

ANALYSIS OF THE FINANCIAL RESOURCES NECESSARY FOR THE FUNCTIONING AND DEVELOPMENT OF SMES, IN CONDITIONS OF COMPETITIVENESS

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Abstract: *In European countries, SMEs are considered the engine of economic growth. The aim of this research is to connect the financial behavior and characteristics of SMEs to financing resources, by conducting a detailed study of the literature in the field. Thus, we will be able to improve the access to financing and to analyze the problems that this sector faces in accessing this financing, especially in conditions of competitiveness. One of the reasons that led me to research this topic is the importance of small and medium enterprises in a country's economy, making a significant contribution to creating added value and creating new jobs. The importance and topicality of the topic is highlighted by the role of SMEs in the private sector in both developed and developing countries.*

Keywords: *SMEs, competitiveness, financing resources, development, COVID-19.*

Introduction

Small and medium-sized enterprises account for a large share of private-sector enterprises and employment. Since the beginning of Romania's accession to the European Union, SMEs have registered significant developments, with an increase in the number of SMEs, which demonstrates the ability of this sector to cope with competition. The Small Business Act has identified access to finance as the second biggest problem facing small and medium-sized businesses. That is why the number of newly established companies in the EU has decreased considerably in 2020. In terms of the number of bankruptcies, there was a decrease in 2020, which reflects the impact of the various economic support programs implemented by various states and a greater tolerance by creditors. Among the industries in the European Union that stated that SMEs were severely affected by the pandemic are accommodation and food services (-37.8%), transport and storage (-16.1%), administrative services (-13.3%), production (-9.8%). Among the factors that have favored strengthening and paying more attention to this issue are the COVID-19 pandemic and the importance of the SME sector in a country's economy. Therefore, given that during the year 2020, almost 90% of SMEs stated that they are economically affected by the consequences of the pandemic, one of the most important problems they faced during the year was the lack of access to finance. Therefore, we can say that the decision to finance a business expresses its opinion to cover its financing needs from its own sources or from borrowed sources.

The objective of the research

The main objective of this paper is to analyze the studies in the field in order to identify the financial resources necessary for the functioning and development of SMEs, in conditions of competitiveness and especially in the current context generated by the COVID-19 pandemic. That is why it is important to analyze competitiveness at both the microeconomic and macroeconomic levels. Thus, the main objectives of this research are:

- Defining the sources of financing and the financial behavior;
- Identifying the factors that contribute to limited access to finance;
- Establishing the impact of the digitization process on increasing the performance of the SME sector and improving access to finance.

By developing and developing research objectives, this study aims to demonstrate the role of the SME sector in economic growth and the importance of access to finance for this sector.

Review of scientific literature

The existing results in the field of research have a very important role in the elaboration of a research analysis. Therefore, in the following we presented the main results from the study of the specialized literature of the researched field. The changes that occur frequently in the business environment lead companies to adopt traditional models of competitiveness in the new conditions existing on the market. Assessing a country's competitiveness involves analyzing a country's economic evolution from different perspectives, given the challenges posed by globalization (Leichter, 2010). Last but not least, it must be specified that competitiveness must be analyzed both at the level of the whole economy and at the level of industry, region and microeconomic environment (Bancu, 2017). Thus, the literature highlighted the links between indicators of microeconomic competitiveness and the characteristics of the company (human capital, company age, size, nationality, financial constraints). Also, regional competitiveness is another important aspect, which can be analyzed either by aggregating competitiveness indicators at company level, or as a reduced version of macroeconomic competitiveness.

According to the author mentioned above, in Romania, the data show that considering the development region, the distribution of companies shows significant disparities, being in line with the analysis of productivity and the evidence presented by the competitiveness indicators at regional level. Thus, the South-West Oltenia region has the lowest number of active companies (contributes 3.5% to the formation of added value in the economy) and at the opposite pole is the Bucharest-Ilfov region (which has 25% of all companies active on the market) which is the main driver of economic activity. Last but not least, I must point out that with the advent of internationalization and the globalization of business, the notion of intellectual capital belonging to the modern economy came into being, a concept that characterizes the degree of development of today's society. The interest in the term intellectual capital was formed with the appearance of significant differences between the market value of companies and the net book value. The development of the concept of intellectual capital consisted of two trajectories: generated by the need to increase the company's competitiveness and the tendency to consolidate success in organizations that have the ratio between market value and financial

value in permanent growth (Onofrei, 2011). The European Commission has launched the SME Competitiveness Program, which aims to improve access to equity for SMEs through the Equity for Growth Facility. The program took place between 2014 and 2020 and aims to raise the level of investments to EUR 4 billion.

Numerous studies (Moscalu et. al., 2020; Nizaeva & Coskun, 2019; Rusu & Roman, 2019; Leitner, 2016) have indicated that easy access to finance is one of the most important issues for SMEs. Given that in the European Union member states, the financial system is focused on banks, bank credit is the most important way to finance external small and medium-sized enterprises. Other studies (Leitner, 2016) have shown the negative influence of financing constraints on the firm growth of small and medium enterprises. This demonstrates the need for policy intervention to ensure rapid and steady growth in employment. The results of the study showed that funding constraints significantly hinder the growth of companies, both in terms of sales and employment. Thus, the indicator of financing constraint proved to be significantly negative, regardless of the time period analyzed in the study, concluding the existence of a significantly negative relationship between the company's age and growth.

In order to support the investments for the digitization of the SME sector, the National Digitization Program for micro, small and medium enterprises was adopted, with a financing value of 150 million Euros. In order to increase the competitiveness of SMEs in competitive sectors, it was decided to finance investment projects of micro-enterprises in urban areas. Therefore, until March 31, 2021, 2536 financing contracts were signed, with an eligible value of 466.4 million euros (National Reform Program, 2021).

Labor productivity, one of the most important foundations of competitiveness has very important asymmetries. If an internationally competitive economy is desired, the financial discipline of the economic agents is very important, playing a special role also the financial and economic performances of the domestic economy. In Romania, the data (Bancu, 2017) show that considering the development region, the distribution of companies shows significant disparities, being in line with the analysis of productivity and the evidence presented by the competitiveness indicators at regional level.

Also, among the most important characteristics of small and medium enterprises, necessary for the efficient development of an economy are dynamism, flexibility, adaptability, mobility, innovative potential (Anton, 2016). Thus, the cohesion of an economic structure, a consolidated economic growth and a potential necessary for the creation of new jobs can be ensured. SMEs play a very important role in both the economic and social life of each state, forming the basis of economic development. Among the most important characteristics that SMEs have are: dynamism, flexibility, innovative potential, characteristics considered to be very important for the development of a state's economy. Last but not least, the characteristics of SMEs affect both their financial decisions and behavior, as well as their performance and growth. Authors such as Abdulsaleh & Worthington (2013) have identified a number of characteristics related to SMEs, characteristics that are seen as factors that influence the financial behavior of firms. These characteristics are: the size of the company and its age, the type of property and the legal form, the geographical location, the industrial sector and the structure of the assets.

Other authors (Nanu et al., 2016) analyzed whether the challenges caused by regionalization and globalization of markets require SMEs to comply with the competitive environment, by strengthening their market position. If traditionally small and medium-

sized enterprises were considered to be economic operators belonging to the internal market, we can say that today an increasing number of SMEs are succeeding in conquering global markets. Studies show that one-fifth of SMEs involved in productive activity in OECD countries account for 10% to 40% of their turnover in international activities. Also, the literature in the field shows that SMEs contribute a large proportion to global industrial exports and contribute to the increase of foreign direct investment worldwide. That is why, in the European Union, SMEs have a very important role, representing 99% of all companies, and 90% of them being micro-enterprises. Due to the crucial role that these companies play in an economy, EU Member States have taken a number of measures over the years to stimulate entrepreneurship. These measures vary greatly from state to state and consist of loans and grants, on the one hand, and support services (technical, legal, management consulting, etc.) on the other. In the context of competitiveness, most SMEs in both Romania and the EU need optimal access to finance and state support, given that their productivity is lower than that of large companies. Currently, the main way of financing available to SMEs is self-financing, regardless of the stage of development. In addition to self-financing, studies show that this sector also relies heavily on bank loans as a means of financing, but due to its characteristics, this sector faces countless problems in accessing this form of financing.

Also, another author (Wagenvoort, 2003) empirically analyzed the impact of financial constraints on the SME sector. The results of the study are based on two types of evidence: surveys and a business growth model that is estimated based on data published in company reports. Thus, more than 7,600 small and medium-sized enterprises from 19 European countries were surveyed. Thus, according to the survey, 15% of companies with less than 50 employees consider that finance is the major constraint in the development of their business. About 9% of medium-sized companies consider that insufficient access to finance is the main obstacle. Thus, the results of the survey show that the situation of SME financing has remained unchanged in recent years. The results of the study also showed that differences between countries reflect differences in the degree of development of the financial sector. Last but not least, following the model developed by Carpenter & Petersen (2002), a simple model was considered that links the growth of the company to the availability of finances.

According to some specialists (Ceptureanu, 2015) there are various points of view on the competitiveness of SMEs:

The traditional vision, which aims to reduce costs. The actions focus on the most profitable areas of activity, the transfer of production capacity to countries with cheap labor.

The classic vision, which is a vision between the traditional vision enhanced by marketing elements. It is based on market reaction expectations, which increase the resilience of the business compared to its predecessor, which only considers the market response.

The modern vision that assumes that market requirements will change significantly in the future. This vision is based on minimizing the time to adjust the production of goods or services to the ever-changing demands of the market.

The post-modern vision that takes into account the fundamental changes.

Studies also show that SMEs face a number of obstacles in choosing the form of financing. Traditionally, bank loans are the main external form of financing for this sector, so that 80% of the total financing is thus realized. Authors such as Beck et al. (2006) show that size, age and ownership are the most important obstacles in the process of financing

an SME. Also, these authors consider that older SMEs, which have a history and are larger in size, face smaller obstacles in the process of obtaining an external source of financing, and in particular a loan. banking.

Another study by Schiliro (2015) looked at innovation as the main driver of the competitiveness and market success of small and medium-sized enterprises in the United Arab Emirates. The United Arab Emirates is among the 37 countries recognized by the Global Competitiveness Report of the World Economic Forum, being seen as an innovation-driven economy, which means that innovation contributes to more than 30% of economic activity. Innovation comes not only from large corporations, but also from small and medium-sized enterprises that can make positive and original contributions to innovation in the field. Thus, SMEs can become major players in global markets. It should also be noted that the role of SMEs has changed as the comparative advantage has shifted to knowledge-based activities and globalization has favored the international fragmentation of production and the value chain. Innovation is crucial if a business is to succeed in today's highly competitive environment of the global economy. Innovation is key to building competitiveness and improving governance.

The role of financial systems and the consequences of existing barriers to financing have been analyzed in detail by the literature. Some authors argue that financial systems play a crucial role in stimulating technological innovation and economic development by mobilizing economies, evaluating projects, managing risk, and facilitating transactions (Schumpeter, 1912). Due to the availability of micro-data that can be compared at the company level, in various countries, studies have come to support the statement "financing matters". Another author who investigated the performance of SMEs is Ipinnaiye (2017) who investigated the impact of macroeconomic variables and internal factors (SME characteristics, firm strategy) on firm growth. The present paper analyzes from an empirical point of view, the growth of companies in three ways. First, it provides the necessary empirical evidence on the interactions between macroeconomic conditions and the growth of SMEs. Unlike other studies (Mazzucato & Parris, 2015), which examine internal factors such as firm, size, age, and innovation activity, and do not consider macroeconomic variables, this empirical study focuses on the most important macroeconomic variables, variables that are analyzed together with the internal determinants of a company's growth, so as to analyze the importance of access to finance for SMEs. Second, the study also investigates the relationship between the characteristics of the company and external factors (macroeconomic conditions) regarding the growth of SMEs in a holistic model. Third, current research uses three discrete measures to grow firms on various aspects of SME performance. The period for which the study was conducted is 1991-2007. The results of the study show that the macroeconomic environment is very important for employment and turnover growth. Thus, there is a significant relationship between the variable unemployment rate and the growth of SMEs. The standard deviation indicates a significant change in growth, with an average growth rate ranging from 2% (increase in employment). Also, 28% of the companies that participated in this study reported high training and research and development costs. The results of the Chow test (at 5% significance level) confirm a structural break for all. In conclusion, the results of the study show a considerable divergence between the two analyzed periods, registering a significant decrease in the number of companies receiving subsidies. Compared to the macroeconomic variables analyzed, loans to the private sector

more than doubled in the period 2001-2007 and the unemployment rate fell by more than half in the same period.

There is a gap in business growth in the literature, which tends to focus on the internal determinants (unskilled employees, lack of access to finance, lack of guarantees, lack of experience) of business growth. Achieving such a theoretical and modeling approach to business growth is necessary because the relationship between business growth and its internal determinants is itself moderated by the macroeconomic environment. Compared to large enterprises, SMEs, and especially innovative ones, due to the specificity of their activity, face a number of obstacles in trying to obtain financing. This situation requires the involvement of the state through policies aimed at providing support to this sector, and especially to encourage innovation, which can be a solution to encourage Romania's global competitiveness. Nicolăescu (2011) included in his paper the following ideas that support this approach: a comparison on the one hand between the situation in Romania and the EU, using indicators calculated as average of the values recorded in the Member States and, on the other hand, between Romania and other EU Member States, countries with superior or comparable innovation performance to those of our country, highlighting the difficulties faced by this sector, especially those regarding access to finance, in relation to the characteristics related to innovation. Therefore, a number of more important aspects of financing and innovation in small and medium-sized enterprises have been compared. Thus, we compared the developed countries (Germany, Denmark and Finland) with countries in transition (Hungary, Poland, Romania, Bulgaria). Regarding the situation of Romania regarding the financing chapter, it is very close to the situation of Bulgaria. However, it should be noted that despite this, the value of the indicator "the share of SMEs facing problems in accessing finance" for Romania is below the level of Hungary and Poland. Regarding "competence and innovation", the data show that there are similarities between the case of Romania and that of Poland, due to the close values of this indicator. According to the presented data, although it does not highlight a favorable situation for Romania compared to the analyzed countries and the European Union average, it highlights a series of strengths that our country has and that can be capitalized in order to increase the competitiveness of Romanian companies worldwide. Statistics show that innovative companies are one step ahead of other companies from the beginning, but with the condition of access to financing resources.

Research methodology

Given the fact that a research proceeds with the analysis of the literature, I further presented the main articles that I studied in the realization of this project. The studied articles were analyzed with rigor and special attention and the criteria according to which we chose these articles are: year of publication, research topic, variables studied. Last but not least, I think it's important to present the keywords after which I searched for these articles. Thus, we searched for the studied articles by the following keywords: the competitiveness of SMEs, the issue of access to finance for SMEs, the impact of the pandemic on SMEs. I also used the Google Scholar search engine to find these articles, and in addition to these words, I used the following keywords in the article search: SMEs, financing, financial crisis, investment models. In this paper, we have used a deductive

approach, so we have analyzed the literature in the field. Also, in the article we analyzed 12 articles, from national and international literature, published in the period 2008-2020. The articles studied and analyzed in the research were selected as a result of an extensive search process. The main aspects that we considered in the selection of these articles are:

- To have been intended for the academic environment;
- To have approached either the qualitative analysis or the quantitative analysis;
- The journal in which the article was published should be listed in a known database (eg Web of Science, Working Paper);
- Methodology used;
- Classification of the article according to JEL codes: E22, G30, O16, etc.

Thus, the methodology used in conducting this research consists of:

The database from which we took the analyzed articles consists of the Web of Science, World Bank Policy Research Working Paper,

Content analysis is based on 12 analyzed articles, which were published in the period 2008-2020.

The research results are classified according to: the factors that describe the problem of access to funding and the frequency of terms.

Therefore, in table number 1 we presented the main articles studied in carrying out this paper. I must point out that the articles presented in this table were selected by authors (authors to be known in the field of SMEs), the period of publication of the articles should be 2008-2020 (because this period covers the period of economic recovery, due to the global economic crisis and period generated by the pandemic crisis) and the methodology used to be observation.

Table 1. Presentation of the main articles studied

<i>Author</i>	<i>Article title</i>	<i>Journal</i>	<i>Year of publication</i>	<i>Title of analysis</i>	<i>Methodology</i>	<i>Analysis period</i>
Nanu, M., Spulber, C., Buziernes cu, R	Considerations regarding growing financing capacity of sme's.	Annals of the University of Oradea, Economic Science Series;	2008	Quantitative analysis	Observing	2005-2007
Leichter, J., Mocci, J., Pozzuoli, L., (2010)	Measuring External Competitiveness: An Overview, Italian Ministry of Economy and Finance	Working Paper no. 2	2010	Qualitative analysis	Observing	1998-2008
Nicolăescu, A.,	The financing of innovative SMEs a solution for increasing the competitiveness	Revista Română de Sociologie	2011	Qualitative analysis	Observing	

	ss of the Romanian economy on global markets					
Ipinnaiye, O.	Drivers of SME performance: a holistic and multivariate approach.	Springerlink	2016	Quantitative+qualitative analysis	Observation + empirical study	1991-2007
Abbasi, W, A, Wang Z.	Potential Sources of Financing for Small and Medium Enterprises (SMEs) and Role of Government in Supporting SMEs.	Journal of Small Business and Entrepreneurship Development, Vol. 5, No. 2;	2017	Quantitative analysis	Observing	2000-2006
Moscalu, M., Girardone, C., Calabrese, R.	SME's growth under financing constraints and banking markets integration in the euro area	Journal of Small Business Management, Vol. 58;	2020	Quantitative analysis + Qualitative analysis	Observation + Empirical study	2009-2015

Source: own data processing, as a result of the analysis of the specialized literature

Also, below we presented the common words used in the articles, noting that the most used words are SME, competitiveness, financing, characteristics.

Table 2. The structure of the articles according to the most used words

Author	Common Words
Nanu, M., Spulber, C., Buziernesu, R. (2008)	SME (52), European Union (6), competitiveness (6)
Leichter, J., Mocci, J., Pozzuoli, L., (2010)	Competitiveness (249), performance (50), value added (20)
Nicolăescu, A., (2011)	Innovative (10), SME (35)
Abdulsaleh, A., & Worthington, A. (2013)	Financing (133), literature (15), characteristics (20)
Anton, S, G. (2015)	Finance (30)
Ipinnaiye, O., (2016)	SME (126), determinants (31)
Leitner, S. (2016)	SME (150), characteristics (70)
Abbasi, W, A, Wang Z. (2017)	SME (166), financing (100), source (37)
Bancu, A. M. (2017)	Finance (198), competitiveness (88), economy (83)
Mărginean, M. (2018)	SMEs (50), characteristics (40), age (18)
Rusu, V., Roman, A. (2019)	SME (150), competitiveness (70), age (42), dimension (40)
Moscalu, M., Girardone, C., Calabrese, R. (2020)	Financing (105), constraints (134)

Source: own data processing according to the specialized literature

Results and discussions

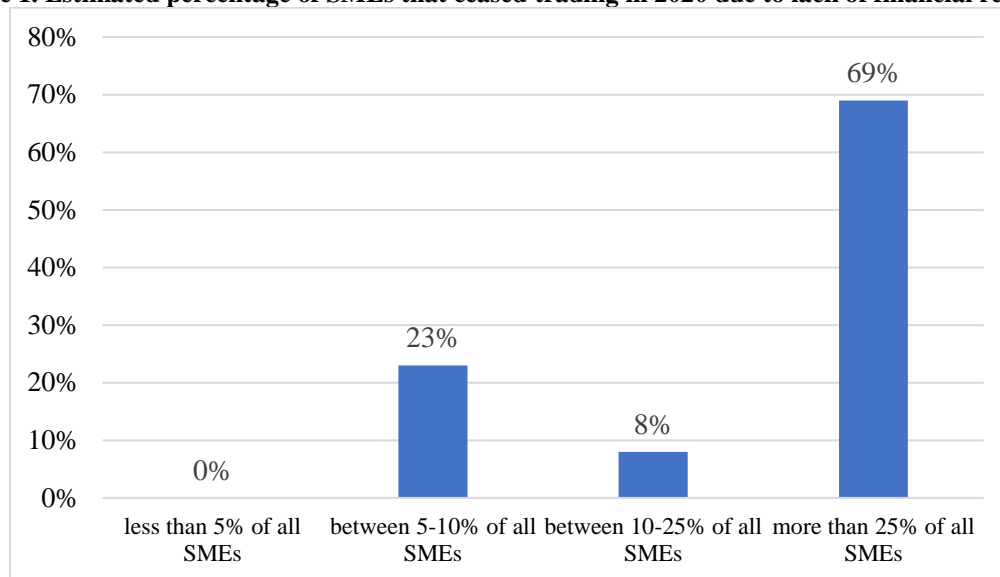
In order for SMEs to create added value and employ as many people as possible, this sector must be competitive, use existing market resources, easily adapt to new market conditions, be innovative, and so on (Mărginean, 2018). Therefore, the permanent changes existing in the business environment determine the adaptation of the traditional models of competitiveness to the new conditions of the market. The competitiveness of SMEs must also take into account the role of information and communication technologies, international standards and internationalization. In defining competitiveness, it is very important to understand how SMEs meet the new challenges in the business environment. Therefore, promoting competitiveness through innovation and knowledge is an optimal way to combat the effects of the economic crisis caused by the COVID-19 pandemic, as demonstrated by existing international SMEs that innovate and use high-level e-commerce, thus registering an increase in turnover and employment. However, the competitive potential of most SMEs is hampered by limited access to finance. In the table below we have presented the research results as a result of the study of the specialized literature.

Table 3. The results of the analysis classified according to the research objectives

<i>The goal pursued</i>	<i>Author</i>	<i>Result</i>
<i>Defining funding sources and financial behavior;</i>	Abdulsaleh, A., & Worthington, A. (2013)., Nanu, M., Spulber, C., Buziernesu, R. (2008).	-the process of securing financial resources - For starting a business, the most important source of financing is personal savings - With the start of the business, business angels and bank loans are used.
<i>Identifying the factors that contribute to limited access to finance;</i>	Abbasi, W, A, Wang Z. (2017)., Bancu, A. M. (2017)., Nanu, M., Spulber, C., Buziernesu, R. (2008).	Age, size, property
<i>Establishing the impact of the digitization process on increasing the performance of the SME sector and improving access to finance</i>	National Digitization Program	value of the financing of 150 million Euros. In order to increase the competitiveness of SMEs in competitive sectors, it was decided to finance investment projects of micro-enterprises in urban areas. Therefore, until March 31, 2021, 2536 financing contracts were signed.

Source: own data processing

In figure number 1, we represented the situation of SMEs in 2020, thus demonstrating the effectiveness of the measures adopted since the beginning of the pandemic.

Figure 1. Estimated percentage of SMEs that ceased trading in 2020 due to lack of financial resources

Source: *Annual Report on European SMEs 2020/2021* July 2021, p.29

Conclusions

In conclusion, the analyzed articles show that not only a good knowledge of the ways of procuring financial resources is relevant, it being of significant importance to select them according to the objectives, characteristics and context in which the company is located. Also, the analyzed articles highlight the factors that contribute to the problems in accessing funding sources and the impact of the digitization process on increasing the performance of the SME sector. Although many articles have been written in the field of small and medium-sized enterprises, as a result of changes in the macroeconomic environment that significantly affect the existence and performance of SMEs, I believe that experts in the field must continue to pay special attention to this sector. I believe that in order to improve access to finance resources, the competitiveness of SMEs plays a vital role in their survival and development, due to their desire to perform and record the highest profits in the field in which they operate.

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