Abstract

By using the cross-sectional data from the World Bank Enterprise Survey, this dissertation selects a sample of over 3000 firms from 16 Central and Eastern European countries during the 2008 financial crisis, to assess (1) How effective priori classifications are to identify financially constrained and unconstrained firms in times of economic recession (2) What the main robust determinants are at the firm and country-level that affect SMEs' degree of financing obstacles (3) What experiences and lessons we can learn from 2008 crisis to combat with 2020 and future emerging recession.

Our evidence indicates that during the economic crisis happened in 2008, size, industry, ownership and EU dummy are useful priori classifications while distinguishing firms' different degree to financing troubles, although some of other priori classifications appeared on other literature are ineffective. Smaller firms, foreign-owned and firms in manufacturing are more likely to report the financing trouble and have less access to formal sources of finance. However, government-owned firms and firms with adequate educated workers are less likely to be financially constraint.

The result confirms that economic freedom, financial market and trade integration all have a significant relationship with SMEs' access to finance. For example, a higher level of economic freedom and a well-developed financial market increases SMEs' access to capital. However, the financial institutional index failed to explain the cross-country variation in SMEs' financing issues. Interestingly, our results also suggest that with the increase of trade in value added, which means higher participation in international trade and integration, firms will suffer more from funding problems. So maybe trade-dominant countries are more exposed to the global crisis and experiencing credit crunch. This conclusion gives us some implications to help those SMEs who are more integrated into global value chains.

As the 2008 economic crisis, Coronavirus hurt financial institutions and financial markets, thus caused a spillover impact on SMEs' liquidity and access to finance in the CEE countries. These firms are mostly small-sized, located in the EU, rely heavily on automotive manufacturing and highly integrated to European Value Chain, with attributes confirmed negatively affect their ability to obtain loans. Therefore, given firms' high levels of financial fragility, SMEs, financial intermediaries and government should act together to help SMEs get financial support and weathering the storm.

Keywords

access to finance, small and medium-sized enterprises, Central and Eastern European countries, economic crisis, firm characteristics, economic growth and financial development, COVID-19, Policy implications