PROS AND CONS OF MINIBONDS FOR INTERNATIONAL INVESTORS AND SMES IN THE ITALIAN MARKET: A SYSTEMATIC LITERATURE REVIEW

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The core objective of this thesis was to help international investors understand the advantages and disadvantages of investing in Italian minibonds. The Minibond program was initiated by the Italian government in 2012 as an alternative debt finance for Italian SMEs. This is a new debt product and many international investors around the world are not familiar with it. In the same way, many Italian SMEs are not familiar with the benefits and limitations of raising debt finance through the minibond issuance. This study provides potential investors with an overview of such instruments as well as assesses the main features of minibonds. The study also helps the Italian SMEs to understand the pros and cons of raising debt finance through the minibond issuance.

In recent years, the amount of publications in regard to the Italian minibonds has surged. However, the information available on this topic is very fragmented. Only separate studies have been done with the focus on particular aspects of the Italian minibonds. There is a need to summarize the information available in a clear way. In order to answer the research question, a systematic literature review was conducted. The secondary data was collected in a structured way and analyzed according to the guidelines for a systematic literature review.

The findings of this thesis showed that under certain conditions, it is cheaper for Italian SMEs to raise debt finance through the minibond issuance. Minibonds provided a more desirable length of debt financing for Italian SMEs. However, for small companies, legal costs associated with the minibond issuance are too high. For the international investors, the biggest advantage of investing in minibonds is the high return on the investment and in some cases the exception from the withholding tax on the interest earned. However, minibond investors bear high credit risks. In addition, the minibond market in Italy greatly lacks liquidity.

Keywords
Italian minibonds, SMEs, International investors
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1 INTRODUCTION

In the first chapter of the thesis, the research topic of this thesis will be explained. The research background will be described first. After this, thesis objectives, research question and possible limitations will be covered. In a separate chapter, a sub chapter, main theories used in this thesis will be described. After that, the research methodology will be introduced. At the end of the chapter, the structure of the thesis will be explained.

1.1 Research background

According to the 18th round of the Survey on the Access to Finance of Enterprises (SAFE), conducted between 12 March and 20 April 2018, more companies reported difficulties related to the availability of skilled labor and the difficulty in finding customers as the number one challenge they are facing. From 2009, Access to Finance was the biggest challenge faced by the enterprises. (Survey on the Access to Finance of Enterprises in the euro area 2018, 3.)

Even though the situation with the Access to Finance has improved in Europe, enterprises in some markets are experiencing difficulties. For example, enterprises in Greece and Italy are still facing challenges and are stating that Access to Finance is still the biggest issue for them. (Survey on the Access to Finance of Enterprises in the euro area 2018, 12.)

Business owners have multiple options when choosing a source of finance. A source of finance that is common in one industry, might not be suitable for companies in other industries. (Drake & Fabozzi 2010, 5.)

Generally, financing can be divided into two categories: Debt financing and Equity financing. Business owners can rely on either one or on the combination of both in order to finance their projects. (Heerkens 2006, 23.)

After the Economic Crisis in 2008, many Italian companies experienced challenges to finance their businesses through the traditional sources of finance like corporate bank loans. Banks were not willing to lend money to the Italian SMEs due to unstable market conditions. That is why Italian companies were searching for alternative sources of finance in order to support their operations.

One of the options available for such enterprises are mini-bonds, corporate bonds that are issued by companies that have never been listed on a stock exchange before. There are some advantages and disadvantages involved when companies decide to finance their
businesses via minibonds. International investors are interested in minibonds because they can help them to diversify portfolios and to provide a good risk/return on investment.

The Minibond program was initiated by the Italian government in 2012 as an alternative debt finance for Italian SMEs. This is a new debt product and many international investors around the world are not familiar with it. Italian SMEs are also lacking knowledge about it. This thesis is aiming to provide potential investors with an overview of such instruments as well as to assess their main features. There is only limited information available regarding the debt product world-wide.

1.2 Thesis objectives, research question and limitations

The core objective of this thesis is to help international investors understand the advantages and disadvantages of investing in Italian minibonds. The Minibond program was initiated by the Italian government in 2012 as an alternative debt finance for Italian SMEs. This is a new debt product and many international investors around the world are not familiar with it. In the same way, many Italian SMEs are not familiar with the pros and cons of raising debt finance through the minibond issuance. This study is aiming to provide potential investors with an overview of such instruments as well as assess its main features. It will also help Italian SMEs understand the pros and cons of raising debt finance through the minibond issuance.

In recent years, the amount of publications in regard to the Italian mini-bonds has surged. However, the information available on this topic is very fragmented. Only separate studies have been done with the focus on particular aspects of the Italian mini-bonds. There is a need to summaries the information available in a clear way.

According to Saunders, Lewis and Thornhill (2009, 32), one of the key criteria for a successful study is a clearly defined research question. In good research, clear conclusions are obtained from the research data that was collected. The degree to which the research question was carefully and thoughtful designed by a researcher will strongly affect the quality of the thesis conclusions and the success of the whole research project.

The main research question in this thesis is:

What are the pros and cons of Italian minibonds for international investors and Italian SMEs?

There are some limitations applicable to this study. The research focuses on the Italian minibond market and the findings of this study might not be applicable to other markets.
1.3 Theoretical framework

In order to accurately answer the research question, theoretical literature related to the topic has to be studied carefully. From the theoretical literature, existing theories need to be taken into account when creating a new research work. According to Saunders, Lewis and Thornhill (2009, 61), a carefully done theory review will help the researcher to be familiar with the existing findings on the topic and will give helpful insights.

In chapter two, the main theories will be described. Chapter two begins with the introduction of different types of capitals and financial markets. Particular attention is paid to the debt finance. Theories about investment management are introduced as well. After that, a review of the Italian economy for the last years is drawn. In the final part of the chapter, the Italian minibond market is described.

1.4 Research methodology and data collection

When designing a study, there are two research approaches that one can use: deductive research approach and inductive research approach. In deductive research, theory is developed and then a research strategy is designed to test the theory. Whereas in inductive approach, data is collected and theory is developed based on the conducted data analysis. In this thesis, due to the nature of the research, the deductive research approach is used. (Saunders, Lewis & Thornhill 2009, 124.)

When answering a research question and meeting the research objectives, two types of data can be used: secondary data and primary data. Secondary data is data that was previously collected for other purposes. Secondary data can be stored as raw data or as published summaries. In many cases organizations collect and store all kinds of raw data, such as: payroll details, copies of letters, minutes of meetings. Summarized secondary data can be found in all sorts of publicly available sources, such as corporate and government report and newspaper publications. Primary data is data that was gathered by a researcher directly from the source and the primary purpose of data gathering was to answer the research question. In this thesis in order to answer the research question secondary data was used. (Saunders, Lewis & Thornhill 2009, 256.)

In this thesis, the systematic literature review will be used as the main research method. A systematic literature review is used when there is a need to collect all the available information on the research question in an unbiased way. In the systematic literature review, the well-defined methodology is used for data collection and analysis. (Kitchenham 2007, 3.)
1.5 Thesis structure

The structure of the thesis is illustrated in figure 1.

![Thesis Structure Diagram]

Firstly, background of the thesis topic is introduced, the author familiarizes a reader with the importance of Italian minibonds and the type of needs international investors have towards them. After that, the author introduces and describes the thesis objectives, research question and the thesis limitations. Towards the end of the introduction chapter theoretical framework and research methodology are introduced.

After the thesis introduction, the theoretical part of the thesis follows. Chapter two begins with the introduction of different types of capitals and financial markets. Particular attention is paid to the debt finance. Theories about investment management are introduced as well. After that, a review of the Italian economy for the last years is drawn. In the final part of the chapter, the Italian minibond market is described.

Chapter three begins with the explanation of the systematic literature review methodology. After that, data collection method and data extraction procedures are described. In the final part of this chapter, the results of data analysis are presented.
In chapter four, conclusion is drawn. The author presents findings and answers to the research question. Validity and reliability issues are presented.

In the final part of the thesis, a summary of the research and the key research findings are given.
2 THEORETICAL FRAMEWORK

An asset is a resource that we expect to generate some economic value in the future. There are two types of assets: tangible assets and intangible assets. Physical properties of tangible asset define its value. For example, a piece of machinery or a building is a tangible asset. An intangible asset represents a legal claim to some future benefits and it does not have any underlying physical resource. Copyrights, trademarks and patents are all examples of intangible assets. Financial assets is also an intangible asset. Its value is determined based on the claim to the future value of its cash flows. Financial asset can also be called financial instrument. (Drake & Fabozzi 2010, 14.)

With every financial instrument there are at least two parties which are involved in the process: the issuer and the investor. An issuer is a party which agrees to make a cash payment in the future. Investor, is a party that owns the financial asset and has a right to receive a payment made by an issuer. (Drake & Fabozzi 2010, 14.)

Financial instruments can be classified into two categories: debt instruments and equity instruments. The key difference between the two classes is in the type of claims investors have on the issuers. (Subramani 2011, 5.)

Debt instruments represent an agreed obligation of an issuer to repay the whole amount borrowed from the investor. In addition, the issuer has to pay to the investors an interest payment that is fixed under contractual terms. Since the interest amount is fixed under the contract terms, investor cannot get more benefits than specified in the contractual terms. That is why debt instruments can also be referred to as fixed income instruments. Most of the debt instruments have all coupon payments scheduled and the maturity of the debt instrument is known by all the parties in advance. (Subramani 2011, 1.)

Unlike debt instruments, equity instruments do not pay interest on the amount invested by an investor as well as they do not repay the whole amount invested. Instead, equity instruments return value to the investors once the company makes profits. The returns the company pays to the investors are called dividends. Creditors, in other words investors who borrowed money to the company, are always payed first. Only after that equity investors receive returns if there are any left. The most common type of equity instruments are common shares. It is important to mention that in an event of bankruptcy, debt investors will be compensated first and only after that equity investors can claim compensation. (Drake & Fabozzi 2010, 16-17.)
2.1 Types of financial markets

When analyzing financial securities it is important to look at different categories of markets where different securities can be traded. We can classify Financial markets into internal and external markets. Different types of securities are traded on money market, capital Market and derivative. Markets can be also divided into primary markets and secondary markets.

Internal and external markets

When looking at a financial market from the country level, the financial market can be divided into two categories: internal market and external market. Internal markets represent a market of any state. It as well can be divided into two categories: domestic market and foreign market. On the domestic market the issuer is domiciled. For example, Microsoft is domiciled in US and its shares are listed on the New York Stock Exchange. This means that Microsoft shares are traded on the domestic market. Foreign market, refers to the cases when issuer is not domiciled in the country where its shares are listed. The issuer might want to do it, for example to reach different investor base to what one has in its domestic market or in case regulations on the foreign market are favorable for the issuer. For example, the Toyota motors corporation which is domiciled in Japan has its shares listed on the New York stock exchange. External market has a number of features in which it is different from the internal market. When the company issue an instrument, it is offered simultaneously to investors in different countries. Such securities are issued outside of jurisdiction of any single country. Such market can also be referred to as international market. (Drake & Fabozzi 2010, 24-25.)

Money market

The Money market is a category of financial market where instruments that have a duration of a year or less are traded. In other words, those are such financial instruments that have a maturity date in a year or less from the date when the instrument was issued. The majority of financial assets traded on the money market are debt instruments. For example, all countries in the world that have market economy issue treasury bills. Countries borrow money from investors in the form of treasury bills in order to finance government projects. Treasury bills do not have interest payments in form of coupons, instead treasuries issue bills at a discount price. At the maturity date treasuries return the whole amount issued, thus giving a margin for the investor between the initial discounted value and the whole value at the maturity. (Hiriyappa 2008, 79-80.)
The private sector also issues short-term debt instruments. One of such instruments is a commercial paper. Commercial papers as treasury bills can be sold at a discounted price and be redeemed at the whole value, thus creating a value for an investor. However, unlike treasury bills, commercial papers can be sold at normal price, without a discount and create a value to the investor in the form of coupon payments. (Hiriyappa 2008, 81.)

**Capital market**

Capital market is a financial market category where long-term instruments are traded. Long term instruments are instruments that have a maturity date in more than a year time period from the issue date. Some Financial instruments are perpetual, meaning they do not have exact maturity dates at all. Most of the equity instruments are perpetual. Debt instruments are rarely perpetual, with the exception of the treasury debt. (Hiriyappa 2008, 167 - 169.)

Definitions of the debt obligation can be formulated in a number of ways. According to Drake & Fabozzi (2010, 26-27), a capital market debt obligation is a financial instrument whereby the borrower promises to repay the maturity value at a specified period of time beyond one year. There are two types of debt obligations: bank loans and debt securities. Even thought that in the past bank loans were not considered a debt securities, nowadays there is a market for such instruments. There are several types of debt securities: notes, bond, medium term notes and asset-backed securities. Bonds are instruments that have a maturity of 10 years or more from the date when they were issue. Notes are usually instruments that have a maturity of less than 10 years from the date when they were issued. (Drake & Fabozzi 2010, 28.)

**Derivative market**

It is also possible to classify financial markets in terms of cash markets and derivative markets. In the cash market, instruments are bought and sold immediately. In the derivative market instruments are not sold instantly, instead parties involved have the right or an obligation to buy or sell the underlying assets. Such instruments derive their value from the value of their underlying assets. (Drake & Fabozzi 2010, 29.)

**Primary market**

When companies issue an instrument for the first time, it is sold on the primary market. This is an effective way for companies to raise funds in order to sustain their business. Each government has their own regulation regarding the attributes with which issuers have to comply in order to issue securities. When a company issues an instrument for the first time, they can do it through either primary market or through private placement
market. In primary market usually the instrument issued by a company is brought to the primary market by an underwriter, an investment bank. Depending on the size of the deal, there might be one or more underwriters involved in a process of bringing an instrument to the market. Security can also be brought to the primary market through an auction process. Most of the government debt securities are issued through the auction process. It is not common for the corporate sector to issue securities through the auction process. (Drake & Fabozzi 2010, 30.)

When a company issues instruments for the first time, it can do it through private placement. The company then issues the instrument to a limited number of institutional investors. Such process is usually less regulated by the local government as institutional investors are considered to possess better financial information and recourses to assess the private placement deal. It is also considered less expensive for the issuer as it does not have to pay fees to the underwriters. Insurance companies, investment companies and pension funds are examples of institutional investors. (Drake & Fabozzi 2010, 58.)

**Secondary market**

In a secondary market instruments are resold among investors. Companies do not raise new capital on the secondary market, as secondary market is only used for investors for buying and selling securities. Investors that want to buy or sell instruments in the secondary market usually use the services of stockbrokers. Stockbrokers buy and sell securities for their clients. Secondary market can be categorized by the way securities are traded on it, known as the market structure. (Hiriyappa 2008, 170.)

### 2.2 Investment management

In the context of the investment management, a portfolio is a group of investments that are managed in order to reach a particular objective or purpose. Investment management can be also referred to as portfolio management. People who manage portfolio are called investment managers or portfolio managers. A portfolio manager can be an individual investor or institutional investor. In order for the investment manager to be effective in portfolio management, one needs to understand different investment vehicles and the way they are valued, as well as different strategies for selecting the investment vehicles. (Drake & Fabozzi 2010, 390.)

Portfolio management is a cycle process (Figure 2) that starts with objectives setting and ends with the measurement and evaluation of the portfolio performance. Every time
feedback on portfolio is collected, changes can be made to each stage of the process. (Drake & Fabozzi 2010, 390.)

**FIGURE 2 Portfolio management cycle (Drake & Fabozzi 2010, 390.)**

**Setting the investment objectives**

In order to define investment objectives, the investment manager needs to understand the objectives of the entities whose funds will be managed. This applies to both individual investors and institutional investors. For example, the objective of individual investors might be to accumulate enough funds for children’s university degrees or for the retirement. In this case, the portfolio objectives will be set in line with the personal objectives stated by the individual investor. (Pachamanova & Fabozzi 2010, 322-323.)

Generally speaking, investors’ objectives can be divided into two categories: liability driven objectives and non-liability driven objectives. In the context of investment management, liability referees to outlay that has to be made at specific future date in order to meet contractual terms of an obligation. For example, an investment manager of a pension fund has an obligation to return particular amount of benefits (liability) to retirees at some specified date in the future. Individual investors can also have liability.
driven objectives. For example, investors whose personal objective is to pay for the children university tuition fees will manage the portfolio with the objective of accumulating a particular amount of funds at the fixed date in the future. When it comes to non-liability objectives, under such objectives investment manager does not have to reach particular amount of funds at some fixed future date, instead under such objectives one is focusing on maximizing profits with lowest possible risks. For example, portfolio managers of mutual funds or hedge funds have non-liability objectives as they do not have to return particular amount of funds to investors at a particular date in the future, instead their non-liability objective is to maximize returns or minimize risks or some combination of both. (Drake & Fabozzi 2010, 392.)

In order to evaluate a performance of a portfolio manager benchmarks are used. Benchmarks are usually indexes that are used for the comparison purposes when evaluating the performance of a portfolio. Benchmarks have to be chosen in line with the portfolio investment objectives. (Drake & Fabozzi 2010, 392.)

**Establishing the investment policy.**

In order for the investor manager to meet the portfolio objectives, policy guidelines need to be established. A policy includes an asset allocation decision. In other words, how the portfolio funds should be distributed among the major asset classes. The policy also takes into account how much risk the investor is willing to take. (Fabozzi, Focardi, Rachev & Arshanapalli 2014, 7.)

Asset classes can be divided into categories based on the amount of risk associated with the investment, legal issues related to the trading of an asset and sensitivity of the investment to economic influences. The major asset classes are: common stocks, bonds, cash equivalents and real estate. (Drake & Fabozzi 2010, 394.)

Common stock asset classes can be divided into different categories. Performance of common stocks within one category is strongly corelated while performance of common stocks when compared to different categories are relatively unrelated. Based on the different categories within the asset class different styles of investment can be utilized. Each category within the asset class might have its own benchmark that is different from the benchmark used in other categories in the same asset class. (Drake & Fabozzi 2010, 395.)

Bonds can be classified in a number of ways. One way to classify bonds is by the issuer: government bonds, municipal bonds, corporate bonds and asset-backed bonds. Bonds have a maturity of one year or more from the issue date. Government bonds are bonds
that are issued by the country’s central government. Municipal bonds are issued by the local governments (municipalities). Corporate bonds are issued by the private sector. Asset backed bonds are issued by dealers who combine assets together and issue financial instruments. It is also possible to classify bonds based on the origin of the issuer. In other words, issuers can be domestic, non-domestic or foreign. It is also possible to further classify foreign issuers by the type of the market where the issuer operates and where securities are traded. Such markets can be either developed markets or emerging markets. (Drake & Fabozzi 2010, 397.)

Besides common stocks, bonds, cash equivalents and real estate there are also alternative asset classes, known as non-traditional asset classes. For example, such as hedge funds, private equity and commodities. (Drake & Fabozzi 2010, 397.)

When developing investment policy client constraints, regulatory constraints and taxes must be taken into account. In case of client constrain, the client might want to limit the investment in a particular financial instruments, asset classes or a specific issuer or a group of issuers. Regulatory constrains refer to the limitation of asset classes that can be permitted to investment. This has to do with the fact that some investors might have risk based capital requirements. Regulatory constrains can be imposed on the asset allocation decision as well. This way the investment manager is allowed to invest only particular amount of funds in particular asset class. Usually institutional investors such as pension funds or insurance companies have strict regulatory constrains while, for example, hedge funds can have little to no regulatory limitation. Taxes play an important role in the developing of an investment policy. In many developed economies, some institutional investors such as pension funds are fully or partially exempt from the income taxation. This means that they are less luckily to sick investment product that have tax advantages. However, it is important to mention that there are certain investment vehicles that have their earnings taxed even for the institutional investors that are exempt from income taxation. (Drake & Fabozzi 2010, 399.)

**Selecting the investment strategy**

Once investment objectives have been set and the investment policy has been developed, an investment strategy that is consistent with the objectives and policy is selected. There are two types of portfolio strategies: an active strategy and a passive strategy.

The active strategy requires an active approach to the management of a portfolio. An investment manager who utilizes an active strategy is focusing on finding short-term market opportunities with the end goal of generating better returns than market average returns. Such strategy requires constant monitoring of the market and forecasting.
In contrary, the passive strategy does not require constant market monitoring in search of market momentum. Instead, investment manager that utilizes such strategy relies on diversification and long term investing. The goal of passive strategy is to match the performance of a particular market.

It is crucial for investment manager to select benchmarks in order to measure performance of any strategy. (Fabozzi & Markowitz 2011, 6)

**Measuring and evaluating performance**

When measuring the returns of a portfolio, the investment manager needs to compare the market value of a portfolio in the beginning of the evaluation period to the market value of the portfolio in the end of the evaluation period.

2.3 Italian economy after the financial crisis of 2007–2008

After the Financial crisis of 2007–2008, Italian economy hit recession. This created a lot of challenges for the Italian companies. As Italian economy hit recession, many Italian companies saw their international and domestic market shrinking. This led to the deterioration of companies’ balance sheets. (Costa & Margani 2009, 2.)

Italian companies have always relied heavily on the bank loans as a primary source of external finance. This is especially relevant for Italian SME’s. SME stands for small and medium-sized enterprises. In Italy 90% of companies are SME’s many of which are family owned. (The Economist 2014, 48-49.)

The severe economic crisis deteriorated the banks’ balance sheets. Many banks ended up taking a lot of bad debt. Moreover, on the inter-banking markets after the financial crisis of 2007–2008, it was hard for Italian banks to borrow funds. This led to Italian banks tightening the access to the credits for their borrowers. Many markets around the world were affected by the financial crises, this lead to not only Italian SME’s seeing their balance sheets worsening but also SME’s becoming much more riskier as borrowers for the Italian banks. (Costa & Margani 2009, 2.)

All these factors contributed to the worsening of SMEs’ and banks relationship. Italian banks started paying much more attention to the loans they grand and demanded higher lending standards from Italian SMEs. For SMEs which suffered from the recession, it was hard to meet banks standards. These led to Italian banks lending less loans to Italian SMEs. For those SMEs which were granted loans, banks demanded higher interest rates
or bigger guarantees. This was a very risky situation for Italian economy which has most of its companies as SME’s and bank loans as a primary external finance source for the SME’s. This situation was even worse for Italian SMEs operating on the international markets due to international markets moving downturn, Italian banks saw such companies as risky borrowers. (Costa & Margani 2009, 10.)

2.4 Minibond market in Italy

It is usually challenging for SMEs to issue debt securities when compared to large companies. It happens quite often that bonds issued by SME’s are not of interest to institutional investors. This often has to do with the lack of liquidity and higher credit risks when compared to bonds issued by bigger enterprises. It is also costly for the SME’s to sustain the level of transparency required by the market. In order to improve this situation in 2012 Italian government introduced a new, more favorable system for bond issues by companies that are not-listed on a stock exchange. Investment products that fall into this category are commonly known as mini-bonds. (Accornero, Russo, Guazzarotti & Nigro 2015, 6.)

Mini-bonds are medium-long term debt instruments. They were launched on the Italian market in 2012 due to limitations in bank financing. The main objective of mini-bonds was to provide Italian SME’s with alternative source of debt finance in order for them to stay competitive on domestic and international markets after the crisis of 2007-2008. (Carretta 2016.)

2.5 Main characteristics of mini-bonds

One of the key features of minibonds is that companies do not have to be listed on the stock exchange in order to issue minibonds. The process of listing on the stock exchange is very costly for SME’s as the amount of funds they borrow is small compared to big companies but the expenses related to the listing are the same. This makes it many cases no feasible for SME’s to be listed on stock exchange. (Carretta 2016.)

Any Italian company that has more than 10 employees and an annual turnover or assets in excess of EUR 2 million can issue minibonds as long as they are traded on regulated markets or specialized trading facilities. In addition, SME wishing to issue a minibond needs to present an audited financial statement. For Italy the main specialized trading facility is ExtraMOT Pro platform of the Italian Stock Exchange. ExtraMOT Pro was established in February 2013 as a flexible and cost-effective platform for trading
minibonds and other non-traditional assets. ExtraMOT Pro allows Italian SMEs to attract national and international professional investors. (Nassr & Wehinger 2015, 168.)

Only professional investors can invest in mini-bonds. Professional investors are:

- credit institutions
- investment firms
- other authorized or regulated financial institutions
- insurance companies
- collective investment schemes and management companies of such schemes
- pension funds and management companies of such funds
- commodity and commodity derivatives dealers
- locals
- other institutional investors.

In addition, if certain conditions are met individuals can also invest in minibonds. Investors in mini-bonds cannot own directly or indirectly more that 2 percent of the equity of the minibond issuer. (Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, Annex II)

There are no restrictions regarding the terms and conditions of mini-bonds. Issuer can chose face value, maturity date, interest rate and terms of repayment.

Face value is a principal amount that issuer borrows from investors. It can be also referred to as nominal value. (Choudhry 2010, 3.)

Maturity refers to the number of years after which a bond issuer will repay an instrument. During the life of the bond the issuer usually will make periodic interest payment. Maturity date is a date when debt will cease to exist and by that time issuer will repay principal amount. The maturity date is an important aspect of a bond. Maturity indicates the time frame over which investor can expect to receive the coupon payment and a number of years before the face value will be paid off. (Choudhry 2010, 4.)

There are number of ways in which instrument can be redeemed. One of the most common terms is a redemption at maturity. Under this term, issuer repays principal amount borrowed at a maturity date. Bonds that have such terms are known as bullet bonds. Bonds can be also redeemed through an amortization plan. This means that issuer
will be repaying the principal amount not at once but rather in the agreed amounts on the fixed dates. This term is particularly popular among the minibond issuers. (Choudhry 2010, 3.)

In 2016 at the end of the of first quarter for issuers which issued mini-bonds with the face value less than 50 million EUR, average interest rate was 5.6 percent, average maturity was five years four months, average face value equaled to 9.3 million EUR. In terms of repayment, 46 percent of the instrument were payed bullet at maturity and 54 were payed according to amortization plans. (The Economist 2014, 48-49.)
3 RESULTS OF THE SYSTEMATIC LITERATURE REVIEW

3.1 Description of the methodology

According to Kitchenham (2007, 3) “Systematic literature review (also referred to as a systematic review). A form of secondary study that uses a well-defined methodology to identify, analyze and interpret all available evidence related to a specific research question in a way that is unbiased and (to a degree) repeatable.”

There are number of reasons why a systematic literature review can be undertaken. Here are the most common ones:

• to summarize the existing evidence on particular topic
• to identify gaps in existing researches in order to suggest areas that need to be researched more
• to create a framework in order to appropriately position new research activities.

In this thesis, systematic literature review is undertaken as there is a need to summarize available information on the research topic. (Kitchenham 2007, 3.)

Literature reviews have in many cases little if any scientific value as they are not thorough and fair. A systematic literature review is a better way of conducting a literature review as it incorporates existing works in manner that is fair. Unlike a literature review, a systematic literature review must be undertaken in line with a predefined research strategy. The systematic literature review must have a documented search strategy that can be assessed. A researcher who undertakes a systematic literature review has to identify and document the research data. This applies not only to the data that supports the research hypothesis but also to the research data that does not support it. (Boellt & Cecez-Kecmanovic 2015, 4)

The target of a systematic literature review is to collect as many as possible studies relating to the research question using an unbiased search strategy. Strictness of the search process is one criteria that distinguishes the systematic literature review from the normal literature review. (Kitchenham 2007, 14)

There is no such thing as a universal rule or set of rules that can help to determine the study quality. It is recommended to develop a study quality check list in a way that will help to minimize bias and maximize internal and external validity. (Kitchenham 2007, 21.)
3.2 Systematic literature review process in this thesis

In this thesis, in order to answer the research question, a systematic literature review was undertaken. The systematic literature review began with the planning phase. In the planning phase, the search strategy and quality criteria were identified and documented in the systematic literature review protocol.

After the systematic literature review protocol was completed, Masto-Finna database was searched. All the results that met the search criteria were collected. In order to find relevant publications, quality criteria were applied to the collected data. After all irrelevant publications were excluded, a data extraction procedures were performed.

In the analysis phase, all information obtained through the data extraction was analyzed. The key themes were identified and documented. Conclusions obtained through the data analysis were used to answer the research question.

3.2.1 Planning the structured literature review

When undertaking a systematic literature review it is important to be certain that there is need for such research. In some cases, there is a commissioning party that has interest in the research findings. In this thesis, there is no commissioning party as such. In other cases, it is sufficient that there is a need to summarize all existing data about the phenomenon in an unbiased and thorough manner. If there is no commissioning party in a research, it is important that the researcher has investigated that no other researches have been done on the topic.

Clear research questions are the most important part of any systematic literature review. The whole research methodology will be constructed based on the type of questions stated in the beginning.

Another important part of the planning phase of a systematic literature review is a development of a review protocol. The protocol documents methods that will be used in undertaking the systematic literature review. The review protocol is needed in order to reduce the chance of a research bias. For example, without a protocol, the selection or analysis of individual studies might be affected by the researcher’s own expectations regarding the outcome of the research. According to Kitchenham (2007, 12) the research protocol consists of:
• the reasons why the research should be undertaken
• clear research questions that researcher is aiming to answer.
• The strategy that will be used when searching for secondary studies. Researcher should specify which search terms will be used and in which resources search will take place.
• It is important to have clear study selection criteria. Study selection criteria must be used by a researcher in order to include or exclude publications when conducting a systematic literature review.
• data extraction strategy should be defined as well.

3.2.2 Systematic literature review protocol

Based on the research question that were stated in the introduction part of this thesis, the systematic literature review protocol was defined. The systematic literature review protocol was designed according to the guidelines written by Kitchenham (2007,12).

Table 1 The systematic literature review protocol

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Research question</td>
<td>The main research question is: What are the pros and of Italian minibonds for international investors and Italian SMEs?</td>
</tr>
<tr>
<td>2. Sources searched</td>
<td>Masto Finna database</td>
</tr>
<tr>
<td>3. Search terms</td>
<td>“Italian minibonds”</td>
</tr>
<tr>
<td>4. Search strategy</td>
<td>One sophisticated search query, with keywords in topic and title</td>
</tr>
<tr>
<td>5. Inclusion criteria</td>
<td>• Only papers that contained a combination of search terms, which were stated in the search query were included</td>
</tr>
</tbody>
</table>
| 6. Exclusion criteria | • Only publication for all period of time but until 27 October were included  
• Only publication that had full text available were included  
• Only papers written in English language were included  
• Papers which did not address the thesis topic were excluded |

3.2.3 Development of a search strategy

When working on a structured literature review it is important to develop and follow a search strategy. When developing a search strategy it is recommended to have a consultation with a librarian. Search strategies are repetitive and suggestions described below can help to perfect them:

- It is common to conduct preliminary searches in order to identify existing systematic reviews on the topic and in order to estimate the volume of studies that could be included in the review.
- A trial search with the various combinations of search queries based on the terms derived from the research question.
- It is also recommended to check if studies that are already known to be included in the review will be found when utilizing the search strategy.
- Finally, it is recommended to have a consultation with the experts in the field.

When developing a search query for a structured literature review the general approach is to divide the question into different topics and then prepare a list of synonyms, abbreviations, and words with alternative spellings. After identifying all relevant search words and combinations of words, the search can be further advanced by adding Boolean operators. Some digital libraries might have different search engines, in some cases Boolean operators and the search query need to be adjusted to a particular digital library technical specification. (Kitchenham 2007, 14.)
3.2.4 Documenting the search

It is critical to undertake a structured literature review in a way that it is transparent and replicable. For that reason, researchers has to:

- Document the review in sufficient details so that readers are able to evaluate the strictness of the search.

- The search should be documented in the same time as it is being performed and changes need to be noted and explained.

- The search results that were not excluded by the search filters should be saved for the possible reanalysis in the future.

When using digital libraries as a primary source one should document the name of the database, the search strategy which was utilized for the database, the date when search was performed and years of publications which were included in the search. It is also important for researcher to specify why a particular source was chosen to be searched. (Kitchenham 2007, 16.)

In a systematic literature review, a comprehensive and unbiased search starts with the identification of keywords and search terms which are obtained from the research questions. (Boellt & Cecez-Kecmanovic 2015, 4).

The Masto Finna database was searched on the 27 October 2018. This database was used as it aggregated data from other international databases, journals and other sources that contain recent publications in the fields of business and economics.

The key requirement in the search was that all the publications focus on "Italian Minibonds". This key term was modified into a more sophisticate search query in order to collect all information available on the topic. The search query used when searching Masto-Finna database is presented below:

+Ital* +minibond* OR +Ital* +mini-bond* OR +Ital* +"mini bond"

The total of 115 publications were obtained through the search (Figure 3).

3.2.5 Filtering data

The 115 publications which were found in the previous stage were further filtered by removing duplicates. 14 duplicates were deleted from the list. In addition, after removing duplicates, 12 sources could not be accessed. The remaining 89 were filtered to 48 based
on the inclusion and exclusion criteria (Figure 3). The inclusion and exclusion criteria were applied to the titles and abstracts of the publications.

3.2.6 Study selection

Once the searches have been performed and the studies have been collected, there is a need to assess those studies for their actual relevance.

When conducting a systematic literature review, it is important to identify studies that provide direct evidence about the research question. It is advised to set selection criteria during the early stage of the review, when the protocol is developed. However, it is possible to refine the selection criteria during the search process. Research question should define the inclusion and exclusion criteria. It is recommended to give them for a review to an expert in the field before the selection process in order to insure that they are designed correctly and that they classify studies in a right way. (Kitchenham 2007, 19.)

In addition to the inclusion and exclusion criteria based on the relevance to the research topic, there are a number of practical inclusion and exclusion criteria that researcher needs to consider:

• based on the language of the research
• type of the data source

It is also possible to state the inclusion and exclusion criteria based on the date when the research work was published.

After 48 publications were carefully read through they were narrowed down to 28. The twenty publications that were excluded, contained too general information and did not contain data that could be used to answer the research question.
The total of 28 publications were used in the research. The dates when these publications were made available to public were recorded. As it can be seen from the figure 4 publications were issued between the year 2012 and the year 2018 with year 2016 having the most of publications and the year 2012 the least of them.

![Diagram of data extraction process](image)

**Figure 3.** The process of filtering and extracting data

**Figure 4.** The number of publications categorized by the year when they were published

### 3.2.7 Data extraction

When extracting data from the source, it is important to accurately record information obtained from the source. This is done in order to reduce chances of a bias. It is recommended to define a data extraction form when the research protocol is developed. The data extraction form will help the researcher to categorize the information that was extracted from the data based on the themes and the key information. The data extraction form must be developed in a way that it helps the researcher to collect information that is
needed to answer the research questions and the study quality criteria. In addition to specific fields that help researcher to categories informational needed in order to answer the research questions, data extraction form should include:

- a date when data was extracted
- title of an article as well as publication details of one
- a space reserved for additional notes

In order to extract data, the data extraction categories were identified based on the research questions. The main research questions is: “What are the pros and cons of Italian minibonds for international investors and Italian SMEs?”

According to the research question the data extraction categories were defined. Four categories were identified:

- benefits of raising debt finance through minibond issuance for Italian companies.
- challenges or limitations associated with the issuance of minibonds for Italian companies
- benefits of investing in Italian minibonds for International investors
- challenges or limitations associated with the investment in minibonds for International investors.

It is important to mention that some publications contained relevant information for more than one category. The total of 42 relevant pieces of information was extracted from 28 publications. As it can be seen from the figure 5 most of the information available was in regards to the benefits of raising debt finance through the minibond issuance for Italian companies and benefits of investing in the Italian minibonds for International investors. Other categories were under represented, with least information available on challenges or limitations associated with the investment in minibonds for International investors. The summary of data extraction by categories can be found in the table below.
3.2.8 Data analysis

In order to answer the research question, data obtained through the data extraction needs to be analyzed. In order to do that, data from each extraction category was carefully analyzed and key themes were identified in each category. Each data extraction category contained one or more thematic pieces of information.

3.2.9 Analysis of benefits of raising debt finance through minibond issuance for Italian companies.

After carefully analyzing available data from the data extraction category a number of themes were identified. The distribution of pieces of information by relevant themes can be seen in the figure 6.
The benefits of raising debt finance through the minibond issuance for Italian companies.

- Minibonds are a cheaper source of borrowing or a source that can provide long term funds or a source that enables a long term growth.
- The new legal framework in Italy simplifies the process of raising debt through the minibonds.

Figure 6 The benefits of raising debt finance through the minibond issuance for Italian companies

**The new legal framework in Italy simplifies the process of raising debt through the minibonds**

After the implementation of 2012 Decreto Sviluppo (legislative decree No. 83/2012), the major legal and tax obstacles for unlisted companies that are wishing to issue minibonds were removed. In particular, new legislation lifted the previously penalizing taxes on bond issuance by unlisted SMEs when compared to the listed ones. The legislation aligned the rules on tax deductibility of interest expenses for both listed and non-listed firms. (Nassr & Wehinger 2015, 168.)

**Minibonds are a cheaper source of borrowing or a source that can provide long term funds and enables a long term growth.**

The total of 5 publications mentioned that minibonds terms and conditions were seen as a reason for company to raise debt finance this way. In some cases raising debt through minibonds is cheaper for SME’s when compared to other sources of debt finance. For example, Chili, an Italian online video platform mentioned that the costs associated with the minibond coupon payments were cheaper for it when compared to its average cost of debt. (Jimenez 2016a.)

Minibonds are also seen as a good source of finance for companies that seek long-term debt finance and are planning to expand abroad. For example, Caar SpA a small Italian supplier to the automotive and aerospace industries issued a 3 million euro minibond.
Company announced that it will use funds to expand to the international markets and that money obtained will allow it to double its workforce. (Emsden 2013, 4.)

**Alternative source of finance. Diversification of sources of funding**

After the crisis of 2007–2008, for some years, some Italian SME’s could not obtain loans from Italian banks or if they could in many cases conditions under which loans were given were costly for Italian SMEs. That is why Italian government is trying to motivate Italian SMEs to find alternative source of debt finance. In some cases Italian companies cannot obtained the length of debt financing they need in order to finance long term projects from the banks. That is why some Italian SME’s start seeing a move from Italian banks as a path forward. For example, Italian TV producer Giglio Group issued a 3,5 million minibond. Issuer mentioned that besides opportunity to sustain its grow, minibond will help it to diversify its sources of funding. (Jimenez 2016b.)

3.2.10 Analysis of challenges or limitations associated with the issuance of minibonds for Italian companies.

One main theme was identified for the data extraction category (Figure 7).

![Figure 7 Challenges or limitations associated with the issuance of minibonds for Italian companies](image)

**Minibond issuing process is complex, not efficient or costly**

In some cases costs associated with the legal document and trading mechanism are too high for some SMEs. Especially if the amount of funds raised through the minibond scheme are very low, this makes it hard for companies to justify costs associated with the
issuance. It is easier for medium sized and large SMEs to issue minibonds as they have less challenges with obtaining credit rating and audited financial statements. Audited financial statement needs to be presented in order for SME to issue a minibond. The face value of the mini-bonds is usually bigger for such companies. The bigger face value justifies the costs related to the issuance of minibonds. On top of that, is it important to mention that if underwriter is involved in the issuance of minibonds, then company will need to pay royalty fee to the underwriter. If company issue minibonds through a private placement there no need for royalty fees as private placement does not involve underwriters. (Nassr & Wehinger 2015, 170.)

In some case, Italian companies have a traditional approach to the financial management, which in many cases means raising debt funds through a bank loan. This has to do with the fact that this method worked well for most of the SMEs in Italy before the crisis of 2007–2008. It will take time for Italian SMEs, especially family owned ones, to move to securitization. (Binnie, Landini & Piovaccari 2016.)

3.2.11 Analysis of the benefits of investing in Italian minibonds for international investors.

A number of themes were identified after the analysis of the available data from the data extraction category (Figure 8).

Figure 8. The benefits of investing in Italian minibonds for international investors
Some minibonds are partly guaranteed or the underwriter retains some percentage of an issue.

Some publications mentioned that some minibonds are guaranteed, for example, minibonds issued by Chili, an Italian online video platform was partly guaranteed by Fondo Centrale di Garantia. Fondo Centrale di Garantia is an entity which is part of the Italian Ministry for Economic Development. (Jimenez 2016a.)

One of the big fears for investors investing in SME minibonds is that banks which underwrite minibonds can stuff poor credit risks to investors. Banks might do that because of carelessness or intentionally in order to remove bad borrowers from their portfolios. In order to tackle this issue, Banca Popolare di Vicenza, Italy's largest unlisted bank which mainly lends to SMEs and retail customers, will underwrite minibonds and will retain 5% of each mini bond. This will mean that the bank will be exposed to the same risks as the investors in the minibonds. (Banca Popolare di Vicenza 2014.)

Minibonds as an investment product is in line with investment objectives and the policy of a particular group of investors

For some investors, Italian minibonds are good option from investment management standpoint. This means that minibond as an investment product meets the investment objectives and investment policy of particular group of investors.

For example, Zenit Sgr a Milan-based investment fund plans to underwrite a minibond for an Italian media company. The fund received a lot of interest from institutional investors such as regional banks, insurance companies and pension funds. Some of which are from other European countries. The fund manager mentioned that high returns are on one of the reasons why institutional investors are interested in the deal. (Jimenez 2016d)

In addition, after the reforms introduced by Italian government insurance companies and credit funds can now invest directly in Italian Minibonds. Italian insurance companies are now allowed to invest up to 3% of their technical reserves in Italian minibonds. This change could create up to EUR 15 billion of demand for the minibonds. (Banca Popolare di Vicenza 2014; Global Capital 2015.)

Another example could be that there is some interest from the middle-east countries in Italian minibonds as it is possible to arrange the minibond issuance in the Shariah-compliant way. In some middle east countries there are some restriction imposed by government in terms of which financial products investors from middle east can invest. Minibonds are interesting for the investors from middle-east because of its high average yields. (Jimenez 2016c.)
Minibonds provide high returns on investment

In many case, one of the most important reasons why there is a strong interest from International investors is that minibonds offer very high coupons when compared to other debt instruments. (Collins 2015.)

Investors are exempt from tax withholdings on interest earned

After the Italian government reforms, EU-based investors no longer pay the 20% withholding tax on interest when investing in Italian Minibonds. The tax exception in cases when minibonds are traded on regulated markets or multilateral trading facilities. This was mentioned in many publications as one of the benefits of investing in Italian Minibonds for International investors. (Global Capital 2015; Nassr & Wehinger 2015, 168)

3.2.12 Analysis of challenges or limitations associated with the investment in minibonds for International investors.

After analyzing available data from the data extraction category two themes were identified. The distribution of pieces of information by relevant themes can be seem in the figure 9.

Figure 9 Challenges or limitations associated with the investment in minibonds for international investors
Lack of liquidity

One of the risk for investors related to investment in minibonds is that Italian minibond market is relatively small. This in many cases means that an investor will need to hold a bond until the maturity date. This creates challenges for investors, for example if investment strategy of an investment manager will change, investor manager will need to hold the bond until the maturity instead of selling it on a secondary market. The secondary market for Italian minibonds exists but it greatly lacks liquidity. Italian minibonds can be sold on a secondary market through the ExtraMOT Pro platform of the Italian Stock Exchange. (Nassr & Wehinger 2015, 170.)

Investors interested in Italian minibonds will need to be prepared to a high risk of default or a lack of sufficient information available to assess the credit risk of an issuer.

In some cases it is had or costly to assess the credit risk of Italian SMEs. According to Oliver Wyman, it is hard for investors to really getting to know the business. In some cases this has to do with the fact that many Italian SMEs are family owned companies that are not really willing to open up books. (Binnie, Landini & Piovaccari 2016.)

Another issue is that lending to small, little-known companies involves high credit risk. This is the biggest concern for the investors investing in Italian minibonds. (Banca Popolare di Vicenza 2014.)
4 CONCLUSIONS

This chapter provides a conclusion of the finding collected thorough the empirical research and theoretical research. The chapter presents answers to the main research question. In this chapter validity and reliability of research is discussed.

4.1 Answers to the research question

The main research question is:

What are the pros and cons of Italian minibonds for international investors and Italian SMEs?

**Italian minibonds**

Italian minibonds are debt products that can be issued by Italian SMEs if they meet certain conditions. If Italian company wants to issue a minibond, it should have at least 10 employees and an annual turnover or assets in excess of EUR 2 million. The biggest difference of Italian minibonds from traditional bonds is that company does not have to be listed on a stock exchange in order to issue minibonds as long as minibonds are traded on regulated markets or specialized trading facilities. ExtraMOT Pro platform of the Italian Stock Exchange is an example of such specialized trading facilities.

Stock exchange listing is a very costly process for SMEs. It involves finding credit rating of the company. This is very expansive for SMEs as amounts they are rising are relatively low and they are not justifying costs associated with the listing. Thus by raising funds thought the minibond scheme, SMEs don not need to be exchange listed.

**Pros and cons of Italian minibonds for Italian SMEs**

There are number of benefits that support issue of Minibonds by Italian issuers. In some cases minibonds provide a cheaper method of raising funds when compared to other sources of debt finance. Some Italian issuers also mentioned that with minibonds it is easier to get desirable length of the debt financing. Since it is easier to get debt finance for longer period of time in many cases this supports SMEs expansion plans, especially for those companies planning to expand abroad. Minibonds are also a good way for companies to diversify risks associated with the reliability of creditors. In many cases companies that only rely on the bank financing via loans want to diversify their creditor base.

There are also a number of limitations which Italian issuers need to consider before raising debt through the minibond scheme. One challenge is that SME wishing to issue a
minibond need to prepare an audited financial statement, which involves additional expenses for Italian companies, especially the family owned one which will need to change the approaches they have in terms of financial management. There are also royalty fee costs that underwriter charges company if company decides to distribute bond through an underwriter. If company distributes bonds without an underwriter then it will not bear such costs.

**Pros and cons of Italian minibonds for international investors.**

There are some advantages for international investors wishing to invest in minibonds. The biggest benefit of investing in minibonds is that minibonds provide a high return on the investment. Moreover, EU-based investors are exempt from the 20 percent withholding tax on interest earned when investing in Italian Minibonds. There are certain conditions that need to be met in order to have the tax exception. Certain groups of investors will find that Italian minibond as an investment product meet their investment objectives and investment policy. Some minibonds are partially guaranteed. This means that investors bear less risk when investing in such minibonds. In addition, in some cases, banks which underwrite minibonds also retain a certain percentage of the issue. This reduces the risk of underwriting fraud for investors.

However, there are some limitations that investors need to consider before investing in minibonds. The biggest risk for investors investing in minibonds is the credits risk. The credit risk is especially high when investing in minibonds issued by small, little-known enterprises. In some cases, it is hard or costly for investors to assess the creditworthiness of the SMEs. It also could be hard for investors to understand the nature of the business in which SME is operating and the risks associated with it. Another risk for International investors has to do with the fact that Italian minibond market is relatively small. This, in turn, means that the secondary market for Italian minibonds exists but it greatly lacks liquidity.
4.2 Validity and reliability

According to Saunders, Lewis & Thornhill (2009, 157) validity can be defined as the extent to which the research findings met the research objectives. In this research the secondary data was collected and analyzed. Various credible sources were used in this research, such as academic books, articles from scientific and trade journals as well as legal acts. Printed and electronic sources were used in this thesis. When selecting sources for this thesis most up-to-date and credible sources were chosen. Data collection and interpretation was done accurately, in line with the guidelines on data collection for systematic literature review.

Reliability refers to the degree to which data collection procedures and analysis will generate consistent finding if research will be repeated (Saunders, Lewis & Thornhill 2009, 156). In this thesis, only secondary data was used. In order to ensure the reliability of the research, the review protocol was defined. The review protocol stated clearly the source that was used for data collection, when data collection was performed, what search query was used as well as inclusion and exclusion criteria that were utilized. Data collection was divided into three stages. In the first stage, all publications that met the research query and the inclusion and exclusion criteria were collected. In the second stage titles and the abstracts of the publications were analyzed based on the inclusion and exclusion criteria. In the final stage, remaining publications were read through and publications that met inclusion and exclusion criteria were kept for the data extraction. When performing data extraction, all the data was kept, it can be accessed for the reanalysis if needed. In addition, all data extraction steps were recorded.

The findings of this research are reliable for the present time. If in the future similar research will be undertaken, findings might vary due to the economic situation in Italy as well as if legislation concerning Italian minibonds or SME will change. The results might differ if the research will be focused on non-Italian minibonds. Only data in English was used in this research, the research results might differ if other languages are used.
5 SUMMARY

The aim of this study was to access the pros and cons of Italian minibonds for International investors and Italian SMEs.

The research started with the theoretical framework chapter. Different types of capital and financial markets were described. Particular attention was paid to the debt finance. Theories about investment management were introduced as well. After that, a review of the Italian economy for the last years was drawn. In the final part of the chapter, the Italian minibond market was described.

In this thesis, the systematic literature review was used as the main research method. In order to answer the main research question, secondary data was collected and analyzed according to the systematic literature review methodology.

The findings of this thesis showed that under certain conditions it is cheaper for Italian SMEs to raised debt finance through the minibond issuance. Minibonds provided a more desirable length of debt financing for Italian SMEs. However, for small companies, legal costs associated with the minibond issuance are too high. For the international investors, the biggest advantage of investing in minibonds is the high return on the investment and in some cases the exception from the withholding tax on the interest earned. However, minibond investors bear high credit risks. In addition, the minibond market in Italy greatly lacks liquidity.

The focus of this thesis was on Italian minibond market. The other minibond markets could be studied as well. In addition, a research that compares different minibond markets around the world would be valuable for international investors.
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