Editorial

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Small and medium-sized enterprises (SMEs) play a crucial role in fostering growth and employment in many countries in Europe and elsewhere in the world. However, these firms face serious financing difficulties, especially in times of crisis. Obviously, the financing of small business projects is a vital question which conditions the long-lasting viability of these firms. In this regard, the European Commission has endorsed, in June 2008, the implementation of a 'Small Business Act' to promote opportunities of small business development. Several of these initiatives concern directly or indirectly the financing issues. The 'Small Business Act' was re-examined, in February 2011, in order to analyse the ongoing concrete results of its application and to define new actions to meet the challenges related to the recent global crisis.

Firms have a choice of several financing options, including trade credit, bank loans, private debt placements, and public debt offerings (Hooks, 2003). Jensen and Meckling (1976) argue that incentive problems between managers, shareholders and creditors tend to raise the cost of finance. When Modigliani and Miller's (1958) assumption of perfect information does not hold, firms display patterns or hierarchies in financing preferences (Agarwal and Elston, 2001; Myers and Majluf, 1984; Stiglitz and Weiss, 1981). Conflicts of interest related to firm financing are particularly important for small businesses because of a relatively high informational opacity and default risk (Ang et al., 1992; Berger and Udell, 1995). Thus, consequences of these conflicts of interest on corporate manager decisions could be particularly striking for the specific case of small businesses. Moreover, the 2008 global crisis has significantly affected the access to finance as well as the bankruptcy risk, especially for this category of firms (Fougère et al., 2012; Vermoesen et al., 2013).

In this special issue, authors were invited to bring to the forefront developments and challenges related to small business financing, noticeably during periods of the recent financial crisis. The final selection includes six rigorous empirical papers from a broad spectrum of related issues.

The first paper is entitled 'Effects of bank loan constraints on trade credit use: evidence from micro data of Vietnamese firms'. This paper examines the effects of bank loan constraints on the use of trade credit by Vietnamese firms with a comparison between large firms and small and medium-sized enterprises (SMEs). The findings show that bank-constrained large firms rely on trade credit to a greater extent relative to bank-constrained SMEs. However, this effect differs across bank constraint types. Furthermore, the results suggest that discouraged large firms because of burdensome loan procedures and strict collateral requirements also use more trade credit. The findings imply that trade credit may be cheaper than bank loan for SMEs, which induces them to prefer trade credit when they are discouraged from applying for a bank loan because of high interest rates.

The second paper is entitled ‘Small business access to bank leverage under crisis circumstances’. This article relies on a dynamic theoretical framework to empirically investigate corporate drivers of small business access to bank leverage during the global crisis period. The empirical analysis leads to several interesting results. In particular, indicators of size and tangibility are positively related to bank leverage proxies. Moreover, they are by far more important than those of profitability, growth and earnings volatility in explaining access to bank leverage. These findings lay stress on the need of small businesses, above all, to provide sufficient guarantees when they wish to incur new bank leverage under crisis circumstances. Thus, they contribute to the debate on small business financing at a time when consequences of the global crisis on this category of firms are more and more evoked.

The third paper is entitled ‘Small business and cohesion policy – statistical evidence from the Czech Republic’. This article focuses on the evaluation of structural funding of small enterprises in the Czech Republic. It describes the basic characteristics of small business beneficiaries of the subsidies and compares them with a control group of randomly selected unsupported companies. Its main purpose is to contribute to the discussion about the effectiveness of the EU cohesion policy. The analysis turns out that despite of the main objective of cohesion policy (to support the regions which are lagging behind) most of the financial means end in businesses located in developed regions. Moreover, it seems that these funds contribute mainly to personnel costs and capital purchases and have no effect on productivity, i.e., competitiveness of small enterprises.

The fourth paper is entitled ‘Earnings management across publicly traded and privately held French SMEs’. This study investigates how SMEs’ financial choices affect the quality of accounting information in France. The analysis compares earnings management practices between publicly traded SMEs and privately held ones. The findings show, firstly, that access to the stock market encourages SMEs to manage earnings so as to appear to be performing better, secondly, that SMEs that do not benefit from such access use proprietary earnings management to appear less risky. The first appear to be more shareholder-oriented and the second more lender-oriented in their earnings management practices.

The fifth paper is entitled ‘An econometric study of the determinants of high tech private equity investment in Europe’. This paper aims at identifying the main determinants of high tech private equity (HTPE) investment in Europe. The research takes into account a set of explanatory variables reflecting the macroeconomic, institutional, exit, and innovation environments. The results underline the positive impact of the interest rate which shows the prevalence of a demand effect. A favourable tax and legal framework to this mode of financing and entrepreneurship also has a positive influence as has the exit context which degree of impact varies according to the exit channel in favour of public offering (PO) compared to trade sale (TS). We found that business enterprise research and development (BERD) expenditure, total RD staff, researchers and patents applications have a positive impact on HTPE investment.

The sixth paper is entitled ‘The influence of functional and relational proximity on business angel investments’. This paper examines the influence of proximity on business angel investments based on data from Sweden and analysed using structural equation modelling technique. The concept of proximity has been proposed as a suitable conceptual foundation to understand how the relationship between angel and entrepreneur might hinder or benefit the investment decision. Particularly, researchers distinguish between functional (geographical) and relational dimensions of proximity. The findings show that the relationship between geographical proximity and the likelihood of positive investment decision is indeed positive and significant, as indicated in prior research, but that it is fully mediated by relational proximity.

The selected papers contribute to a growing body of literature that allows a better understanding of the importance and uniqueness of small business financing. Thus, they should provide useful insights for academics, practitioners and policy makers.

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