

## Leasing as a Source of Financing Small and Medium-sized Enterprises in the Slovak Republic – Empirical Analysis

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**Abstract:** Small and medium-sized enterprises are often constrained by lack of equity sources of finance and therefore remain dependent on other external sources of capital. Previous research has prevalently focused on the use of traditional debt, especially bank loans. Hence, the article examines other debt sources of financing SMEs and pay special attention to leasing. Leasing appears an appropriate form of financing helping firms overcome obstacles typical for standard bank loans. The aim of the article is to evaluate the use of leasing in SMEs in Slovakia in the years 2015 – 2019 and identify key obstacles that most affected its use in the period under review. The questionnaire survey was carried out in 2019 on a sample of 891 Slovak SMEs. Sample representativeness was tested by the Chi-square goodness of fit test. To verify the hypotheses, nonparametric tests were applied (the Friedman and Wilcoxon tests). The results enable to evaluate the use of leasing in Slovak SMEs in 2015 – 2019 and identify main obstacles affecting it. The article provides ideas and recommendations aimed at the improvement and expansion of the use of leasing in Slovak SMEs by taking account of the current situation determined by the COVID-19 pandemic.

**Key Words:** Leasing, Small and medium-sized enterprises, Debt financing, Obstacles limiting use of leasing, COVID-19 crisis.

### 1. INTRODUCTION

Dynamic development of small and medium-sized enterprises is one of the factors essential to the favourable economic development of any country. Small and medium-sized enterprises demonstrate their viability not only by their share in the gross national product generation, value added or sales but also by their contribution to employment. Each economy is vitally dependent particularly on strong and viable enterprises of this size category. To enable them to play this role successfully, efforts should be put into their continued development and realization of their potential under the present challenging and turbulent conditions. Since equity sources of capital are often insufficient to finance activities of small and medium-sized enterprises, many of them are dependent on other external sources of finance. The searches and studies conducted until now have prevalently focused on traditional debt sources of finance, in particular bank loans. Therefore, we decided to examine other debt sources of financing of small and medium-sized enterprises and give special attention to leasing. In recent years, leasing has appeared as an appropriate form of debt financing of business needs which helps enterprises overcome barriers typical for standard bank loans. The results of the annual surveys of the Directorate General for Internal Market, Industry, Entrepreneurship and SMEs confirm that leasing belongs to the most popular debt sources of finance (other than bank loans). The article deals with these issues. Its aim is

to evaluate the use of leasing as a debt source of capital in small and medium-sized enterprises in the Slovak Republic in the years 2015 – 2019 and identify key obstacles that most affected its use in the period under review. On the basis of the results of the realised analysis we formulate ideas and recommendations aimed at the improvement and expansion of possibilities to use this source of finance in Slovak small and medium-sized enterprises.

The rest of the paper is organized as follows: Section 2 presents the theoretical background based on the related literature. In Section 3, the main objectives including the main scientific objective and three partial aims supporting it are formulated. Following the set objectives, two hypotheses are constructed. The section also presents the used data description and the applied methodology explanation. Section 4 discusses the obtained empirical results, main findings and proposals. Section 5 provides main conclusions.

### 2. THEORETICAL BACKGROUND

Typical features of small and medium-sized enterprises including their low level of capital strength, a shortfall of assets suitable as collateral, unstable financial situation, higher sensitivity to business risk (due to insufficient and poorly prepared financial statements and plans) or insufficient credit history shape their profile of a considerably risk subject. Rahman, A., Rahman, M.

T. and Belás (2017) even talk of bank lending discrimination of small and medium-sized enterprises that results from the information asymmetry. Limited access of small and medium-sized enterprises particularly to debt sources of finance as its result is also confirmed by Moro, Fink, Maresch, 2015; Nangaki, Namusonge, Wandere; Canton, Grilo, Monteagudo, van der Zwan, 2013 and many others. On the other hand, problems and barriers typically faced by SMEs are hardly known to large companies. In SMEs, their existence leads to the emergence of the so-called financial gap also referred to as the Macmillan gap. Many authors (e.g. Raju, Rajan, 2015; Dong, Men, 2014; Majumdar, 2014; Sobeková Majková, 2011; Hyytinen, Pajarinen, 2008; Levenson, Willard, 2000; Rajan, Zingales, 1995 and others) are inclined to believe that the financial gap definitely results in a limited access of SMEs particularly to debt sources of capital.

As SMEs face more barriers when assessing traditional external sources of capital than larger enterprises, leasing appears an important element in their financing. It seems to be an appropriate alternative source of finance for SMEs expanding the range of their capital equipment financing options.

The origins of leasing trace back many centuries in history and we can surprisingly say that it is one of the oldest industries. As far back as the ancient Sumerians used leases on clay tablets for agricultural tools, land and water rights or animals. Its roots can be found in many ancient civilizations such as the Greeks, Egyptians, Romans and Phoenicians which used leasing as a tool to finance equipment, land and livestock. The oldest evidences include a record of King Hammurabi's Babylonian leasing law stretching back to 1700 B.C. (Elliott, 2016). At that time various items of equipment were leased including industrial and military tools and equipment but animals (mainly horses) and farming equipment prevailed. More opportunities for leasing came with the onset of the industrial revolution, especially for railroad companies. Modern-day leasing started to develop intensively in the 1940s particularly in a form of vehicles leasing in the USA where some manufacturers were establishing their own financial organisations. Since that time leasing has considerably evolved and manufacturer-selling has been significantly overshadowed by specialised leasing companies which has become an important player in the financial market as independent companies or subsidiaries of commercial banks. Incentive legislation in the 1950s and 1960s in the USA, Great Britain and also in Western Europe together with

the technological revolution in the 1960s became a driving force of modern-day leasing. In 1995, the Ottawa Agreement entered into force representing one of the most significant attempts so far in terms of the international codification of some leasing aspects (História lízingu, 2008). Nowadays, the scale of leased assets involves many different items such vehicles, transportation equipment, computers, medical equipment, real estate, in the hotel industry leases may even include bathroom fixtures, furniture or paintings (McGuigan, Moyer, Rao, Kretlow, 2012).

Inconsistent legislative frameworks at the national levels result in a multitude of various leasing definitions. In Europe a definition provided by IFRS 16 appears the most common. It defines a lease as a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration (Commission Regulation (EU) 2017/1986, 2017). Thus, leasing provides asset-based financing where the lessee does not receive direct finance from the lessor who retains ownership of the underlying asset. Therefore, no collateral is required and the lessee does not have to prove a credit track record which makes leasing a tool helping SMEs overcome some of the limitations of traditional bank loans (Mol-Gómez-Vázquez, Hernández-Cánovas, Kőeter-Kant, 2019).

Recently, determinants affecting firm's leasing decisions have been examined in several studies, however, majority of them were carried out in developed countries and there is still lack of knowledge needed to understand leasing decisions in developing countries better (Li, Karim, Munir, 2016). This particularly applies to SMEs in those countries. Some of studies carried out so far show that high importance of leasing was demonstrated in relatively young enterprises, those bearing comparably high credit risk and also the so called gazelles (i. e. the young high-growing enterprises) which reported the lowest rate of unsuccessful applications (Kraemer-Eis, Lang, 2012). As Zhang (2018) argues, one of the key benefits of leasing is that it facilitates access to capital for financially constrained enterprises and those having not enough assets to pledge for loan collateral which is of special importance in countries with weaker law enforcement. Berger and Udell (2006) also support the argument that financing alternatives involving the lender's ownership of underlying assets are less dependent on strong legal systems. Hulsink and Scholten (2017) claim that leasing companies which have their own risk policy may be able to offer more capital and services to young and small firms (including startups) than traditional banks. Jaszczuk, Białek-Jaworska, Opolski, Silwestrzak and Trzpioła

(2018) add that leasing is often the only external financing alternative to equity for starting enterprises. Lease financing therefore seems efficient to enable enterprises which are, due to the information asymmetry, trapped in the financial gap and therefore often excluded from formal financial markets (Moyi, 2019) to overcome their financing barriers.

### 3. MATERIAL AND METHODS

The main aim of the article is to evaluate the use of leasing as a debt source of capital in small and medium-sized enterprises in the Slovak Republic in the years 2015 – 2019 and identify key obstacles that most affected its use in the period under review. On the basis of the main scientific aim, we formulated three partial aims:

- (1) to analyse and evaluate the development of the use of leasing in SMEs in the Slovak Republic in the years 2015 – 2019;
- (2) to identify the main obstacles which determine the use of leasing in SMEs in the Slovak Republic;
- (3) to formulate ideas and proposals aimed at the improvement and extension of possibilities of the use of this source of finance in SMEs in the Slovak Republic.

Following the main aim and partial aims, we constructed two following hypotheses:

- H1: We suppose that the majority of small and medium-sized enterprises in the Slovak Republic primarily use leasing as a debt source of financing.
- H2: We suppose that small and medium-sized enterprises in the Slovak Republic consider the high price of leasing to be the main obstacle affecting their deciding on its use.

Primary as well as secondary sources of information were used in developing the article. The documents

used to fulfil its aims include three categories of data. The first group of information comprises specialised literature concerning debt sources of finance. The issue of financing SMEs continues to be very much a live issue and, accordingly, we draw not only on book literature but also on specialised journal articles, proceedings, websites, publications of professional organizations and groups. The second group of information includes secondary data obtained from statistical surveys and yearbooks. The third type of information contains data gathered as a result of the questionnaire survey in the segment of small and medium-sized enterprises in the Slovak Republic.

The questionnaire survey was carried out in the period from September to December 2019. The electronic questionnaire was distributed by means of the service Google Docs. The obtained results were evaluated with the application of the mathematical-statistical methods and processed by means of Microsoft Office Excel and the software IBM SPSS. The population consisted of 567 131 small and medium-sized enterprises established in the Slovak Republic, of which 550 016 were microenterprises, 14 159 small enterprises and 2 956 medium-sized enterprises. In terms of the structure according to the legal form, the population consisted of 348 326 natural entities and 218 805 legal entities. In order to carry out the research, we addressed more than 4 000 small and medium-sized enterprises established in the Slovak Republic. Large enterprises were excluded from the returned questionnaire replies. The sample than consists of 891 SMEs. Its representativeness was tested on the basis of two statistical features, namely a size of an enterprise according to the number of employees (broken down to micro, small and medium-sized enterprises) and according to the legal form (broken down to natural entities and legal entities). The structure of the sample is shown in Table 1.

Table 1: Number of enterprises in the sample according to the size of an enterprise and its legal form

	Microenterprises	Small enterprises	Medium-sized enterprises	Total
Natural entities	564	0	0	564
Legal entities	292	26	9	327
Total	856	26	9	891

Source: Own processing based on the results of the questionnaire survey.

Microenterprises have the largest share in the sample (96.07 %) followed by small enterprises (2.92 %) and medium-sized enterprises (1.01 %). The natural entities account for 63.30 %, the

remainder consists of legal entities (36.70 %). On the basis of the results of the nonparametric Chi-square test of good fit, the sample is representative, on the significance level of 5 %, in terms of the size

of an enterprise (broken down to microenterprises, small and medium-sized enterprises) as well as in terms of the legal form (broken down to natural and legal entities).

According to the statistical classification of economic activities SK NACE Rev. 2, the most represented enterprises were in the trade sector (20.70 %) followed by those in the construction sector (18.00%), enterprises in other industries coming under SK NACE O, P, Q, R, S (15.90 %) and industrial enterprises (14.40 %).

To achieve the main aim and partial objectives, we used several scientific investigation methods such as the analysis, abstraction, deduction, induction, comparison and synthesis. A number of mathematical-statistical methods were used. To accept or reject the formulated hypotheses, we applied the Friedman and Wilcoxon pair tests. The following part is devoted to the analysis and evaluation of results obtained by means of the questionnaire survey.

#### 4. RESULTS AND DISCUSSION

A long-term appearance of insufficient availability of sources of finance and their appropriate structure in leading positions determining the order of problems and obstacles of SMEs' development has been evident. In the light of characteristic features for which SMEs acquire a higher risk profile

compared to large enterprises, the access to traditional debt sources of capital is mostly affected. Although currently one can observe a positive trend when the barrier of insufficient availability of sources of finance has been losing its dominance and European SMEs consider other problems more significant (in particular the lack of customers or qualified employees), the problem of insufficient availability of debt sources of finance in this segment still prevails and it cannot be deemed to be definitely settled. The previous studies have paid more attention to traditional debt sources of finance, particularly to bank loans. Therefore, we decided to investigate other debt financing opportunities in Slovak SMEs. We give special focus to leasing which, by its very nature, can be considered an appropriate and more available alternative of debt financing of SMEs.

Table 2 shows the use of debt sources of finance in Slovak SMEs in the period 2015 to 2019. The figures are based on the results of the survey periodically initiated by the Directorate General for Internal Market, Industry, Entrepreneurship and SMEs. For comparison, the first part of the table also presents data describing the use of traditional bank loans although we do not further focus on them in this paper. The highlighted part of the table contains data showing the use of selected debt sources of finance including leasing.

Table 2: Use of selected debt sources of finance in Slovak SMEs in 2015 – 2019 (% of enterprises)

	2019	2018	2017	2016	2015
Overdrafts, credit cards	35	41	38	40	38
Bank loans	14	13	13	10	12
Leasing	24	19	21	17	18
Trade credit	15	16	24	17	13
Other debt	10	9	13	9	9
Factoring	5	2	5	4	3
Grants, subsidised loans	3	3	2	1	3
Debt securities	0	0	0	0	0

Source: Own processing based on SAFE report 2019 – country report, 2019; SAFE report 2018 – country report, 2018; SAFE report 2017 – country report, 2017; SAFE report 2016 – country report, 2016; SAFE report 2015 - country data, 2015.

When comparing all types of capital in the above table, the overdrafts together with credit cards appear the most popular. When looking beyond the traditional bank loans and focusing only on other

debt sources of finance, it is apparent in the table that leasing is the most popular form of financing. Its use shows somewhat fluctuating development, ranging between 17 to 24 % of SMEs. In the last year

of the period considered, the rate of its use substantially increased and its use was reported by almost one quarter of Slovak SMEs. The trade credit can also be regarded a significant source of capital in Slovak SMEs. Given its characteristics, one may believe that its popularity in small and medium-sized enterprises is predominantly determined by its good accessibility and lower burden of administration in comparison with other debt sources of finance. The trade credit is followed by unspecified other debt. Other debt sources of finance such as factoring, grants and subsidised loans are of limited use and debt securities were

hardly ever used in Slovak SMEs in the examined period.

While the previous table contains data on the use of debt sources of finance including leasing in the analysed period only in the Slovak Republic, in Table 3 the use of leasing in Slovak SMEs can be compared with the EU-28 average and selected European countries including some selected European innovative leaders and V4 countries.

Table 3: Use of sources of finance in small and medium-sized enterprises in the Slovak Republic, EU-28 and in the selected European countries in 2019 (% of enterprises)

	<i>Slovakia</i>	EU-28	Sweden	Denmark	Finland	Germany	Czech Republic	Hungary	Poland
Use of leasing	<b>24</b>	24	32	26	36	32	24	20	39

Source: Own processing based on SAFE report 2019 – country report, 2019.

Table 3 indicates that the use of leasing in Slovak SMEs corresponds with the EU average and the same is also the rate of its use in Czech SMEs. Leasing is less than in Slovakia used in Hungary. Among the countries compared, leasing is the most popular in Poland and Finland. When comparing with the selected innovative EU leaders we have to conclude that SMEs in the V4 countries with the exception of Poland significantly lag behind them in terms of the use of leasing.

In Slovakia, the 6 % year-on-year growth of leasing volume compared to 2015 was recorded in 2016 (Lízingový trh v roku 2016 s 1-ciferným nárastom obchodov. Tlačová správa, 2016). In 2017, leasing grew by 8 % (Lízingové financovanie osobných áut, ale aj strojov a zariadení, rástlo na Slovensku až desatinovým tempom. Tlačová správa, 2017). Leasing maintained its growing trend also in 2018 and 2019 with the average year on year growth rate of 5 % and 5.5 % respectively (Lízingový trh na Slovensku, 2019; Beracka, J., 2020). 2020 was however notable for negative impacts of the coronacrisis and leasing volumes dropped to 18 % (Uplynulý rok 2020 sa v lízingovom odvetví niesol v znamení pomoci klientom. Tlačová správa, 2021). Despite the last year's decline, leasing has recently been regarded as one of accelerators of economic growth in the Slovak Republic. We can therefore consider the upward trend of its use in Slovak SMEs (recorded before the coronacrisis) positive.

Financial and investment decisions including the area of funding and capital allocation substantially determine firm's financial stability and

opportunities of its future development. It is important for any enterprise to choose an appropriate type of capital to finance their particular business needs. Leasing has recently appeared as a proper alternative of financing business needs by means of debt which helps businesses overcome obstacles typical for standard bank loans. The results of the annual "Survey on the Access to Finance" initiated by the Directorate General for Internal Market, Industry, Entrepreneurship and SMEs also show that leasing belongs to the most popular other debt sources of finance (excluding bank loans). In many EU countries leasing is the most often used. Since we see the trade credit as a source of financing which is very widespread in business practice and many businesses do not even realise that they in fact use debt sources of finance after the receipt of the supplier's invoice, we excluded it from the following hypothesis.

In the hypothesis 1, we suppose that in terms of debt sources of finance, leasing is mostly used in the majority of small and medium-sized enterprises in the Slovak Republic (excluding bank loans and trade credit). In the questionnaire survey, we asked respondents to state those of the selected debt sources of finance they obtained and used or at least tried to obtain in the three preceding years. The hypothesis was tested by means of the Friedman and Wilcoxon tests. Table 4 presents the order of the selected debt sources of finance determined in accordance with the results of testing.

Table 4: Selected debt sources of finance that Slovak SMEs obtained or tried to obtain in previous three years

Order	Selected debt sources of finance
1.	leasing
2.	advance payments subsidies, grants and EU funds
3.	loans provided by the owners loans provided by friends, family and fools microloans
4.	accruals factoring and forfaiting
5.	loans provided by non-bank institutions debt securities
6.	mezzanine loans

Source: Own processing based on the results of the questionnaire survey.

The order presented in the above table shows that **leasing is – as we supposed – the most popular source of debt financing from those selected sources we analysed. On the basis of this result we can confirm the hypothesis 1.** The findings indicate that as in enterprises in several European countries, leasing is the most often used source of capital among debt sources of finance (excluding bank loans and trade credit) also in Slovak small and medium-sized enterprises. The results of our research say that leasing was used in 207 enterprises in our sample in the period under assessment. As many as 74 % of them preferred this source of funding to finance their long-term business needs, less than 39 % of enterprises financed their short-term needs by means of leasing. 26 enterprises (almost 13 % of those using leasing) used it to meet both long-term and short-term business needs.

Several authors (e. g., Sivák, Belanová, Jančovičová, Bognárová, 2015) argue that lease financing is popular in particular in smaller enterprises. The results of our research also confirm this argument. Leasing is preferred by businesses due to its advantages including the fact that they do not need the full amount of the purchase price to acquire fixed assets, a leasing company does not require a detailed business plan, financial statements are sufficient to document firm's solvency and no collateral is required. Leasing thus becomes more

available than other external sources of finance, mainly for small and young enterprises. The above mentioned low rejection rate related to this type of capital also proves that.

In the second place in the order of the selected debt sources of finance there are advance payments which seem rather beneficial and cheap source of capital for a supplying firm. The same ranking also belongs to subsidies, grants and EU funds. This result contrasts with a very low interest in the use of grants in the EU countries recorded in Table 2. This can be explained by the assumption that in countries exhibiting characteristics of the bank-centred economies, small and medium-sized enterprises make greater use of subsidies and grants, particularly in periods when banks restrict the availability of traditional debt sources of finance (Ferrando, Griesshaber, 2011).

A special part of our research was devoted to the identification of the obstacles limiting the use of leasing in the Slovak small and medium-sized enterprises. In accordance with a number of scientific studies relating to the capital structure optimisation, cost of capital is a substantial factor affecting decisions on sources of finance and many authors consider it as one of the most significant factors in this decision-making process. The cost of debt capital is an interest. Despite a generally lower price of debt compared to equity, debt financing

can still be rather expensive for some small and medium-sized enterprises since an interest rate is also influenced by such determinants as firm's risk, its credit history and creditworthiness, lack of assets appropriate to be offered as collateral, etc., which are problematic for many SMEs. The determination of an interest rate is usually a matter of a creditor's case-by-case approach. Given that and also

following the development of credit conditions in Europe, we suppose in the hypothesis 2 that small and medium-sized enterprises established in the Slovak Republic consider the high price to be a main obstacle limiting their decision-making on the use of leasing. To test this hypothesis, we also applied the Friedman and Wilcoxon tests. Table 5 presents the results of this examination.

Table 5: Obstacles limiting the use of leasing in Slovak SMEs

Order	Limiting obstacle
	High price
1.	Ownership risks are born by a lessee
	Limited possibility to terminate a lease contract
2.	Regular payments drain cash flow and may jeopardise firm's solvency
3.	Stringent requirements of leasing companies
	High administrative burden
4.	Overly lengthy process of its acquiring
	Insufficient supply of products suited to specifics of SMEs
5.	Difficult orientation in the huge amount of information
	Lack of information on existing options
	Reluctance of leasing companies' staff
6.	Incompetence of leasing companies' staff
	Lack of knowledge and skills of firm's managers

Source: Own processing based on the results of the questionnaire survey.

The results in the above table show that Slovak small and medium-sized enterprises consider the high price but also the fact that the owners' risks are born by a lessee even though the owners' rights are held by a leasing company and also a limited possibility to terminate a contract to be the three most pressing problems limiting the more intensive use of leasing. Therefore, **the hypothesis 2 can partially be confirmed as the high price and other two mentioned obstacles are considered of almost the same importance.** This trio of obstacles is followed by other problems discouraging Slovak SMEs from the use of leasing indicated as significant including the risk that regular leasing payments will drain cash flow and thereby jeopardise firm's solvency and stringent requirements of leasing companies. The other obstacles listed in the ranking can be seen as less significant since they were indicated by less than 12 % of respondents. The last

three obstacles in Table 5 relate to personal qualities of both partners in the leasing relationship. The fact that they were mentioned only by less than 5 % of respondents can be seen as positive.

It is clear that if small and medium-sized enterprises are to use leasing in their financing, they should know its fundamental characteristics, advantages and disadvantages which determine its adequacy or inadequacy to finance a particular business need. On the basis on the results of our research, we present some **ideas and suggestions to improve and expand possibilities of the use of this source of financing in Slovak small and medium-sized enterprises.**

Small and medium-sized enterprises identified the high price, the fact that the owners' risks are born by a lessee although the owners' rights are held by a leasing company, and also the limited possibility

to terminate a leasing contract as the main obstacles discouraging them from a wider use of leasing. The high price of leasing has been conveyed and objected obstacle of its wider use in Slovak SMEs as well as the issue of owners' risks or the possibilities of the leasing contract termination. Also with regard to the situation created by the coronavirus pandemic, dealing with these challenges will require more comprehensive efforts on the part of leasing companies.

Recently, the great majority of enterprises have been closed for various reasons related to the COVID-19 pandemic. Many of them endeavour to agree with leasing companies on lower leasing payments or leasing payment exemptions. Many leasing companies responded to lockdown and closure of enterprises, adapted to changed conditions and started to offer deferred payments to their clients.

On 28 May 2020, the International Accounting Standards Board issued the amendment to IFRS 16 publishing the guidance on accounting for rent concessions provided to lessees due to COVID-19. Since a lessee and a lessor may, as a direct consequence of COVID-19, review the terms and conditions of a leasing contract, both have to consider the IFRS 16 requirements and evaluate whether the rent concession should be assessed as a lease modification or incorporated in timing of payments in later periods. This evaluation has to be made in accordance with the existing terms and conditions of a leasing contract as well as on the basis of the specific terms of the agreed concession, possible asset impairment with the right to use the assets or an underlying asset and in the case of the approved state rent contribution in accordance with the accounting requirements for state subsidies. The subsequent disclosure of required information in the notes to the accounts so that it is sufficient for the users of the final accounts to understand the impact of rent changes related to COVID-19 on the financial situation and performance of a firm (an entity) is essential.

Other proposals for improving possibilities of the use of leasing in financing small and medium-sized enterprises suggested by respondents include targeted advice provided to this segment of enterprises. They also suggest – particularly in the post-crisis era – to establish information centres in leasing companies specializing in SMEs financing. This would enable to take account of their specificities in a more efficient and targeted way. The small and medium-sized enterprises indicated the failure to make provision for specific characteristics of this segment of enterprises as a

problem discouraging the use of this form of financing in SMEs.

Many respondents reported that weak helpfulness and reluctance of the personnel of leasing companies sometimes decreases their interest in the use of leasing. They would hope to see better awareness of the personnel, their increased qualifications, experience and personal capabilities since managers of small and medium-sized enterprises often feel that the employees of leasing companies are not adequately informed about their specific features and problems.

The recommendations directed towards the internal environment of small and medium-sized enterprises concern in particular overcoming the barrier of insufficient knowledge, skills, competences and experience of managers of SMEs in the area of the use of leasing as a source of finance. To address this barrier, there is a need to improve awareness of this type of capital among managers of small and medium-sized enterprises.

## 5. CONCLUSION

Small and medium-sized enterprises form the backbone of any economy. The impacts of the coronavirus pandemic hit all economic players, but particularly this segment of enterprises. Closure of businesses due to stringent measures during the pandemic has resulted in the reduction of their sales and liquidity problems. The question is to what degree will small and medium-sized enterprises be able to launch their economic recovery in the after-crisis period, to what degree will they be able to restore and restart their activities. However, more than ever before, they are in need of help, creating the appropriate conditions for their recovery to overcome the consequences of the COVID-19 crisis. Hence, leasing appears as an appropriate source of financing of this business segment.

The results of our research confirm that leasing is a popular source of funding and in Slovak small and medium-sized enterprises, it is the most often used source of capital among debt sources of finance which do not include bank loans and trade credit. On the other hand, however, we have identified that SMEs face many obstacles limiting their decisions on the use of leasing. Therefore, we formulate several ideas and proposals seeking to improve and expand the possibilities of the use of this type of capital in Slovak small and medium-sized enterprises. We believe that recommendations hereby may help this objective to be met.



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