“Getting Big by Thinking Small”: An Empirical Analysis from Trading SME’s

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Abstract

The necessity to manage the debts capacity within Small and Medium Size Enterprises (SMEs) remains pivotal to their solvency and growth potentiality, especially in trading sector. Therefore through a ROC Curve analysis there were identified the discriminative variables (organized in four indicators groups such as: liquidity, turnover, structure and return) pertaining to a panel of 62 SME’s with performing and not status (default ratio of 50%) by referring to the 2013-2014 period.

The latest, excluding the others indicators confirms that total debt to equity, total assets to shareholder’s equity and long term assets to shareholder’s equity can better do it. In addition, a regression analysis is used to estimate the impact of the above mentioned discriminative variables on SME’s debts management capacity in the quality of a performance measure (pertaining to liquidity indicators group). Under these circumstances it was evidenced that the variables that positively impact SME’s performance are: equity to total debts, long term assets to shareholder’s equity as well as return on equity.

Referring to the Albanian economical structure, undoubtedly these results give some hope signals regarding SME’s development strategy being that they can contemporary contribute in the country’s GDP growth by good performing in micro level.

Keywords: financial management, SMEs growth potentially, trade development, employment opportunities, managerial capacity, business perspective

1. Introduction

The Small and Medium (SME) business represent the most dynamic force of a developing economy like the Albanian one. Correspondently as also analyzed from Small Business Act for Europe (European Commission, 2015), over 80% of all employment is in SMEs, compared to the EU average of around 67% being that the Albanian SMEs provide about 68% of the country’s total value added (when the EU average is about 58%).

In 2013, the above mentioned value added dropped by 3.6% compared to 2012. From the other side, the employment in the same sector increased by close to 10%, and the number of businesses grew by 1.7% during 2014.

In addition to the later, the real GDP is expected to grow by 3.3% in 2015 and by 4.2% in 2016. The above mentioned growth is almost forecasted to be solely driven by internal demand by predicting in the same time the fall of unemployment rates due to the fact that the Albanian economy is led by SMEs.

But statistically based, in the past several SMEs failed in a short time after the establishment, mostly due to poor financial management especially related to liquidity issues. Thus, the leading question is: which were the strengths in SME’s financial performance during 2013-2014 period (by also considering the fiscal amendments undertaken starting from September 2013)?

Consequently, this paper focuses on the identification of factors that can discriminate the SME’s good performance (short/long run liquidity management) from the default status by referring to: Turnover, Structure, Return and Liquidity variables/indicators. For this purpose it was analyzed a panel of 62 SME’s which represent
a default ratio of 50%, aiming to retrieve the necessary lessons for the creation as well as maintenance of a better business climate within the country.

The research is handled as following:

A) Literature review;

B) The SME business climate in Albania;

C) Research Methodology & Model specification regarding liquidity assessment (Analysis of discriminative factors on SME’s performance; Ordinary Least Square Regression analysis);

D) Conclusive remarks.

2. Literature Review

As known, Small and Medium (SME) enterprises play a critical role in providing job opportunities, nurturing a culture of entrepreneurship and opening up new business opportunities by enhancing countries economical potentialities. Furthermore, on behalf of Ch’ng Hak Kee and Chang Zeph-Yun (1986) they are recognized and acknowledged worldwide as vital and significant contributors to economic development, introduction and diffusion of new technology, ability in generating potential entrepreneurs and skilled workers for the industrialization process both nationally and internationally. In the same time worth highlighting that SMEs are in many shapes and sizes: from “high-growth”, “start-ups” to “life-style” businesses and social enterprises. However together they account for over 99.9% per cent of the total number of Albanian firms and generate 67.7% per cent of total turnover by employing 81% of the total labour force which consecutively impacts the country productivity and why not the national budget revenues.

The literature reveals that one of the most crucial aspects in their financial management remains the working capital management. So, the existence of an efficient and effective working capital management can make a substantial difference between the success/failure of a SME, risk and consequently its value according to Smith (1980). In line with this argument, some more recent studies are focused on the impact that working capital has on firm’s profitability by treating the later in the quality of a performance measure (Jose, Lancaster, & Stevens 1996; Shin & Soenen, 1998; Deloof, 2003; Padachi, 2006; Raheman & Nasr, 2007). Precisely the Berryman’s (1983) research indicated that “poor” or “careless” working capital management is a major cause of SME failures.

However, should be admitted that no specific attention has been given to the determinants of working capital management. Through a search in the literature are identified only two previous studies such of: Chiou, Cheng and Wu (2006) and Kieschnich, Laplante, and Moussawi (2006) focused on larger firms, but there is no evidence from small and medium-size enterprises (SMEs), despite the fact that efficient working capital management is particularly important also for smaller firms referring to Peel and Wilson (1996) and Peel, Wilson, and Howort (2000) studies.

Typically, as revealed from Whited (1992) and Fazzari and Petersen (1993) the SME’s assets are: the current assets, while current liabilities are one of their main sources of external finance, because of the financial constraints that they face. The later sounds true under Albanian context and in a certain way the argumentation pursued regarding the working capital management and SME’s survival complies with the one of Grablowsky (1984) and Kargar and Blumenthal (1994).

But unfortunately, the assessment of liquidity management practices in small firms is quite inexistent, and obviously should be improved, being that’s based solely on the standards and practices used by large companies or those adopted by professionals such as accountants, consultants, banks, etc., with relatively little attention being paid to the practices actually used by owner-managers themselves.

As better explained by Deakins, Logan, Morrison, and Steele (2000) the techniques used in these cases are those designed for large companies and consequently the process of financial management and the decision-making one in SME’s remains something of “a black box”. Related to the later some other internal problems identified by Dodge, Fullerton and Robbins (1994) are: the inadequate capital, cash flow mismanagement, and inventory control. Another survey conducted in the same year by the Insolvency Practitioners Society (1994) in UK also indicated that 20 per cent of firms’ failures were due to bad debts or poor receivable management.

In fact, according to Eljelly (2004) an efficient working capital management means the adequate planning and controlling of current assets and current liabilities in a manner that eliminates the inability to meet short term obligations on the one hand and avoid excessive investment in respective assets on the other hand.

Under the same context, Drever (2005) sees the soundness of liquidity management as the most critical influence
on the survival and financial well-being of small enterprises. Generally, liquidity management takes the forms of cash and credit management.

Whilst the most important aspect of the first is avoiding extended cash shortages, credit management involves not only the giving and receiving of credit to customers and suppliers, but also the assessment of individual customers, the credit periods allowed and the steps taken to ensure that payments are made in time by closely referring to Poutziouris, Chittenden, and Michaelas (1999) findings.

Considering the later, another component which should be considered is the payable accounts. Thus, the delayed payments to suppliers allow the firms to appraise the quality of bought products, by representing a flexible financing source for it. On the other side, the late payment of invoices can be very costly if to the firm is offered a discount option.

For this reason instead of working capital measurement is treated the cash conversion cycle (i.e. the time lag between the expenditure for the purchases of raw materials and the collection of sales of finished goods). By this way, on behalf of Deloof (2003) longer this time difference becomes, larger investments are needed for working capital purposes. Thus, it is required a constant supervising to maintain the adequate level in various components of working capital i.e. cash receivables, inventory and payables, etc.

While in examining liquidity and small firm financial management, Ang (1992) points out that working capital management takes a major proportion of a small firm owner-manager’s time, and precisely the lateris devoted into the management of excess/shortage of liquid funds.

In following McMahon and Stanger (1995) argue that the difference in liquidity between large and small firms supports the belief that working capital shortages are a common problem for small firms, and that this difference could be the result of the small firm’s limited access to capital markets and/or the basic nature of the enterprise.

They conclude by stating that liquidity should be a matter of concern for the small enterprise because cash is such a critically scarce resource as a result of supply constraints, which do not exist to nearly the same extent for a large firm.

Furthermore as explained from Curran, Jarvis, Kitching, and Lightfoot (1997) this cause of concern is reinforced by the fact that small firm owner-managers are inclined towards risk-taking in an inherently risky and uncertain environment.

In this respect, financial management strategy becomes a crucial factor in the survival of the firm because a risky and competitive environment requires innovation and the latest requires new knowledge or a new way of combining current knowledge according to Michna (2007). Thus, the nexus between SME’s structure and liquidity represents a pure “trade-off”. The first is one of the most debatable issues in the theory of finance since the celebrated work of Modigliani and Miller (1958, 1963). Thereafter, a number of theories have been put forth by bringing forward a number of frictions omitted in the original work of Modigliani et al. (1958, 1963) so as to explain firms’ optimal capital structure, should this exist, as a function of the various costs and benefits from debt and equity financing.

The most celebrated are the Static Trade-off Theory, Agency Theory (Jensen & Meckling, 1976; Myers, 1977); Signaling Theory (Ross, 1977); the Pecking Order Theory (pioneered by Myers, 1984; drawing largely on Myers & Majluf, 1984); and the Credit Rationing Theory (Stiglitz & Weiss, 1981). But against, the research in the area is mostly confined to the determinants of capital structure, among which there are often performance measures (e.g. Chittenden, Hall, & Hutchinson, 1996; Jordan, Lowe, & Taylor, 1998; Hall, Hutchinson, & Michaelas, 2000; Booth, Aivazian, Demirguc-Kunt, & Maksimovic, 2001; Solano & Teruel, 2007; Caballero, Teruel, & Solano, 2010).

While, Pecking Order Theory holds up well for SMEs suggesting that there is a negative relationship between leverage and debts as the more profitable firms need to borrow less where growth results have been mixed but generally it shows a positive if not always significant relationship. And the liquidity itself, understood in terms of cash availability or near cash resources to meet short-term obligations, is also associated to the problems posed by asymmetry of information, agency relationships and credit rationing, inevitably becomes the major problem especially for the SME’s.

In fact, the later is an extension of the capital structure issue by considering that smaller firms live under tight liquidity constraints. Which is basically a matter of consensus referring to the researches undertaken from Gopinath (1995); Chittenden et al. (1996); Chow and Fung (2000); Berger and Udell (2005); Klapper, Sarria-Allende, and Zaidi (2006); Teruel and Solano (2008, 2010).
Correspondently is evidenced the traditional way of liquidity ratios used to analyze the above mentioned problem which led the researches to develop alternative liquidity measures by contemporary minimizing respective deficiencies through the implementation of mixed liquidity approaches. The mix liquidity approaches include: the working capital leverage ratios, quick and current ratios, net trade cycle, etc.

As previously mentioned, many studies have dealt with working capital from different views, environments by using different evaluation techniques. Correspondently, the relation between profitability and liquidity from Eljelly (2004) was examined and measured by current ratio and cash gap (cash conversion cycle) on a sample of joint stock companies in Saudi Arabia using the correlation and regression analysis.

The analysis demonstrated that the cash conversion cycle has a direct impact on profitability. Deloof (2003) instead treated the impact that the working capital has on Belgian firms’ profitability by using correlation and regression tests. He found a significant negative relationship between gross operating income and the number of days of accounts receivable, inventories and accounts payable in the sample used. Additional tests and models used to conduct this kind of data analyses are respectively: correlation coefficients, the pooled ordinary least square (OLS) and the fixed effects regression models. Other studies such of Bruinshoofd and Kool (2002) and Braga, Nossa and Marques (2003) support the existence of a positive relationship, insofar as an increase in liquidity can be a consequence of positive operating incomes and financial results.

Thus, high profitability strengthens liquidity, which means that investments/inventories can be self-financed and with sufficient liquidity, investments boost growth and future profitability in a virtuous cycle. In contrast, low levels of liquidity may lead to higher borrowing requirements and a reduction in the levels of return on investments. In this respect, low profitability does not generate sufficient liquidity nor self-financing of investments, which ultimately hinders future growth and profitability in a vicious circle. In the same argumentation line remain Mikkelson and Partch (2002) by noting that liquidity does not hinder performance.

From the other hand Harford, Mikkelson and Partch (2003) confirmed that maintaining certain levels of cash can resemble a reserve capacity for possible investments in downturns, reflected in better operating performance and higher post-downturn growth. Likewise earlier studies have mostly analysed the impact of management of current assets and liabilities on profitability closely referring to business growth mainly for corporate section by paying less attention to the SMEs, which are more exposed to information asymmetries that frequently deteriorates in insolvency/bankruptcy issues. Consequently in this study is explored the relationship that exists between debts management capacity and its effects on Albanian SME’s profitability as well as on growth performance.

3. The SME Business Climate in Albania

As previously mentioned the SMEs (with 50-249 employees) represent the most vital entrepreneurship form in Albanian economy and statistically is confirmed that over 80% of all active labour force is employed there but worth also highlighting that SME’s grew the fastest by 20%. By this way, they have provided about 68% of the total value added in Albania (vs 58% in EU). While the major part is focused on wholesale and retail trade sector, accounting for approximately a third of SME employment and value added. Precisely, referring to the latest statistics the total number of employed in the active enterprises is 370,887 persons. And the SME’s (see Table 1) have engaged 39.7% of the total number of employed by realizing 44.6% of total turnover by investing among 65% of total investments.

<table>
<thead>
<tr>
<th>Enterprises by size</th>
<th>Enterprises (no)</th>
<th>Employed (no)</th>
<th>Turnover (mln. ALL)</th>
<th>Investments (mln. ALL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-4 employed</td>
<td>75.645</td>
<td>117.646</td>
<td>240.299</td>
<td>21.411</td>
</tr>
<tr>
<td>5-9 employed</td>
<td>4.720</td>
<td>29.113</td>
<td>202.771</td>
<td>14.630</td>
</tr>
<tr>
<td>10-49 employed</td>
<td>3.977</td>
<td>76.785</td>
<td>520.359</td>
<td>27.434</td>
</tr>
<tr>
<td>50+ employed</td>
<td>863</td>
<td>147.344</td>
<td>776.036</td>
<td>117.803</td>
</tr>
</tbody>
</table>

While the enterprises with 50 and more employed have contributed by 2.3% in total annual growth rate of turnover even they have the smallest share (of 1%) of total active enterprises’ population where the trade activity has the highest contribution. Concretely, in trade (including trade of vehicles, wholesale and retail trade) sector operates 42.7% of enterprises which constitute 50% of total turnover realized by all enterprises. During 2014 this sector contributed by 4.4% in the total turnover (see Figure 1a) which increased by 6.3% and engaged 24.8% of the total number of employed.
Referring to the last fifteen years (see Figure 1b) the foreign trade relationship is more frequent with UE countries, i.e: Italy, Greece, Germany and Switzerland while the current deficit accounts for 50% of imported amount. In the same context dealing with sector’s enterprises class size, in SME’s reveals interesting the evolution of key indicators statistics during the last two years (see Table 2), i.e: no of active enterprises, employment capacity, net sales amount, investments, etc.

As far as can be understood during 2014 the performance of enterprises with more than 50 employees is deteriorated in comparison with the one of 2013, almost referring to: profit, sales, active enterprises, value added and employees no with 97.2%, 63%, 39.5%, 17% and 13% respectively.
Table 2. Key indicator comparative statistics for enterprises in trade sector with 50+ employed (2013 vs 2014)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average employed no</td>
<td>15.710</td>
<td>13.668</td>
</tr>
<tr>
<td>EoY employed no</td>
<td>15.831</td>
<td>13.984</td>
</tr>
<tr>
<td>Net sales (mln ALL)</td>
<td>246.746</td>
<td>281.087</td>
</tr>
<tr>
<td>Inventories (mln ALL)</td>
<td>206.684</td>
<td>234.017</td>
</tr>
<tr>
<td>Total investments (mln ALL)</td>
<td>9.390</td>
<td>3.477</td>
</tr>
<tr>
<td>Net profit (mln ALL)</td>
<td>-1.353</td>
<td>-2.669</td>
</tr>
<tr>
<td>Value added (mln ALL)</td>
<td>21.746</td>
<td>18.051</td>
</tr>
</tbody>
</table>

Obviously, the current situation is strongly related to the new fiscal policy implemented from September 2013 and to the difficulties faced from this business segment to perform in the same way or even better by also considering the “shocks” derived from trade and other financial relations/constrains with European companies.

However, the most affected (under the same enterprises class size) result to be the SME’s referring to the insolvency ratio elaborated from the National Registration Office (established in 2007 as part of one-stop shop initiative). Should be also mentioned that the many data are not available, thus the results need to be interpreted with caution by also leading to the necessity to deal with other additional data directly retrieved from a sample of good performing and not SME’s.

4. Research Methodology

The analysis of SME’s performance operating in trade sector is tested by using the panel data methodology in order to exploit some advantages i.e: heterogeneous enterprises, the variability, less co-linearity between variables, more informative data, more degree of freedom and more efficiency.

The above mentioned panel data pertain to 62 (including trade of vehicles-10%, wholesale-60% and retail trade-30%) good performing and not SME’s referring to 2013-2014 period and are used to explore the impact that turnover, structure, return as well as liquidity ratios (above 42) have on their capacity to manage debts and grow potentiality. For this purpose, firstly the ROC Curve discriminative analysis is implemented aiming to identify the factors that impact on SME’s performing status (good or not). Than the performance conditional probability is further analyzed through the ordinary least square regression method (being that the observations aren’t independent) considering the discriminative variables on SME’s debts management capacity as a performance measure.

4.1 Analysis of Discriminative Factors on SME’s Performance

In order to identify the discriminative factors on SME’s performance the ROC Curve analysis is used. The last surface area over 0.5 demonstrates that the variables (ratios, see Table 3) analyzed can discriminate the SME’s performing status from non-performing ones.
Table 3. ROC curve analysis results per discriminative variable (ratio)

<table>
<thead>
<tr>
<th>Indicators (variables)</th>
<th>ROC Curve area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity, Turnover, Structure and Return</td>
<td></td>
</tr>
<tr>
<td>Working capital</td>
<td>0.691</td>
</tr>
<tr>
<td>Working capital management</td>
<td>0.533</td>
</tr>
<tr>
<td>Total assets turnover</td>
<td>0.606</td>
</tr>
<tr>
<td>Short-term assets turnover</td>
<td>0.572</td>
</tr>
<tr>
<td>Long-term assets turnover</td>
<td>0.626</td>
</tr>
<tr>
<td>Working capital turnover</td>
<td>0.512</td>
</tr>
<tr>
<td>Receivable accounts turnover</td>
<td>0.574</td>
</tr>
<tr>
<td>Inventory turnover</td>
<td>0.529</td>
</tr>
<tr>
<td>Average inventory detention period</td>
<td>0.606</td>
</tr>
<tr>
<td>Payable accounts turnover</td>
<td>0.538</td>
</tr>
<tr>
<td>Operational cycle</td>
<td>0.553</td>
</tr>
<tr>
<td>Average payable period</td>
<td>0.640</td>
</tr>
<tr>
<td>Cash cycle</td>
<td>0.504</td>
</tr>
<tr>
<td>Equity to total debts</td>
<td>0.548</td>
</tr>
<tr>
<td>Total assets to equity ratio</td>
<td>0.742</td>
</tr>
<tr>
<td>Economic equity to total debts</td>
<td>0.513</td>
</tr>
<tr>
<td>Long term assets to shareholder’s equity</td>
<td>0.708</td>
</tr>
<tr>
<td>Long term assets to economic equity</td>
<td>0.678</td>
</tr>
<tr>
<td>Long term debts to net material long term assets</td>
<td>0.570</td>
</tr>
<tr>
<td>Interest coverage</td>
<td>0.614</td>
</tr>
<tr>
<td>Return on assets (ROA)</td>
<td>0.696</td>
</tr>
<tr>
<td>Return on Economic Capital</td>
<td>0.618</td>
</tr>
<tr>
<td>Return on ordinary shareholder’s equity (ROCE)</td>
<td>0.528</td>
</tr>
<tr>
<td>Return on shareholder’s equity (ROE)</td>
<td>0.528</td>
</tr>
</tbody>
</table>

Referring to the statistics, ROC Curve results demonstrate that the variables (ratios) which can more significantly discriminate the SME’s performance status from non-performing ones are: total debt to equity, total assets to shareholder’s equity and long term assets to shareholder’s equity (pertaining to the structure ratios group). While in general the most representative variables group in terms of discrimination capacity results the return (4/4 ratios), followed from the turnover one (11/12 ratios), structure (8/13 ratios) and liquidity (3/12 ratios).

However, in good performing SME’s panel data the debts management capacity ratio shows an increasing trend. As far as can be understand in this stage of analysis, being that the latest is used as a performance measure (pertaining to the liquidity ratios group by contemporary being a derivative of the net cash flow results) the discrimination persistence of turnover variables group in the first one is rational and by this way we can further proceed.

4.2 Ordinary Least Squares Regression Analysis

The ordinary least squares regression analysis at 95% confidence level considers all the above mentioned variables resulted discriminative in the SME’s performing status during 2013-2014 period aiming to estimate their impact on SME’s debts management capacity ratio in the quality of a performance measure. So, only 50% of the SME’s sample data (concretely 31) will be used accordingly.

Correspondently the results shows that SMEs debts management capacity is positively correlated with equity to total debts, long term assets to shareholder’s equity and return on equity ratios. Statistically based (see Table 4) the debts management capacity can be explained at 80% from the above mentioned variables (see Table 5).

In the same time it can be highlighted the importance of structural and returns ratios on SME’s performance status being that residuals behave as a random walk.
Table 4. OLS model coefficients’ statistics

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>95% Confidence Interval for coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>t</td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.018</td>
<td>0.000</td>
<td>0.0</td>
</tr>
<tr>
<td>equity to total debts</td>
<td>0.990</td>
<td>0.000</td>
<td>0.0</td>
</tr>
<tr>
<td>long term assets to shareholder’s equity</td>
<td>0.140</td>
<td>0.000</td>
<td>0.0</td>
</tr>
<tr>
<td>return on equity ratios</td>
<td>0.100</td>
<td>0.000</td>
<td>0.0</td>
</tr>
</tbody>
</table>

a. Dependent Variable: debts management capacity.
b. Selecting only cases for which Performance status = good.

Table 5. OLS model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>Change Statistics</th>
<th>Durbin-Watson Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Y = 0</td>
<td>Y ~= 0</td>
<td>Y = 0</td>
</tr>
<tr>
<td></td>
<td>(Selected)</td>
<td>(Unselected)</td>
<td>Sig. F</td>
</tr>
<tr>
<td></td>
<td>R Square</td>
<td>R Square Change</td>
<td>F Change</td>
</tr>
<tr>
<td>1</td>
<td>0.800a</td>
<td>0.030</td>
<td>0.800</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), equity to total debts, long term assets to shareholder’s equity and return on equity ratios.
b. Dependent Variable: debts management capacity.

5. Conclusive Remarks

The trade sector, the largest in the Albanian economy, plays a significant role in the economic growth of the country and generally the enterprises dealing with it are SME’s. Under this context, initially the above mentioned study revealed the discriminative variables (organized in four groups such as: liquidity, turnover, structure and return) referring to SMEs status (performing and not).

By this way, it was noted that the most discriminative variables on SME’s performing and not status are: total debt to equity, total assets to shareholder’s equity and long term assets to shareholder’s equity (pertaining to the structure variables group) where in the sample used the first represents a decreasing trend and the contrary the rest. Alternatively said, it means that the performing SME’s invest continuously (in long-medium and short time assets) trying to be focused on a growth strategy.

But in the same time, the analysis results cannot explain the way through which the latest invest, even why the most quantitative discriminative variables group resulted the return (4/4 ratios) followed by the turnover one (11/12 ratios).

Consequently, the regression analysis used to estimate the effects of all discriminative variables on SME’s debts management capacity in the quality of a performance measure (even pertaining to liquidity variables group) demonstrates that the variables that positively impact it are: equity to total debts, long term assets to shareholder’s equity as well as return on equity.

Logically these results bring to the attention the potentiality that the SME’s have to grow by continuously investing in long term assets (i.e: equipment, machineries, etc) which can be contemporary used not only to increase the equity but furthermore to generate net operative cash flows for different consecutive periods, which itself create the possibility the restart the previously mentioned cycle by increasing the incoming cash flows.

Fortunately this simple strategy helps not only the SME’s itself, but the entire trading sector by also positively contributing in the national GDP growth. Despite, the financial opportunities given to the SME’s from the intermediary policies are not enough being that they represent the most vital segment of the Albanian economy, some smart initiatives have being implemented.

Firstly the establishment of the administrative court aiming to resolve the disputes in less than 30 days (the inspection system has been reformed accordingly, aiming to increase the transparency of the process and better equip the inspectors with skills and tools needed for an efficient work in this specific field).

Furthermore, some policy measures in previous years have being introduced regarding the “basics of entrepreneurship” module as a compulsory subject in vocational education curricula where above 7,000 students
benefited. Meanwhile, the responsive administration as the public intervention to SME’s needs is another dimension partially explored in Albania even it has done a significant progress over the last decade, such as in decreasing the requested paid-in minimum capital, as well as in reducing the burden of government regulations (it was reduced the time to transfer the property but the relative cost of doing so is twice of the cost in EU; simplification of registration and licensing procedures; the introduction of online services concerning customs procedures and filling of tax returns which reduces time and costs for complying with administrative obligations).

In following, additional support to the SME’s is expected to be given from the “National Business Development and Investment Strategy 2014-2020” (2013), aiming the simplification of regulatory procedures, reduction of administrative costs, entrepreneurial capacity improvement, grants providence and the enhancement of competitiveness.

And finally, but not the less important initiative is the one related to the second chance given to the SME’s on default status in order to get a chance quickly and go ahead. In 2014, the above mentioned procedures have been modified aiming to reduce the duration by also diminishing the associated costs but all this amendments still remain to be reflected in financial initiatives acting as an accelerant.

References


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