

ABSTRACT

In this study, the effects of Basel II on SMEs and their cost of capital was examined. Small and medium-scale businesses (SMEs) are indispensable elements of the economic structure in Turkey and all countries of the world. First of all, in this study SMEs term has been described in detail on the dimension of Turkey and different countries; and Basel standards in the banking field were examined on all aspects. In Turkey, with Basel II regulations, credit has been considered as "too risky" or "low risky" instead of considering "good" or "bad", so the loan pricing will be made accordingly. This loan pricing which is focused on risk, can affect the amount of credit / price of credit that the SMEs use in positive / negative way. The changes in credit prices will affect companies' cost of capital and will also play a determining role in following decisions. In application part of this study, by using actual financial data of a company in the Aegean region, it's tried to introduced that how the credits used with Basel II affects the capital costs of SMEs. Main goal of the study is to illustrate the effect of different interest rates on the companies according to the different rating scores.

KEYWORDS

Financial Markets, Small and Medium Sized Enterprises, Aegean Region Economics, Capital Cost, Basel Criteria.