Capital Market in Bosnia and Herzegovina: Unused Potential as Alternative Source of Financing

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One of the most important factors of conducting business successfully and also in achieving the interests of the owner of entity is adequate structuring of source of financing of company or institution. Debt as a source of financing has its advantages in terms of potential of increasing of wealth for the owner of capital. The thing that we are speaking about is optimizing relationships of debt to ownership capital.

On the other side, debt alone as source of finance can be realized on a several ways, where plenty of factors influence that choice. We mean here on financing through bank credits versus financing by emission of debt securities. The size of company or institution together with the financial system is most important factors that determine not only the way of financing through emission of debt securities but also considering it as a option or a possibility.

In the past few years in B&H the possibility of finance big infrastructural projects through emission of debt securities has been often mentioned. Until now neither one of these projects has been financed in this way.

About this problematic can be spoken from many aspects such as: strategic decisions, limits concerning budget deficit, technical conductions, efficient managing of public debt and so further.

If it is about financing of corridor 5C or about financing infrastructural projects on the local level, bank loans determine the way of financing in Bosnia. In most case these loans are offered by international finance institutions or some countries. On the other side by emission of bonds issued either by state/entity or more concrete public company „Autoceste FBiH“, the state itself would become investor. Thus the state, entity, municipality and citizens instead of trading with bonds that are used with aim to cover budget deficits can be used for infrastructural projects and development.

These are the facts that we want to consider when we speak about capital market as alternative source of financing trying to reach what are the advantages and disadvantages of emission of debt securities, what are the possibilities, techniques and benefits of financing of infrastructural projects through bonds.

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