

## A Review of Studies on Financial Support and Financing Constraints for SMEs in Laos.

Joxiong Bouasinengma<sup>1</sup>, Huang Dechun<sup>2</sup> and Huang Yinwen<sup>3</sup>

<sup>1</sup>Doctoral Student Business School of Hohai University, Nanjing, People's Republic of China Student from Laos PDR.

Received: 21 February 2022

Revised: 4 April 2022

Accepted: 7 April 2022

<sup>2,3</sup>Lecturer from the Business School of Hohai University, Nanjing, People's Republic of China

Corresponding Author Email: Zuos@la.icbc.com

### Abstract

Small and medium-sized enterprises (SMEs) represent the most active component of the Lao economy. Financing constraints and financial exclusion have, to some extent, hindered the growth and development of SMEs. Many studies, both locally and internationally, on financing constraints and financial support for SMEs in Laos have continued to deepen as the country's SMEs have grown. This paper studied Laos' domestic financial environment to conceptually explain its financing constraints by combing through related literature. This paper examines theoretical frameworks on financial support for SMEs in Laos, categorizes financial support models in various countries, and lastly gives theoretical support and practical experience for developing a financial support model suited for SMEs in Laos.

**Keywords:** SME, Financing Constraints, Financial Support

### Introduction

Small and medium-sized enterprises, also known as "SMEs", are an important part of the economic structure of Laos. According to Souvannavong (2006, as cited in Walsh, 2011) the total number of SMEs has exceeded 95% of the whole number of enterprises in Laos. They are a new force in Laos's industrialization and modernization. By then, SMEs have made positive contributions in creating jobs, increasing national income, and reducing poverty. However, the slow development of the Lao financial market, single financial products, and high financing thresholds have caused many SMEs to have funding difficulties, thereby failing to obtain effective financial support; some SMEs even stopped or closed down, eventually. On the other hand, financial institutions are more inclined to large-scale enterprises and state-owned enterprises with an enviable reputation based on the consideration of risk control, making SMEs generally face higher financing constraints and financial exclusion.

SMEs are said to be the most active part of the economic system. As the scale of SMEs continues to expand, financing difficulties have become a key issue restricting the development of SMEs. Difficulties in financing and massive loans of SMEs have always been major problems (Kyophilavong, 2011) With the employment and application of new theories and research methods, domestic and foreign studies on financing constraints and financial support for SMEs have continued to deepen. This article combines the actual financial environment and financial constraints in Laos to construct a theoretical system of financial support for SMEs in

Laos and provides certain theoretical support for alleviating the financial difficulties of SMEs in Laos, based on a review of relevant theories and literature.

## Analysis

### 1. Theoretical explanation of the financing constraints of SMEs in Laos

#### 1.1 The Enterprise Life Cycle Theory

The concept of enterprise life cycle first appeared in the late 1950s. Mason Haire (1959) pointed out that an enterprise is not only a micro-social economic organization but also a living organism, which inevitably undergoes a process from life to death from prosperity to decline. The life cycle includes four stages: startup, growth, maturity, and renewal or decline. Michael Gort and Steven Klepper believed that by subdividing the industry life cycle into five stages, it can accurately identify the development process of an enterprise (Larry, 1998). Tchia Litman-Adizes (1979) used several indicators to creatively divide the company into ten stages: courtship, infant, go-go, adolescent, prime, maturity, aristocracy, early bureaucracy, bureaucracy, and death. Regarding the division of enterprise life cycle, the academic community has not reached a unified standard. Among them, the startup period, the growth period, the mature period, and the decline period are the four widely recognized enterprise life cycle stages. With the continuous development of life cycle theory, it has been widely used in corporate financing. Harry DeAngelo (2006) applied this theory to the study of company dividend distribution and pointed out that companies in the growth period tend not to distribute dividends temporarily, while companies in the mature period had more retained profits and were more willing to distribute dividends. Hyttinen and Pajarinen (2007) used Finland's 1999-2002 data to study the issue of corporate financing and loans and pointed out that the age of a company is positively correlated with the cost of financing and loans. That is, the younger the age of an enterprise, the higher the loan cost; on the contrary, the more mature the enterprise, the lower the loan cost.

In the initial stage of SMEs in Laos, their comprehensive strength is lacking, and their financing capabilities are limited. In particular, many SMEs in Laos are still dominated by handicrafts and agriculture, lacking technological gadgets, and simplistic production structures. Therefore, few financial institutions are willing to support. That is where most SMEs in Laos start to face strong financing constraints. The financing level has been further improved, and the financing capacity has been enhanced; while the internal governance structure of SMEs in the maturity stage has stabilized, and the comprehensive strength of the enterprise has been significantly improved compared with the initial stage. At the peak of the life cycle, financing methods and financing channels show diversified characteristics. As market competitiveness continues to increase, the market demand for products is gradually becoming saturated, and the investment risks and uncertainties of enterprises increase. Enterprises at this stage are facing transformational pressure, and their financing risks and financing constraints have increased.

### 1.2 The theory of Credit rationing

Based on the consideration of income and risk, the credit rationing theory refers to when the lender adjusts the balance of supply and demand through rationing methods other than the interest rate mechanism, thereby alleviating the excess borrowing demand. It mainly adopts two methods: one is to limit the loan amount through credit rating, and the other is to partially meet the demand of the loan applicant (Yuan Mu, 2013). According to different classification standards, credit rationing can be divided into price rationing and non-price rationing, and it can also be divided into demand rationing and supply rationing (Boucher, 2005). The excess demand in the credit market is mainly since the loan interest rate is lower than the equilibrium interest rate, which causes the demand for loans to be higher than the supply, forming an imbalance in credit rationing. The difference in information obtained by market participants formed information asymmetry (Akerlof, 1970). Stiglitz and Weiss (1981) pointed out that the information asymmetry in the credit market caused moral hazard and adverse selection, which is the root cause of the imbalance in credit rationing. Moral hazard refers to the fact that the information superior party uses more information than the other party to benefit themselves while the other party suffers, which in turn leads to a decrease in market efficiency. Adverse selection is a behavior in which one party uses more than one party's information to intentionally damage the interests of the other party and increase its interests after the two parties have signed the agreement. Stiglitz and Weiss used the concepts of adverse selection and moral hazard in financial market research. They believed that borrowers should know more about the possibility of success of investment projects and the conditions and motives for repayment of the loan than loaners, making it impossible for commercial banks to accurately determine loan risks. According to the information asymmetry, Bachetta and Caminal (2000) believed that the marginal productivity of firms not subject to credit constraints is higher than that of firms subject to credit constraints. SMEs have small scales, imperfect systems, and limited internalization of information (Agarwal & Hauswald, 2010). When financial institutions believe that the company's development prospects are at a high risk of uncertainty, they often "credit loans" which eventually results in imbalances in credit rationing (Li Dequan et al., 2017). Compared with large, formal financial institutions, small or informal financial institutions can better meet the financing needs of SMEs and are better at handling credit rationing services for SMEs (Besley and Levenson, 1996)

In the Lao credit and financial markets, there are differences in information on financing projects between SMEs and financial institutions. To reduce problems of non-performing loans of state-owned banks, banks often strictly control the approval of various loan projects, and at the same time set higher interest rates to increase the financing costs of enterprises. At the same time, SMEs generally have problems such as low creditworthiness, weak credit concept, lack of credit rating agencies, and a unified credit evaluation system for SMEs. Compared with large enterprises, the production, customers, financial, and operating capabilities of SMEs enterprises in Laos are private information, which is less disclosed to the public, and information transparency is low. After the bank pays for the goods, some SMEs may engage in high-risk activities that the bank is not

willing to undertake out of their interests. The more serious the information asymmetry, the greater the adverse selection risk and moral hazard, the higher the bank's information cost, the deeper the market imbalance, and the more difficult it may be for SMEs to raise funds.

### 1.3 Reasons of financing constraints of SMEs in Laos

First, we should discuss the concrete reasons at the macro level. The macroeconomic environment and its fluctuations are important factors that affect changes in the capital structure of enterprises. Hackbarth (2005) studied and analyzed the relationship between macroeconomics and capital structure from a theoretical perspective, and found that corporate asset-liability ratios exhibit against cyclical changes. Douglas (2008) validated Hackbarth's (2005) theory through empirical analysis and found that the speed of capital structure adjustment is related to the economic cycle. Cook and Tang (2009) empirically studied the internal relationship between GDP growth rate, debt maturity spread and credit spread, and the speed of capital structure adjustment, and found that the speed of capital structure adjustment conformed to the conclusion of Hackbarth (2005). At the same time, there were differences in the impact of macroeconomic shocks on companies with different levels of restraint (Min Liang & Shen Yue, 2011). Generally, financing-constrained companies appear to be procyclical, while non-financing-constrained companies appear to be countercyclical (Min Liang & Shao Yiping, 2012). When the macroeconomic environment is stable and the capital market is active, companies that are not subject to financing constraints show low debt and high equity capital structures, while those subject to financing constraints show high debt ratio capital structures (Korajczyk & Levy, 2003) Yu Wei (2012) studied the macroeconomic fluctuations, financing constraints, and the dynamic adjustment of corporate capital structure, and found that changes in the capacity and cost indicators of the credit market and capital market have an important impact on the financing choices of selected companies. From the perspective of the financial system, the mismatch between the highly centralized financial system and the structure of micro-, small and medium-sized enterprises, the imbalance of the financial supply structure, and the excessively high supply cost of the financial system are the root causes of the financing difficulties of small and micro enterprises (Jia Junsheng, 2017) Lu Minfeng and Xu Bohuan (2019) believed that the insufficient development of microfinance institutions would inevitably lead to an unreasonable financial supply structure, and the financial needs of small and micro enterprises cannot be met. When the economy is in recession, small and micro enterprises are more prone to operating difficulties, and banks also show the characteristics of reluctance (Ge Yongbo et al., 2017)

Second, the concrete reasons at the micro-level are indispensable. Sound corporate governance is critical to the efficiency of corporate operations and internal management (Xiulian & Zhiyong, 2007), and is also conducive to external fundraising. The better the corporate governance and innovation capabilities, the greater the possibility of obtaining financing. From the perspective of small and micro enterprises, the small size of the enterprise, the lack of effective collateral, the lack of internal governance and management systems, and the irregular financial information make it difficult for enterprises to obtain external financing (Petersen & Rajan,

1994). Qiu Yuxing and Han Jia (2016) considered the relationship between financing capacity on the development of SMEs. When the SMEs' technological innovation capabilities are more prominent, their superior products and technological level are more beneficial to the company when it comes to external financing. High-level scientific and technological innovation research and development capabilities and certain patented technologies can make it easier for companies to obtain loan funds and attract more investors.

From the perspective of financial institutions, the lending decisions of commercial banks rely too much on hard information. Most small and micro enterprises lack hard information such as financial systems, financial statements, and pledges or guarantees, making it difficult for formal financial institutions to overcome information asymmetry. Moral hazard and adverse selection problems make loans difficult and expensive (Li Yong, He Dexu, 2013) Therefore, many SMEs have turned to private financial institutions with more information advantages.

This makes various forms of informal finance widely exist in developing countries and regions (Lin Yifu and Sun Xifang, 2005). However, private financing has high-interest rates, high risks, and rising financing costs, which have increased the financing burden of SMEs (Lu Jinsong, 2015)

## 2. Theoretical frameworks for financial support for SMEs in Laos

### 2.1 Financial growth cycle theory

According to the different development stages of enterprises, Weston and Brigham (1970) put forward the theory of the financial growth cycle, believing that the industry, operating performance, and capital liabilities of enterprises affected the financing structure of enterprises. They improved the financial growth cycle theory and extended it to six stages, namely: Inception Growth I, Growth II, Growth III, Maturity, and Decline. Among them, the Inception period mainly relies on self-owned funds, retained profits, and short-term loans to meet development needs. In growth I and II, corporate funds come from currency and capital markets. In the maturity period, the financing structure tends to stabilize, and enterprises try to adjust the financing structure and adopt diversified financing methods. Due to the decline in profitability of companies in a recession, the rate of return on funds has decreased and the external funds provided by financial institutions have begun to withdraw; additionally, the sources of financing have decreased.

Based on Weston & Brigham's theory, Berger and Udell (1998) revised the financing life cycle from the perspective of information asymmetry, pointing out that at different stages of the financial growth cycle, financial institutions are subject to information constraints, enterprise scale, and capital needs when providing financing services. The influence of various factors such as volume and risk has caused companies' financing structures to change accordingly. Generally speaking, financial institutions have higher requirements for the quality of enterprises during the inception and growth periods, and it is difficult for enterprises to obtain external financing. Financial institutions are more inclined to provide funds for companies in the maturity stage. At the same time, the larger the scale of financial institutions, the higher the concentration of loan business, and the greater the difficulty of financing for enterprises (Berger, 2011). In empirical research, Zhang Jie (2002) used the

data of 631 SMEs to compare the financing structure of SMEs in China and the United States and concluded that the changes in the financing structure of SMEs conform to the basic laws of the financial growth cycle theory. The conclusions of Das and Swain's study (2018) show that corporate financing structure is significantly related to profitability. However, due to the differences in the market environment where the empirical research samples are located, the indicators selected by the researchers were not completely consistent, and there were certain differences in the research conclusions.

## 2.2 Pecking order Theory

The pecking order theory was proposed by American scholars Myers and Majluf (1984). Based on the theory of information asymmetry and the existence of transaction costs, they believed that the financing processes of enterprises should be internal financing, then external financing. The difference in institutional stickiness causes regional differences in the financing preferences of companies (Huang Haiying, 2018). Dong Xiaowu (2018) found that the pecking order theory has strong explanatory power for the financing of SMEs based on the data of companies in China's Growth Enterprise Market (GEM). Yıldırım Durmus (2020) found that the pecking order theory applied to the financing options of companies on the Istanbul Stock Exchange. Ali Rostam (2021) used a questionnaire survey method to study the financing preferences of SMEs in Bangladesh. The results showed that the financing preferences of the interviewed entrepreneurs were consistent with the pecking order theory, that is, the retained profits of the enterprises were used first, followed by the loan. Due to the low issuance cost of debt financing and its tax-saving advantages, external financing should give priority to debt financings, such as short-term bonds and long-term bonds. The second is stock financing, in which priority is given to the issuance of preferred shares, and the last is the issuance of ordinary shares.

Compared with other types of enterprises, the information asymmetry problem of SMEs is more prominent, which conforms to the premise of the pecking order theory. Secondly, the business risk of SMEs is relatively high, and once a problem occurs, they may face a bankruptcy crisis. Therefore, SMEs should put internal financing in the first place, because the risk of internal financing is minimal and there are no transaction costs. In Laos, there are no SMEs listed on the stock market. This is due to the relatively high information constraints imposed on companies for equity financing. In addition, the Lao stock market is still in the preliminary stage of development and is not mature. As a result, equity financing is ranked first. The end of the corporate financing sequence.

## 3. Research on the financial support model for SMEs

Financial support model for SMEs in developed countries Small businesses, a small company with less than 500 employees, make up 99.7% of organizations with paid workers. Furthermore, those small firms contributed for more than 65 percent of net employment generation from 2000 to 2017 (U.S. Small Business Administration, 2018). In the United States, SMEs have more growth potential and advantages than large enterprises in promoting economic growth, solving employment problems, and carrying out technological innovation. SMEs have long received attention and support from the US government. To support the

development of SMEs, the US government has formulated comprehensive laws and policies to protect the financing of SMEs, such as the "Small Business Act", "Patent Law", "Intellectual Property Law", and "Trademark Law". Other legal documents for the development of SMEs created a healthy development environment (Yang Zhen and Shen Enwei, 2016). In terms of financing policies, the government indirectly supports the development of SMEs through financial assistance to financial institutions, in the form of loans and guarantees. For example, the establishment of the Small Business Administration (SBA) is responsible for small business legislation, financing, and information (Liu Shefang, 2012); also, to implement the Small Business Investment Company (SBIC) plan to provide SMEs with rich and sophisticated guarantee products (Chen Liangwen, 2013).

There are about 2.5 million SMEs in France, and their total sales account for 65% of all enterprises, and they occupy an important position in the development of the national economy. The French government has established a relatively sound government management agency for small and medium enterprises, including the Small and Medium Enterprises Administration and the Small and Medium Enterprises Development Agency. At the same time, the French government adopts three models of direct financial support, indirect financial support, and tax preferential subsidies to support the entrepreneurship and development of SMEs. In terms of financing, the French government mainly uses a public financial institution (SOFARIS) to solve the problem that SMEs cannot obtain commercial loans (Wu Mingxi, 2014).

In Japan, SMEs are an important pillar of the country's economic development. They have the characteristics of high production efficiency, strong profitability, and rapid overseas development (Fan Siqi, 2019). On the one hand, the government has formulated comprehensive laws and regulations to ensure the development of SMEs, such as the SME Basic Law, the New Business Creation Promotion Law, and the Special Credit Guarantee System. At the same time, the Japanese government directly subsidizes SMEs through financial subsidies, such as providing employment subsidies, R&D subsidies, and export subsidies, to establish a service system for SMEs, promote technological progress, and expand exports of SMEs.

#### Financial support model for SMEs in developing countries

Thai SMEs occupy an important position in the national economy, accounting for 99.8% of the total number of enterprises. To develop SMEs, the Thai government has started to support SMEs from the following aspects: first, legally supports the development of SMEs with the Small and Medium Enterprises Promotion Act; second, pays attention to the bankruptcy and merger of SMEs with the focus on helping SMEs to tide over the crisis. To help indebted SMEs and banks reach debt restructuring agreements, the Thai government ordered local authorities to set up a mediation committee to be responsible for the negotiation and adjustment of the two parties; third, enables financial assistance as the establishment of the Small and Medium Enterprises Development Bank of Thailand is likely to increase the possibility in obtaining financing (Jin Dan, 2021).

SMEs occupy a very important position in the structure of China's national economy. To alleviate the financial difficulties of SMEs, the Chinese government has formulated relevant laws and regulations, such as the "SME Promotion law" and the "Interim Provisions on the Standards for Medium." At the same time, the

Chinese government provides a variety of financial services for SMEs. On the one hand, a banking financial system with mainly state-owned banks and the coexistence of policy banks and commercial banks has been established, and financial institutions that specialize in serving SMEs, such as small-and-medium banks and small loan companies, have been established. On the other hand, the country has established and gradually opened the China capital market for financing services for SMEs. Also, China allows qualified SMEs to use direct financing such as issuing bonds and stock market listing and establishes SMEs development funds and high-tech SMEs venture capital funds (Wang Bo, 2021). To further support the sustainable development of SMEs, local governments at all levels have successively established credit guarantee service agencies for SMEs to ensure the supply of funds for financial support to SMEs, forming a system of SME financing with Chinese characteristics, "one body, two wings, and four layers". (Zhang Ting, 2012)

### **Conclusion**

In Conclusion, the financing constraints and financial exclusion of SMEs in Laos have limited the development and growth of SMEs to a certain extent. This article first provides a theoretical explanation of the financing constraints of Lao SMEs from the perspective of life cycle theory and credit rationing theory. From a theoretical point of view, the main reasons that SMEs in Laos face severe financing constraints are the development stage of the enterprise and the information asymmetry. On the one hand, SMEs in the early stages of entrepreneurship and development lack investment attractiveness, seeming to be a higher risk for an investor. On the other hand, the information asymmetry between the investment and financing parties increases the risk of adverse selection and moral hazard. From the perspective of concrete reasons, the macroeconomic and financial system, the operation and development of enterprises, and the credit policies of financial institutions all have a certain impact on the financing constraints of SMEs. Subsequently, this article elaborated on the financial support of Lao SMEs from the theory of the financial growth cycle and the theory of pecking order. It can be seen from theory and past literature analysis that the strength and methods of financial support change with the development cycle of enterprises. Financial institutions tend to provide financial support in a later stage of enterprise development, not the early one. Therefore, to gain the favor of financial institutions, SMEs should strengthen their accumulation and continue to grow and develop. Finally, this article sorts out the financial support models of different countries. Generally speaking, the financial support system of developed countries is more abundant and sounder, while the financial support model of developing countries is relatively fixed. In the process of drawing lessons from other countries' financial support models, we should combine the current economic development of Laos and the financial market system to build a financial support model suitable for Lao SMEs, and make positive changes to alleviate the financing difficulties of SMEs.

### **Acknowledgment**

This academic article accomplished well I would like to thank the research advisor All relevant faculty members, research target groups and all individuals involved in this research.

## References

Adizes, I. (1979). *Organizational Passages-Diagnosing and Treating Lifecycle Problems of Organizations*. *Organizational Dynamics*, 8, 1. from [http://dx.doi.org/10.1016/0090-2616\(79\)90001-9](http://dx.doi.org/10.1016/0090-2616(79)90001-9)

Agarwal, Sumit & Hauswald, Robert. (2010). *Distance and Private Information in Lending*. *Review of Financial Studies*. 23. 2757-2788. 10.1093/rfs/hhq001.

Akerlof, G. A. (1970). The Market for "Lemons": Quality Uncertainty and the Market Mechanism. *The Quarterly Journal of Economics*, 84(3), 488–500. from <https://doi.org/10.2307/1879431>

Bacchetta, P. & Caminal, R. (1996). *Do Capital Market Imperfections Exacerbate Output Fluctuations?* *European Economic Review*. 44. 449-468. 10.1016/S0014-2921(98)00083-X.

Bo, W. (2021). The Supply Chain Financing Mode of Technology-based Small and Medium-sized Enterprises Based on the Perspective of Government Fund Guidance[J]. *Techno economics and Management Research*, 2021, (3):45-49.

Boucher, S. & Barham, B. & Carter, M. (2005). *The Impact of "Market-Friendly" Reforms on Credit and Land Markets in Honduras and Nicaragua*. *World Development*. 33. 107-128. 10.1016/j.worlddev.2004.09.004.

Chen, L. (2013). The experience and enlightenment of the United States supporting the development of high-tech small and medium-sized enterprises[J]. *Economic Aspects*, (07): 106-109.

Dan, J. (2021). The participation of ASEAN SMEs in global value chains [J]. *International Trade*, (05): 80-89.

DeAngelo, H. & DeAngelo, L. & Stulz, R. (2006). Dividend Policy and the Earned/Contributed Capital Mix: A Test of the Life-Cycle Theory. *Journal of Financial Economics*. 81. 227-254. 10.1016/j.jfineco.2005.07.005.

Dequan, L., Haoliang, Y., & Yuesheng, J. (2017). Information uncertainty and credit rationing of small and medium-sized enterprises: an analysis based on the signal game model[J]. *Shandong Social Sciences*: 139-146.

Gort, M., & Klepper, S. (1982). Time Paths in the Diffusion of Product Innovations. *The Economic Journal*, 92(367), 630–653. from <https://doi.org/10.2307/2232554>

Hackbarth, D. & Miao, J. & Morellec, E. (2005). Capital Structure, Credit Risk, and Macroeconomic Conditions. *Journal of Financial Economics*. 82. 519-550. 10.1016/j.jfineco.2005.10.003

Haire, M. (Ed.). (1959). *Modern organization theory*. John Wiley

Haiying, H. (2018). Institutional stickiness and corporate exogenous financing preferences: evidence from differences in regional financing options[J]. *Research on Financial*. 133-139

Hyttinen, A. & Pajarinen, M. (2007). Is the cost of debt capital higher for younger firms?. *Scottish Journal of Political Economy*. 54. 55-71. 10.1111/j.1467-9485.2007.00404.x.

Jie, Z. & Xiao, W. (2002). The financial growth cycle of SMEs and changes in the financing structure [J]. *World Economy*: 63-70.

Jinsong, L. (2015). Thoughts on financing difficulties and expensive financing for SMEs[J]. *Financial Research*,

(11): 115-123.

Junsheng, J. (2017). Investigation on the financing of small, medium and micro enterprises in Jiangsu Province [J]. *Shanghai Economic Research*, (01): 119-124.

Korajczyk, R. & Levy, A. (2003). Capital Structure Choice: Macroeconomic Conditions and Financial Constraints. *Journal of Financial Economics*. 68. 75-109. 10.1016/S0304-405X(02)00249-0.

Kyophilavong, P. (2011). *SMEs Access to Finance: Evidence from Laos*. In C. O. Harvie, & D. Narjoko (Eds.), Small and Medium Enterprises (SMEs) Access to Finance in Selected East Asian Economies (pp. 117-150). ERIA Research Project Report 2010-14, Jakarta: ERIA.

Liang, M. & Yiping, S. (2012). Business cycle, financing constraints and the dynamic adjustment speed of corporate capital structure [J]. *Journal of Zhongnan University of Economics and Law*, (06): 100-105+124.

Liang, M. & Yue, S. (2011). Dynamic adjustment of capital structure under macro-shocks Based on the analysis of differences in financing constraints [J]. *China Industrial Economics*, (05): 109-.

Md. Rostam, A., Rustom Ali Ahmed, Rushafa Tasnim Tisha, & Md. Ashikul Islam, (2021). "Does financing behavior of SME entrepreneurs of Bangladesh follow capital structure theory? An investigation into Pecking Order Theory," International Journal of Financial Engineering (IJFE), *World Scientific Publishing Co. Pte. Ltd.*, vol. 8(01), pages 1-16, March.

Mingxi, W. (2014). The experience of credit guarantee systems for small and medium-sized enterprises in the world and its enlightenment to my country[J]. *World Economic Research*, (07): 16-21+87.

Mu, Y. (2013). Review of studies on credit rationing theory and relational financing theory[J]. *Economic Research Guide*, (27):136-139.

Myers, S. & Majluf, N. (1984). Corporate Financing and Investment Decisions When Firms Have Information That Investors Do Not Have. *Journal of Financial Economics*. 20. 293-315.

Shefang, L. (2012). The Enlightenment of the Development of the U.S. Guarantee Industry to my country's Small and Medium-sized Enterprises[J]. *Southwest Finance*, (08): 48-50.

Siqi, F. (2019). The Niche Evolution of Japanese Small and Medium-sized Enterprises and Experience Reference[J]. *Modern Japanese Economy*, (02):59-68.

Stiglitz, J. & Weiss, A. (1981). *Credit Rationing in Markets with Imperfect Information*. American Economic Review. 71. 393-410.

Ting, Z. (2012). My country's Small and Medium-sized Enterprise Financing Guarantee System[J]. *Seeking Truth*, (S2): 128-130.

U.S. Small Business Administration. (2018). *Frequently Asked Questions About Small Business*. Retrieved from [https://www.sba.gov/sites/default/files/files/Size\\_Standards\\_Table.pdf](https://www.sba.gov/sites/default/files/files/Size_Standards_Table.pdf)

Walsh, J. (2011). Understanding and strengthening the health of family businesses in Laos. *Information Management and Business Review*, 2(1), 12-18. doi:10.22610/imbr.v2i1.877

Wei, Y., Xiangrong, J. & Yanmin, Q. (2012). Macro shocks, financing constraints and the dynamic adjustment of corporate capital structure [J]. *World Economy*, 35(03): 24-47.

Xiaowu, D. (2018). Research on the Financing Preference of Listed Companies on the Growth Enterprise Market [J]. *Economic Issues*: 69-73 +86.

Xiulian, L. & Zhiyong, W. (2007). SME governance and internal control system construction[J]. *Accounting Research*, (3): 56-57.

Yifu, L. & Xifang, S. (2005). Information, Informal Finance and SME Financing[J]. *Economic Research*, (07): 35-44.

Yıldırım, D. & Çelik, A. K. (2020). *Testing the pecking order theory of capital structure: Evidence. from Turkey using panel quantile regression approach.* 21. 10.1016/j.bir.2020.11.002.

Yong, L. & Dexu, H. (2013). The Financing Gap and Credit Model Innovation of Small and Micro Enterprises[J]. *Financial Theory and Practice*, (12): 13-17.

Yuxing, Q. & Jia, H. (2016). The Influence of Financing Ability on R&D Investment of Technology-based Small and Medium-sized Enterprises [J]. *Friends of Accounting*, (6): 35-39.