

ABSTRACT

Given the shortage in capital and the huge exposure to the banking system, Italian firms have been particularly stricken by the credit crunch resulting from the financial crisis.

Although a strong use of financial leverage can enhance the returns on capital in favorable cyclical phases, it also leads to a worsening of negative consequences that the decrease of production levels and sales have on economic and financial indicators. In addition, in view of the advancing crisis, the primary source of funding, i.e. the banking system, failed to continue granting sufficient access to finance.

SMEs have suffered the most out of this situation because of the significant unavailability of alternative sources of funding.

Consequently, the lawmaker intervened to encourage the development of alternative sources of funding and, in particular, promoting access to debt capital market.

Italian debt capital market has been always prerogative of public companies and banks. SMEs' failure to have access to debt capital market is due not only to the bank-centrism characterizing the Italian financial system, but also to a very discouraging legislation.

New rules have been, therefore, introduced to equalize the requirements to access debt capital market, encouraging non-listed companies, most of which are precisely SMEs. In particular, limits to debt securities issuance for non-listed companies have been removed and tax deductibility of corporate interest expenses related to debt securities has been extended also to non-listed companies.

Moreover, the new legislation provides others incentives to facilitate access to debt capital market and also to favor a more significant activism on the demand side, that is qualified investors.

The thesis aims to analyze the new legislation both on the civil and the tax law perspective as well as the effects that these rules have had on Italian firms' funding mix, especially with regard to SMEs, given the grater difficulties they encounter to address alternative sources of funding.