

Effects of Legislation about Financial Management of Enterprises: Evidence of the Restructuring in the Slovene Economy

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Summary

Article deals with the inability to pay and inadequate financial discipline in Slovene economy. Main provisions of the new Law about Financial Management of Enterprises dealing with the issues, became fully effective in January 2000. The law should besides decreasing the number of enterprises which were unable to meet their financial liabilities and had blocked accounts, have motivated members of the boards to more frequently file for restructuring or bankruptcy. In the year after the introduction of the law the number of enterprises with blocked account significantly decreased and the number of proceedings at courts significantly increased. However, those were still minimally dependent on newly occurring blocks. In addition, management teams in Slovene enterprises didn't manage to significantly restructure financial distressed enterprises and thereby improve their competitive capacity. However, two the most frequently used measures were write-offs, in smaller enterprises also debt-to-equity swaps, and lay-offs. Research takes all the enterprises in Slovene economy into consideration. It sheds light on a degree of efficiency of the legislative provisions in the case of Slovenian

evolution in transitional circumstances. It also provides for valuable insights for policymakers in other economies facing gradual transition toward more market-oriented economies.

Keywords: Restructuring of Enterprises, Bankruptcy Laws, Inability to Pay, Inadequate Payment Discipline, Financial Analysis

JEL Classification: K2, G3