3% and 2% of the total investments respectively, in 2001 the percentages of the invested amount raised to 3%, 39% and 19% respectively. It should be mentioned that the contribution of TANEO to the start-up firms should be taken into consideration, since TANEO funds the business plan of start-ups (Figure 15). About the same behavior was observed before the increase of the Stock Exchange in 1998 where the VC firms were invested to start-up and early-stage firms the 45% and 38% of the invested amounts (Figure 16).

The VC firms provide the firms except from financial support (100%) other services such as consulting for the strategic and business development (91%). Since their participation to the invested firm includes high risk they pursue to be represented to the boarding council according to the percentage of the possessed shares (82%). Consequently its main purpose is
to help the firm to have a successful and profitable business development contributing to the expansion of the business relation network (73%), and supplying consulting for the Human Resource Management (64%), its financial planning (64%) and its expansion to new markets (64%). Only few (9%) change the management team of the supported firm. The results are presented in Figure 17 as the questioned venture capitalist had chosen more than one responses. Giving 100% to the financial support means that all the venture capitalists (11 out of 11) selected this answer.

![Participation of the VC firm to the invested firm](image)

Figure 17

### 2.4 Evaluation Process in Venture Capital Investment

The process of VC investment between the deposit of a deal and the closing of the investment is generally sequential. According to the Tyebjee and Bruno (1984) four stages precede the investment and three stages follow:

A. Prior-investment activities

- Firm origination: VCs deal with the estimation of the elements concerning the firm origination.
- Screening Phase: it is the initial evaluation of the firm, the criteria are not so strictly and the most possible candidate business plans are selected.
- Evaluation Phase: the evaluation of the products/services with more strictly criteria takes place and the most interesting business plans are selected for further in-depth review of the company (due diligence).
- Structuring phase: at this phase it is structured the relation with the candidate firm, as well as the financial and logistic control and the final negotiation take place and if everybody agrees this phase ends with the signing of contracts and money transfer.

B. Post-investment activities

- Cooperation with the management team; after the signature of the contract the VC firms become an active partner.
- Consulting activities can refer to a) the strategic and the business development of the firm, b) the human resource management, c) the financial planning and d) the expansion to new markets.
- Liquidation from the investment, which if it does not end as failure, can be either Public Offer, or Trade Sale or sale to the existing management team of the firm.
Table 2. Time Distribution by percentage of the Venture Capitalist for the prior and post-investment activities

<table>
<thead>
<tr>
<th>VC firm</th>
<th>Prior-Investment Activities</th>
<th>Post-Investment Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Firm Origination</td>
<td>Screening Phase</td>
</tr>
<tr>
<td>VC firm 1</td>
<td>5%</td>
<td>30%</td>
</tr>
<tr>
<td>VC firm 2</td>
<td>9%</td>
<td>25%</td>
</tr>
<tr>
<td>VC firm 3</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>VC firm 4</td>
<td>10%</td>
<td>40%</td>
</tr>
<tr>
<td>VC firm 5</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>VC firm 6</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>VC firm 7</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>VC firm 8</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>VC firm 9</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>VC firm 10</td>
<td>10%</td>
<td>40%</td>
</tr>
<tr>
<td>VC firm 11</td>
<td>5%</td>
<td>15%</td>
</tr>
<tr>
<td>Mean time</td>
<td>14%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Calculating the mean time that the venture capitalists devoted for these activities before and after the investment, we could observe the following:

a) Before the investment the venture capitalists consume most of their time in the evaluation phase (35%), but also in the preparatory processes until the signature of the contracts (structuring) (33%), while in the screening phase they dedicate less time (28%) but quite enough as there is usually a large number of proposed plans.

b) After the investment most of their time is dedicated to cooperation with the management team (45%) in order to have a successful growth of the firm, while important time is dedicated to the supply of consulting support to different areas concerning the survival and the development or the firm. The time of liquidation is less (21%), but half of the Greek VC firms are very new (they were founded after 1999-2000), so they have not started to work on them.

During the screening and the evaluation phase the venture capitalists’ estimation is based mainly on the business plan (100%). They consider it so important that some VC firms present via their web page a form of a business plan and give instructions for its completion. Most of them are monitoring also the firm for quite a long time (73%) before they take any decision, while few venture capitalists follow their intuition. Sources of data are also the collaborators of the firm (consultants, lawyers, banks, accountants, etc.) (27%), the market research (27%) or more seldom (9%) the opinion of specialists or the fundamental analysis (Figure 18).
The final evaluation of the deals has been attempted via the questionnaire to find out the evaluation criteria and methodology. Only one venture capitalist answered that he does not use any method, while two of them did not give any answer for the methodology. The rest 72% of the sample responded differently among each other. Each one has its own methodological approach. Even the international literature and practice does not provide any specific method, as venture capital differs radically from the formal investments in the Stock Market.

More specifically, the modeling of venture capital investment in firms is a complex problem because:

- venture capital is invested in relatively new firms, for which there are no sufficient historical data
- value is added to the invested capital by an active participation
- long term orientation (5 to 10 years during which the investment will provide sizeable returns) an then the risks attached to the investment
- most of the VC’s information comes from business plan and there is a potential threat that the information included in the plan could be inaccurate.
- lack of remuneration
- lack of real or personal guarantee
- non-capital liquidity

In case of formulation of the evaluation methods of VC firms, the reader could study the paper of Zopounidis (1994).

In the present study, based on the international bibliography and the interviews of the VC firms managers, 19 evaluation criteria for the selection of candidate deals of the firms were taken into consideration. These criteria describe the management, the market, the product, the organizational and technical characteristics of the financing candidate firm. In order to examine which of the criteria are more important to the evaluation of the deals from the Greek VCs, the managers ranked the 19 criteria.

For this reason they were asked to rank from 6 to 1 (where 6 is the most significant) the most important criteria for them from a list of 19 criteria. They had also the possibility to propose any criteria that they were not referred to the questionnaires. The preferences of the venture capitalists for each criterion are described analytically to the following Figure 19:
In order to obtain an overall evaluation of the significance of each criterion in the VC evaluation process, an aggregation of the criteria rankings defined by each participant in the survey is required. The most simple aggregation form that is suitable in this context is to use a weighted average of the rankings defined for each criterion, as follows:

$$S_i = \frac{1}{n} \sum_{j=1}^{k} j \times p_{ij}$$

where:
- $S_i$ is the overall significance of criterion $i$ assigned on the basis of the individual criteria rankings defined by the participants (venture capitalists) in the survey.
- $n$ is the number of participants in the survey (in this study $n = 11$).
- $k$ is the number of levels in the rank-ordering of the criteria by the participants in the survey. In this study, the venture capitalists were asked to evaluate the significance of the criteria in a 6-point ordinal scale, ranging from 1 (least important criterion) up to 6 (most important criterion). Therefore, $k = 6$.
- $p_{ij}$ is the number of participants that assigned criterion $i$ a significance equal to $j$ in the aforementioned 6-point ordinal scale.

The measure $S_i$ of the overall significance of criterion $i$ ranges between 0 and 6. The case $S_i = 0$ indicates that all venture capitalists that participated in the survey consider criterion $i$ as totally irrelevant to the VC investment decision. On the other hand, the case $S_i = 1$ indicates that all venture capitalists that participated in the survey consider criterion $i$ as the most important one to the VC investment decision.

The results for the overall significance of the criteria and their final aggregate ranking according to the above index are given to Table 3. According to the presented results the criterion that the venture capitalists consider most significant during their decision making investment process is «The expected rate of return of the investment» (total score=4.7). The second significant criterion is «Skills and experience of the management team» (Total score=4), while the criteria «Branch characteristics» and «Expected risk», «Market growth» and «Originality/Innovation» are ranked as fourth (total score=2.8), fifth (total score=2.2) and sixth (total score=2.1) respectively etc.
Table 3. Ranking of the Evaluation Criteria in Venture Capitalists Decision Making Investment Process

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>No. of Companies that have selected it</th>
<th>%</th>
<th>Sum of the choices of ranking for each criteria</th>
<th>Score $S_i$</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Skill and experience of the management team</td>
<td>8</td>
<td>80</td>
<td>4 1 2 1 0 0 0 0 0 0</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>2. Personal Motivation</td>
<td>0</td>
<td>0</td>
<td>0 0 0 0 0 0 0 0 0 0</td>
<td>0</td>
<td>17</td>
</tr>
<tr>
<td>3. Branch characteristics</td>
<td>8</td>
<td>80</td>
<td>2 1 1 0 3 1</td>
<td>2.8</td>
<td>3</td>
</tr>
<tr>
<td>4. Product differentiation</td>
<td>3</td>
<td>30</td>
<td>0 1 1 0 0 0</td>
<td>1.2</td>
<td>8</td>
</tr>
<tr>
<td>5. Growth potential</td>
<td>4</td>
<td>40</td>
<td>0 1 1 1 0 1</td>
<td>1.3</td>
<td>7</td>
</tr>
<tr>
<td>6. Originality/Innovation</td>
<td>4</td>
<td>40</td>
<td>1 3 0 0 0 0</td>
<td>2.1</td>
<td>6</td>
</tr>
<tr>
<td>7. Market size</td>
<td>4</td>
<td>40</td>
<td>0 0 1 2 0 1</td>
<td>1.1</td>
<td>9</td>
</tr>
<tr>
<td>8. Market growth</td>
<td>6</td>
<td>60</td>
<td>1 0 3 1 0 1</td>
<td>2.2</td>
<td>5</td>
</tr>
<tr>
<td>9. Competitive threat</td>
<td>3</td>
<td>30</td>
<td>0 0 1 0 2 0</td>
<td>0.8</td>
<td>13</td>
</tr>
<tr>
<td>10. Cash-out method</td>
<td>3</td>
<td>30</td>
<td>0 0 1 0 0 0</td>
<td>0.6</td>
<td>14</td>
</tr>
<tr>
<td>11. Expected rate of return</td>
<td>9</td>
<td>90</td>
<td>6 1 0 2 0 0</td>
<td>4.7</td>
<td>1</td>
</tr>
<tr>
<td>12. Expected risk</td>
<td>7</td>
<td>70</td>
<td>0 4 0 2 1 0</td>
<td>2.8</td>
<td>3</td>
</tr>
<tr>
<td>13. Percentage of equity</td>
<td>0</td>
<td>0</td>
<td>0 0 0 0 0 0</td>
<td>0</td>
<td>17</td>
</tr>
<tr>
<td>14. Investors provisions</td>
<td>0</td>
<td>0</td>
<td>0 0 0 0 0 0</td>
<td>0</td>
<td>17</td>
</tr>
<tr>
<td>15. Size of investment</td>
<td>2</td>
<td>20</td>
<td>0 2 0 0 0 0</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>16. Liquidity</td>
<td>3</td>
<td>30</td>
<td>0 0 2 0 1 0</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>17. References</td>
<td>1</td>
<td>10</td>
<td>0 1 0 0 0 0</td>
<td>0.5</td>
<td>15</td>
</tr>
<tr>
<td>18. Venture development stage</td>
<td>2</td>
<td>20</td>
<td>0 1 1 0 0 0</td>
<td>0.9</td>
<td>12</td>
</tr>
<tr>
<td>19. Ensurements of the branch possibilities from the financed firm</td>
<td>1</td>
<td>10</td>
<td>0 0 0 0 0 1</td>
<td>0.1</td>
<td>16</td>
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3. Conclusions and future research

Generally, during the last two years the development process of VC is spectacular, since the investments to VC have increased rapidly and concerning the legislation framework, important evolutions have taken place, such as a) the foundation of TANEO, a fund that invests VC especially to newly founded start-up firms, and b) the voting of a law for the foundation of Mutual Funds of Business Participation, for which is valid the principle of tax neutrality.

However, although there is a plethora of capital offer from the VC and the TANEO, there is not sufficient offer of remarkable business plans. Basically, due to the continuous fall of the Greek Stock Market, there was no longer the ability of retirement from the Stock Market and the venture capitalists were enforced to change their interest to start-ups that include higher risk.

It should be also encouraging the fact that the Greek VC firms are more risky than the European ones and invest high percentages (42%) of their total capital during the first stages of financing (seed-capital, start-up, early stage financing). This trend is due to the fact that the venture capitalists were obliged to turn to start-ups firms, whose investments create in the long run higher additive values and not to firms whose their liquidation from the Stock Market is unfeasible due to the continuous fall of the Greek Stock Market.

The VC could constitute an important tool for the development of the entrepreneurship in Greece, since in combination with the existing institutional framework, it is ideal for the support of the Greek small or medium firms, that would like to be innovative and competitive towards the European market.

Further research on VC in Greece could be turned to the following two directions:

1. The study of the venture capital profitability to all the stages of financing.
2. The research on a complete and acceptable method of the venture capital investment evaluation, that will constitute an effective tool for the venture capital’s decision making process in real time.

References