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FINANCIAL STRATEGIES OF SMALL AND MEDIUM-SIZED ENTERPRISES IN POLAND

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Dominating strategies of financial behaviour of small and medium-sized enterprises as to EU funds and aid are determined based on findings of social surveys conducted in Lower Silesia. Pre-eminence of short-term goals in appropriation of financial resources is pointed out, which restrains investment activities, development and innovation and makes long-term competitiveness impossible.

Keywords: financing, investments, SMEs' financial strategy.

Statement of problem. One of the basic determinants of the market behaviors of SMEs (small and medium-sized enterprises) are their permanent (almost systemic) financial problems. Not only do they result from a series of external conditions (a rather difficult access to commercial source of financing), but very often from a certain philosophy advocated by their owners (managers). Based on the observations of the Polish SMEs we come to the conclusion that implementing funds and aid programs financed by the EU does not significantly improve their situation. On the contrary; what can very frequently be observed is downright indifference to the attempts made to strengthen the SMEs financially.

This discord between the public authorities' efforts and expenditures incurred and the results achieved mainly proves that there is very little knowledge with respect to the SMEs' behaviors and expectations. The lack of strategic behaviors analysis, including financial behaviors, is very costly here. It thus appears that an attempt to identify the financial philosophies (strategies) espoused by the Polish small and medium-sized enterprises is not only interesting in terms of cognition, but also important from a practical point of view.

This kind of exploration requires in general the identification of the SMEs' basic decisions and long-term behaviors. For it seems that the financial philosophy is a derivative of the assumed general philosophy of operations, which is also the way the SMEs feel (have intu-

ition) about it.

The most recent research carried out on a Polish nationwide sample shows that «...entrepreneurs seldom see the sense and goal of the company's existence as going deeper than merely ensuring sales revenue stream or profits. ...In the ranking of the goals the companies indicated the short-term elements (income, profits) clearly dominate over the long-term ones such as building strong relationships with clients, partners, employees and the environment. Having this approach, the strategy serves first of all the struggle for survival and maximizing short-term gains and not a stable development. As a consequence, the short-term elements dominate too in the companies' declared strategies of operations. In most cases the SMEs identify only market range and the organization of management processes and work. ... As the role of the company's long-term vision is insufficient, its development activities also tend to concentrate on a relatively simple use of possibilities created by growing market (new clients, broader scope of activities; yet seldom employment growth) and not on strengthening the company's long-term competitiveness (a relatively insignificant role of investment activities, technological development and innovations) [1].

Such understanding of the development concept by the entrepreneurs constitutes one of the important determinants regarding financing sources selection. A short-term perspective, searching for high profit enterprises and pursu-

ing quick return on capital invested limit the financing possibilities of the SMEs.

Analysis of recent papers. In the scholarly literature on the strategic management the introduction of the concept and criteria of strategic choices does not occupy much space. Most frequently it is assumed that the stage of analyses provides a sufficient base for making crucial choices with respect to business fields.

However, M. Moszkowicz [2] emphasizes that the essence of strategic choices is not only connected with the answer to the question on what is being chosen, but it also poses the question about the logic of the choices made. Without taking into consideration the logic behind the choices the answer to the first question could be a set of loosely connected acts of choice. According to the quoted author, identifying business fields is one the three variables (next to development character and relationship to uncertainty) which define the logic of the strategic choices in a company. It seems that equally important is the third question pertaining to the criteria of the choices.

Evaluating and choosing the most adequate strategy, as proposed by H. Steinmann and G. Schreyögg [3], should be made against the background of long-term goals or the criteria resulting from these goals. Apart from general economics criteria, the authors list here such qualitative criteria as (1) resources suitability; (2) feasibility/acceptance (of the strategy); (3) ethical legitimization. They further stress that although the advantages of the individual strategies cannot be showed in detail, the arguments speaking for them should be verifiable rather than merely based on belief or an arbitrary decision. The rationale can be in the form of a formalized procedure in which the criteria are precisely defined and their value identified.

According to P. Drucker [4], choosing the best possible solution is decided by four criteria – risk, efficient management, timing and limitation of resources.

The risk – links a specified alternative to the necessity of having to compare the risk with potential gains. Efficient effort management requires that alternatives which bring the greatest results with the least amount of efforts should be realized. Timing means that the

choice of a given alternative depends on the limitations set by time – if the situation is urgent, the actions indicating the dramatic situation in the organization should be chosen; on the other hand, if there is enough time, sometimes a slow start can be given which gathers momentum later on. The limitations of resources tells us to consider the alternative from the perspective of the human resources we possess (their qualifications and skills).

G. Johnson and K. Scholes [5] list three choice criteria – suitability, acceptability and feasibility. Suitability denotes, how the alternative «fits» the conditions the enterprise is operating in – taking advantage of the company's key competences and opportunities arising in its environment. Acceptability is related to the financial results a given alternative is expected to bring and to what extent these results will satisfy individual stakeholders. Feasibility refers to how the alternative is performed in practice, being further related to the suitability of the owned resources for the strategy requirements.

With respect to the SMEs' choices within financial concepts, the independency aspect is mostly taken into consideration. The choice of financial sources in a company is made in accordance with the hierarchy theory which assumes the following:

1. Companies most willingly use internal sources of financing (depreciation write-offs, generated profits, capital gain).

2. The amount of paid dividends is not subject to significant fluctuations.

3. The profits surplus going beyond the company's investment needs is allocated to repay debts, with the remaining funds invested in the securities which can be easily sold.

4. If the enterprise is unable to finance investment using its own funds, first it takes credits and loans; should they prove insufficient the company decides to increase its equity capital by winning an external inflow [6].

Depending on the company's needs, its operational goals, the risk related to using individual financial instruments and the company's development stage, the strategy for using internal and external financial sources is different. The first stage comprises the company's founding and its initial development. At this stage of

development, it is necessary to constantly provide the company with external financing. It refers both to the company's investment and operational activities. The company can look for the capital it needs from private investors or high risk funds (e.g. Venture capital). Another way is to incur a liability to its suppliers or to get a bank credit. A bank credit can only be a supplemental source of financing, since banks as a rule are reluctant to get involved in providing money to new companies, the reason being the difficulty in assessing their creditworthiness. The characteristic features of the company's next development stage, which is the growth stage, are a high operational risk and great development possibilities. It thus follows that the credit the bank offers will still be an expensive financial instrument and the issuance of debt securities would require offering buyers high interest rate. During this stage the short-term obligations dominate. The third stage is the maturity stage. Owing to the economic and financial stability of the company, the operational risk is significantly lower. The company's needs for new capital are decidedly smaller. Due to a high return on sale and excess cash the company can finance its activities by itself. At this stage the company's creditworthiness increases and therefore it can obtain funds from the credit much more cheaply. Consequently the level of the company's debt increases and a significant diversification regarding the forms and sources of the outside capital takes place. The company's owners are capable of accepting a much higher financial risk. The fourth stage is the decline stage, which can lead to a considerable reduction of the company's activities or to its collapse. As there are no development possibilities, the company often has capital surplus. Operational risk remains low; yet insolvency risk significantly increases due to the company's debt, which in turn causes the increase in the cost of the outside capital. The company cannot afford development investments and it has to incur obligations in order to repay the previous ones[7].

As mentioned in the introduction, an important determinant of the company's financial behavior is the assumed time horizon of action. Based on the research conducted on the Polish nationwide sample, the conclusion is as follow-

ing [8]:

1. «Entrepreneurs seldom see the sense and goal of the company's existence as going deeper than merely ensuring sales revenue stream or profits».

2. From among the goals the companies identified short-term elements (income, profits) clearly dominate over the long-term ones such as building strong relationships with clients, partners, employees and the environment.

3. A very interesting phenomenon is that there is greater tendency to think in long-term terms (development, better market offer, searching for elements distinguishing the company) in the areas that are less urbanized with downward trend in more urbanized areas.

4. Strategic plans, also in their formalized form, are usually of a general character and are not based on the analysis of the company's strengths and weaknesses; furthermore, in most cases their scope is limited to identifying the market and the organization of management processes and work.

5. The need to have a strategy tends to be stronger among those firms in which export plays an important role.

6. «Development activities tend to concentrate on a relatively simple use of opportunities created by growing market (new clients, broader scope of activities; however seldom employment growth) and not on strengthening the company's long term competitiveness (relatively insignificant role of investment activities, technological development and innovations). »

7. Short-term business concepts not only determine the financial policy but also the personal one. The respondent companies seldom look for employees with important qualifications in a long-time horizon, e.g. being self-reliant, innovative, flexible and having market knowledge. Instead they often prefer diligence and conscientiousness which make everyday work easier.

8. In small companies one can observe a passive approach to running business (lack of interest in the company's development, satisfaction with the current situation).

The lack of clear vision with respect to how the company should operate and develop (most enterprises in the SME sector) poses a serious threat in the long run, as it fails to en-

courage the company to undertake actions which are crucial for its long-term competitiveness.

Aim of the paper. The aim of the paper is to analyze financial strategies of small and medium-sized enterprises in Poland.

Materials and methods. The research with the objective of identifying, among others, main financial sources used for the SMEs' development, in particular, the financing provided by European funds reaffirmed what have already been identified in the Polish nationwide research with respect to the SMEs' main preferences.

The respondent companies represented various lines of business as Tab. 1 shows.

Table 1
Main business field of the enterprise

Enterprises in total		Type of enterprise		
		micro in total	small in total	medium in total
Industry	Number	121	12	11
	%	3,8%	9,8%	29,7%
Building	Number	300	15	3
	%	9,3%	12,2%	8,1%
Trade and Repair	Number	554	17	3
	%	17,3%	13,8%	8,1%
Transport and Communication	Number	218	9	2
	%	6,8%	7,3%	5,4%
Services	Number	2017	70	18
	%	62,8%	56,9%	48,6%
In total	Number	3210	123	37
	%	100,0%	100,0%	100,0%

Source: [11]

The main results of the research conducted on the Lower Silesian enterprises can be summed up in the following observations:

– In the companies' declarations regarding their financing (especially the micro companies), there is a visible tendency towards relying on its own funds for development (71%) and avoiding outside financing. Every fifth SME would readily base its development on subsidies from EU funds (19%), almost as many on credit (18%), whereas fewer companies are willing to use leasing (10%). The micro-enterprises in general do not consider letting outside capital in – selling shares or stock market flotation. Among the rest of the SMEs, the highest percentage of the enterprises plan-

ning their development by the means of these instruments occurs in the medium-sized companies (in total 11%).

– The Lower Silesian SMEs use to a limited extent offers of the financial institutions– mostly banks (decisive majority), much less seldom leasing firms (6%), insurance firms (10%), consulting firms (2%) or warranties (1%).

– Three-quarters of the SMEs planning to finance their further development have financial needs relating to it.

– Almost ¼ of the SMEs declare that they spend money on research and development; yet on the level not exceeding 5% of their income.

– Almost 1/3 of the SMEs – mostly micro and small enterprises – are not satisfied with the availability of the information regarding EU funds. A similar dissatisfaction – especially in the micro and small-sized companies – can be observed among the entrepreneurs with regard to the availability of the information pertaining to tender for co-financing (2/5 of the respondents).

– 89% of the SMEs have never applied for the co-financing from EU funds.

The detailed results will mainly refer to the financial issues – orientations and scale of the funding of the development and current activities of the SMEs in Lower Silesia.

The development intentions of the Lower Silesian SMEs should be considered as modest. In 2009 the amount of capital expenditures per enterprise was above 78 thousand PLN and was lower than the national average (91,06 thousand PLN). „As compared to other European countries, investment activities in Poland are insufficient from the perspective of the companies' persistent low productivity and development needs. Investments in fixed assets by an average enterprise in Poland (28,3 thousand EUR) are significantly smaller than the ones observed in better developed European countries – almost five times lower than that of the leaders: Norway (139,6 thousand EUR) and Denmark (135,9 thousand EUR); and more than two times lower than in Slovenia (63,7 thousand EUR) and in Esthonia (62,3 thousand EUR). Worse results got only companies from Hunga-

ry (22,7 thousand EUR) and the Czech Republic (13,3 thousand EUR) (diagram 26). [9] » «Most, as it exceeds one half, of the funds invested by SMEs is being invested in buildings and structures (51,6%), whereby this category of expenditures increased in the years 2006–2009 (from 34,7% in 2006). Moreover, about one third of investment funds is allocated for machines and equipment (30,9%) with downward trend (decline from 44,4% w 2006). With respect to the rest of the fixed assets groups, it is later difficult to indicate any clear trends. The smaller the enterprise, the bigger expenditures on buildings and structures (small: 57,1%, micro: 52,6%, medium: 48,2%, big: 40,4%) and transport means (micro: 26,6%, small: 13,9%, medium: 12,2%, big: 5,8%).

These statistics confirm the thesis that the short term logic dominates in the SMEs' activities. A similar situation occurs regarding research and development expenditures. Over 1/5 of the SMEs declare spending money on research and development (R+D) in their companies. However, usually these expenditures do not exceed 5% (this expenditure level declare the following companies: micro – 31%, small – 33%, medium – 38%). The greatest diversification with respect to the R+D expenditures level was declared by the micro-companies, where it could even exceed 50% of a company's income.

The sources of Financing Current Activities and Development Activities. The concepts of financing SMEs' current activities can be divided into three categories [10]. The first strategy is the *conservative (preservative)* strategy. What counts as the most important in this strategy is maintaining high financial liquidity. This strategy assumes that all fixed assets and almost the entire amount of current assets are met by permanent capital. This kind of strategy enables the company to minimize financial risk. Short-term obligations exist only for a short period of time with their level being not high. Owing to this strategy the company can maintain its financial balance because all of its fixed assets and almost its entire current capital are met by stable financial sources which do not need to be returned quickly. In this strategy, the small financial risk means giving up raising returns on equity capital.

The second strategy is called the *dynamic/aggressive* strategy. This strategy assumes covering a significant portion of current assets by the means of short-term credits. This strategy includes both: the possibility of achieving high profits and a high risk level. The strategy is conducive to reducing the cost of financing current assets because of low interest rate on short term loans; at the same time however, there is a higher risk that the interest rates may change and obtaining additional credit may prove difficult.

The third strategy is the *moderate* strategy – a compromise between a financial risk and better returns on equity capital. The level of net current capital is lower than the level in the first strategy. Only fixed assets and a specific portion of current capital are met by permanent capital. Short-term obligations finance the variable portion of current assets. While applying this strategy, an enterprise adjusts the length of the period for which the capital is acquired to the length of the «lifetime» of the assets financed by the acquired capital. This provides the best chance to maintain better financial liquidity.

A characteristic indication of the SMEs' prevailing financial mentality is the fact that 8% of the companies, mostly micro-sized, say that they do not cooperate with financial firms or do not even have a bank account. Virtually all the rest of the companies have such contacts – mainly with banks. Not so frequently the cooperation with insurance firms occurs (10%), leasing firms (6%) or financial advisors (2%) and warranties (1%). (Relative infrequent declarations referring to the cooperation with insurance companies show that merely paying premiums for, for example, car liability insurance is not considered a cooperation).

Most of the SMEs – primarily in the micro-sized group – are currently not acquiring outside capital (63%). On the other hand, small and medium-sized companies much more often declare using outside financing (small – 61%, medium – 76%).

Those using outside financing sources most often declare having credits (chiefly operating loan – making up 39% and investment credit – 24%), much less frequently the credits are taken to purchase property (7%). Every fifth

micro-company and 23% of the small enterprises declare having other credits as well (see Tab.2).

Table 2

Activities financing sources

<i>Does the company currently have credits for running its business, or a leasing contract or does it use any other form of outside financing?</i>				
	<i>All the companies, n=3220</i>	<i>Micro-companies, n=3050</i>	<i>Small companies, n=123</i>	<i>Medium companies, n=37</i>
NO	63%	64%	39%	22%
YES	37%	35%	61%	76%
DON'T KNOW	1%	1%		3%
<i>If YES: what kind of financing is the company currently using to run its business?</i>				
	<i>n=1175</i>	<i>n=1072</i>	<i>n=75</i>	<i>n=28</i>
Operating loan	39%	38%	48%	57%
Leasing	37%	36%	56%	54%
Investment credit	24%	23%	33%	36%
Other credits	20%	20%	23%	7%
Credits to purchase a property	7%	6%	15%	0%
Other forms of outside financing	1%	1%	3%	4%

Source: [11]

Consistent with the responses referring to the outside financing issues, most of the companies plan to use equity capitals (71% of all of the respondent micro and small companies – each 72% , medium – 54%). 18% of the SMEs intend to base their development on credits, leasing – 10% (both of these financing sources are much more popular among the small and medium-sized enterprises). The SMEs entrepreneurs also hope to obtain co-financing from EU funds – as many as 19%, which is made up of approximately every fourth small and every third medium-sized company. Among the latter, a portion (5% counts on). « state co-funding) », as it is generally called. Hardly any companies are willing to let in the capital of outside investors (Tab.3).

Table 3

Financing sources planned for the company's development

	How do you plan to finance the company's further development?			
	<i>all the companies n = 3219</i>	<i>micro-companies n = 3050</i>	<i>small companies n = 123</i>	<i>medium companies n = 37</i>
Equity capital	71%	72%	72%	51%
Co-financing from EU funds	19%	18%	26%	35%
Credits	18%	17%	37%	38%
Leasing	10%	9%	24%	27%
Sale of shares/outside investor	1%	1%	3%	8%
Stock market flotation	0,2%	0,1%	2%	3%
Subsidies/state co-financing	0,4%	0,4%	1%	5%
I don't know / didn't think about it	0,3%	0,3%	0%	0%
Other	0,3%	0,3%	0%	3%
There are no opportunity/investment plans	13%	13%	11%	11%

Source: [11]

A considerable number of the entrepreneurs use neither credits nor leasing. The experience in obtaining credits is likely to be bigger, since the three out of the four entrepreneurs can assess the process, whereas leasing is much less familiar – almost half of the respondents could not say whether it would be easy to obtain leasing for their companies. In case of leasing, lacking knowledge can seriously hamper any considerations regarding investments.

The Company's Needs in Terms of Financing Investments and Current Needs. Three quarters of the enterprises planning to finance

the company's further development feel the need of financial help resulting therefrom. The size of this additional capital «injection» was specified very differently and was dependent on the company's size. The «gap in finances» intended for investments amounted to 20–50 thous. PLN, as specified by every third micro-company, and 51–100 thous. PLN by every fourth enterprise. Every twentieth company from this group needs only up to 20 thousand PLN. The rest (in total 35%) would need a co-financing exceeding 100 thous. PLN. The small companies have much greater needs – 21% of them need less than 100 thous. PLN; however as many as 2/3 of these companies need over 200 thous. PLN.

The medium-sized enterprises definitely show the biggest appetite for investment – in this group almost 2/3 declare their financial needs as exceeding half a million PLN; while every fourth company's needs are in the range of 200–500 thous. PLN. On the other hand, most of the enterprises (60%) – especially in the group of the medium-sized companies (76%) – have no problems connected with maintaining financial liquidity. The rest of the companies would be in the need of additional capital and they name here various amounts. In order to maintain financial liquidity the medium-sized enterprises lack over 100 thous. PLN, the small companies – over 50 thous. PLN, and the micro – usually up to 50 thous. PLN (every fifth company asked in this group lack even less than 10 thous. PLN).

The EU Funds as SMEs' Financing Source. In 2010 Polish enterprises received 24 087,3 million PLN as state aid. The biggest portion was granted to the enterprises from the Masovian province – 22,5%, making up 4,8 billion PLN, and the Silesian province – 14,9%, which was almost 3,2 billion PLN. The enterprises from the Lower Silesian province received 5,9% of the state aid funds, i.e. 1,2 billion PLN. Over half of the aid funds was given to big enterprises (55%), medium-sized companies obtained 18% of the state aid in total, small enterprises received 15% and micro-companies only 12% (see Tab.4.).

In the years 2007–2010 there is a noticeable increase in the portion of the state aid administered to big enterprises with the conse-

quence being that the SME sector could use this aid to an increasingly smaller extent. The biggest decline was registered by the medium-sized companies (see Table 5). Only in case of the micro-enterprises one can clearly see a significant increase of aid the companies could take advantage of.

Table 4
Value of the state aid granted to the enterprises in 2010, by beneficiaries

<i>Big enterprises</i>	<i>Medium enterprises</i>	<i>Small enterprises</i>	<i>Micro-enterprises</i>
55%	18%	15%	12%

Source: [13].

Based on the authors' own research, 89% of the SMEs never applied for co-financing from EU funds. In most cases the remaining companies applied only once (7%), less frequently twice (2%) or more than twice (individual companies). The small and medium-sized companies submitted most of the applications. Further graphs show the sum of the replies to all of the applications described in the interviews, thus the basis is formed out of the whole amount of the applications submitted by the respondents.

Table 5
Dynamic changes with regard to the enterprises using the state aid granted in 2007–2010 (in %) (the base = the previous year)

	2007	2008	2009	2010
Big enterprises	77,74	115,68	105,89	102,23
Medium enterprises	125,94	90,03	78,97	85,05
Small enterprises	121,58	85,80	107,59	92,95
Micro-enterprises	162,50	74,73	133,82	135,16

Source: The authors' study based on [13].

Relatively many applications have been submitted in the last 3 years –60% in total. Looking at the size of the companies, it becomes clear that the small and micro-enterprises have been more active in recent years, whereas the medium-sized companies reduced the rate of their EU subsidies applications in 2010. Out of the submitted applications more than a half (54%) were «soft» applications, however those were mainly by the micro-

companies (57%). The small and medium-sized companies considerably more frequently applied for infrastructure investment funds (small – 53%, medium – 77%).

The effectiveness of the applications that were already considered (that is the percentage of the applications considered positively as compared to the whole of the already considered applications) reaches the level below 2/5 for all of the SMEs; however, the small companies declare greater effectiveness – at the level of 50% (i.e. 44% of the submitted applications were considered positively), the medium-sized companies show even greater effectiveness (54%, out of the submitted applications 50% were considered positively). The micro-companies turned out to be least effective (36%). A significant number of the applications was submitted for the subsidies up to 50 thous. PLN (in total 45%) mainly by the micro-companies. The small companies applied for rather bigger sums (more than 1/5 applied for funds in the range of 51–100 thous. PLN, and 1/3 even for sums exceeding 200 thous. PLN). Over half of the medium-sized companies declared having applied for the sums exceeding 500 thous. PLN. The rest applied for various amounts the subsidies (see Tab.6.).

The subsidies finally received are not always the same as the sums applied for. Although most of the beneficiaries (69%) received 100% of the expected sum, nevertheless almost every fourth got only part of the sum applied for (whereby most beneficiaries received more, than half and only very few less, than half). Some companies did not receive subsidies although their applications were considered positively or the respondent did not have full knowledge of it.

According to the respondents, most of the applications that were considered positively (73%) were already settled, however this percentage is much more smaller among the beneficiaries from the small companies (57%) and medium-sized companies (62%). Failing to settle the application usually means that the project is still in process (it has not been finished yet). 14% of the enterprises declare having been granted state aid during the last 5 years, whereby 30% of the small companies and 38% of the medium-sized companies applied for this

type of aid (which is over two times more often than the micro-companies –14%).

Table 6

The amount applied for the subsidies

What was the amount applied for (in PLN)?				
Basis: the applications submitted by the respondents				
	all the companies n = 512	micro-companies n = 422	small companies n = 64	medium companies n = 26
Less than 20 thous.	20%	24%	3%	0%
20-50 thous.	25%	28%	13%	8%
51 – 100 thous.	16%	15%	22%	15%
101-200 thous.	9%	9%	6%	8%
201-500 thous.	12%	11%	19%	8%
Above 500 thous.	12%	10%	14%	54%
I don't know	7%	5%	23%	8%

Source: [11]

A clear majority of the beneficiaries (90%) received support the form subsidies, very few mentioned loans (5% of the total, only the micro-companies) or any other forms of support (5% of the total, only the micro and medium-sized companies) (see Tab.7).

Table 7

Type of the received support

What type of support was received?				
Basis: the positively considered applications submitted by the respondents				
	all the companies n = 175	micro-companies n=134	small companies n = 28	medium companies n=13
subsidy	90%	87%	100%	92%
loan	5%	7%	-	-
other	5%	6%	-	8%

Source: [11]

The most frequently received aid were subsidies for companies – 2/3 of the beneficiaries took advantage of this aid (that is almost 10% of all of the companies). 7% of the companies used the guarantees based on an agreement, for example, tax waiver, discontinuation of contribution, etc. Preferential loans and credits or aid for bank credits are decidedly less frequent (1–2% of the beneficiaries). Also, very few of the entrepreneurs were granted a free of charge use of public property (1%).

Some of the entrepreneurs quite sponta-

neously indicated too other areas/institutions as aid sources – apprenticeship from the Employment Agency (3%) or other aid from the EA (8%), subsidized training (5%) or *de minimis aid* (2%). The Employment Agency as an aid source was mentioned especially often by the micro-companies (in total 12% of the indications), (see Tab.8.).

Table 8

State aid received in the last 5 years

Has your company received state aid in the last 5 years?				
	all the companies n=3210	micro-companies n=3050	small companies n=123	medium companies n=37
YES	14%	14%	30%	38%
NO	85%	86%	70%	62%
Don't know	1%	1%		
If YES: what type of state aid has the company received?				
	n=463	n=412	n=37	n=14
Subsidies	67%	67%	65%	71%
Guaranties granted under an agreement	7%	6%	16%	0%
Contingent redemption of a loan	2%	2%	0%	7%
Preferential loan	2%	2%	0%	0%
Preferential credit	1%	1%	0%	7%
Free of charge use of public property	1%	1%	0%	0%
Interest rate subsidy for bank credits	1%	1%	0%	7%
Warranties	1%	1%	3%	0%
Other aids from the EA	8%	9%	0%	0%
Employees training	5%	6%	5%	0%
Apprenticeship from the Employment Agency	3%	3%	3%	0%
De minimis aid	2%	2%	8%	0%
Other aid	5%	4%	5%	21%

Source: [11]

The Lower Silesian companies' evaluation the availability of the information pertaining to how to obtain the EU funds is not that good. 32% of the companies referred critically to the available information, 24% of them believe that the information is sufficient and 44%

have no opinion in this matter.

The quality of the information available greatly influences the extent to which the companies use the EU aid. Among the respondents almost 90% have not, so far, applied for the co-financing from the EU funds, 7% applied only once and 2% twice. Only 7 companies can take pride in applying over 7 times.

Table 9

The main factors having impact on the survival and expansion of newly founded enterprises

	Macro level	Micro level
Positive effect	Favorable economic situation	Qualifications of the founder and employees
	Favorable regional conditions	Experience of the founder and employees
	Favorable situation in a given line of business	Manager's qualifications
	Technological development	Financing sources
	Support and consulting services	Market internationalization
	State services supporting business	Net connections
Negative effect	Insufficient demand	Ownership structure
	Market competition	Small invested capital
	Administrative burdens	
	Burdensome social and fiscal rules	
	Inadequate functioning of job market	
	Financial system	

Source: [13]

Conclusion. While analyzing how the SMEs activities operate, one usually emphasizes their dynamism, innovation and resistance to disruptions. At the same time what is also being stressed is the lack of skills to deal with financial problems, difficulties in networking, the owners' poor management skills, limited possibilities of expanding into foreign markets, a low level of innovation implementation and managers' failures causing their high mortality rate.

Among the main factors determining the development, the financial factors in particular play a big role. As the research shows, the small and medium-sized companies rely chiefly, for various reasons, on their own resources. This kind of approach constitutes both the cause and effect. The cause here is the difficult

access to commercial sources of financing (yet also, as the research revealed, to state resources) with the effect being the lack of a pro-development attitude – thinking only in terms of short-term profits.

It thus appears that the inner dynamism and potential of the enterprises in this category, unless they are fully included in the favorable external environment (including the system financing their development), do not provide sufficient possibilities neither to take advantage of the assets and potentials of the region in which the companies are located, nor to realize challenges posed by the modern civilization, nor to fulfill the inhabitants' aspirations, nor to survive and fulfill aspirations and desires of the owners themselves, the latter often being the case.

Summary. In the reference literature, especially the one dedicated to the functioning of small and medium enterprises, the description of the sources of financing occupies a significant place. Apart from presenting these sources (their characteristic features), the reference literature focuses particularly on assessing the obstacles in access to the sources of financing, their cost and possibilities of use. Among these sources, it is relatively rare to encounter the EU funds although the amount allocated by the EU for the SMEs is significant.

From a cognitive point of view as well as from the theoretical one, it seems worth fulfilling this gap and try and specify the place the EU funds occupy in the financial structure. While looking specifically at the examples of how enterprises use the EU funds we can see how different are the financial strategies (concepts) the enterprises assume.

The aim of this paper is to try and identify these strategies, as used by the SMEs of Lower Silesia, by identifying and assessing the extent to which the main sources of financing are used in the ongoing activities and investment activities of the SMEs. An issue of special importance will be to diagnose in how far these

strategies are the result of the decision made by the enterprises themselves and to what extent the external conditions force the enterprises to apply these strategies.

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На основі результатів соціологічних досліджень, проведених у Нижній Сілезії, виявлено домінуючі стратегії фінансової поведінки малих та середніх підприємств відносно фондів і програм допомоги, наданих ЄС. Діагностовано переважання короткострокових цілей у використанні фінансових ресурсів, що гальмує інвестиційно-інноваційний розвиток підприємств і робить неможливим досягнення довгострокової конкурентоспроможності.

Ключові слова: фінансування, інвестиції, фінансові стратегії малих і середніх підприємств.

На основе результатов социологических исследований, проведенных в Нижней Силезии, выявлены доминирующие стратегии финансового поведения малых и средних предприятий относительно фондов и программ помощи, предоставленных ЕС. Диагностировано преобладание краткосрочных целей в использовании финансовых ресурсов, что тормозит инновационно-инвестиционное развитие предприятий и делает невозможным достижение долгосрочной конкурентоспособности.

Ключевые слова: финансирование, инвестиции, финансовые стратегии малых и средних предприятий.

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