Chapter 5
Are the New Sources for Financing SMEs a Reality or a Chimera? The Spanish Case Study

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ABSTRACT

Small and medium-sized enterprises (SMEs) are a key pillar of the European economy because they play an important role in generating growth, employment, and value added. However, SMEs cannot access funding from sources such as issuing securities because they do not meet the listing requirements of official markets. This is why these firms are forced to cover their financial needs by borrowing from banks and reinvesting profits. For this reason, several alternative markets have been launched in Europe. In the Spanish case, two alternative markets have been created (one equity trading market and one debt market). In this chapter, these markets are presented for the purpose of analyzing to what extent they are a real solution to the financing problems faced by Spanish SMEs. This research shows that these two markets follow different paths, although for the time being, they are not capable of reaching a large number of companies.

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INTRODUCTION

Small and medium enterprises (SMEs) are one of the major drivers of employment and wealth in the European economy due to their high relative weight in the fabric of the business world (DeWit & de Kok, 2014). In fact, SMEs represent 99% of all businesses in the European Union (EU), they are the backbone of its economy and generate two out of every three jobs (Muller et al., 2018). The contribution of SMEs is also essential in terms of the volume of transactions, added value and capacity to adapt to cyclical fluctuations (Audretsch et al., 2006; Coluzzi et al., 2015). The same is true in the Spanish case, where SMEs are of considerable importance because they account for more than half of the registered workforce and generate two-thirds of the gross domestic product (GDP). However, these companies face an increasing competition, arising from the process of market globalization and the technological evolution, which has altered the critical success factors and, consequently, has led to severe threats to their survival.

In addition to the pressure on these companies in terms of competitiveness, there are also financing problems (Hernández-Cánovas & Martínez-Solano, 2010; Beck et al., 2011; Infelise, 2014; Andrieu et al., 2018). SMEs find it more difficult to obtain financing through the market than large companies, so they try more to cover their financial needs by reinvesting profits or borrowing from banks (Kaousar Nassr & Wehinger, 2016). However, the use of such sources of finance can cause them problems, especially in periods of expansion, because these sources do not provide them with sufficient funding to take advantage of the investment opportunities available. In order to mitigate these problems, several alternative markets have been launched in Europe over the last two decades for opening up new funding channels for SMEs and help them gain publicity, reputation, and transparency.

Two new alternative markets have also been launched in Spain: one is an equity trading market (the Spanish Alternative Equity Market, also known in Spanish as Mercado Alternativo Bursátil or MAB), and the other is a debt market (the Alternative Fixed-Income Market, also known in Spanish as Mercado Alternativo de Renta Fija or MARF). These markets, like the others existing in Europe, are positioned as alternative possibilities for SMEs to obtain financing and open up to financial markets, because deliberate regulation, costs and requirements are adapted to the specific needs of SMEs. However, it is necessary to study whether in practice these alternative markets serve the purpose for which they were created (to help SMEs obtain financing) and to what extent they are a viable option for companies. For this reason, this chapter presents and analyses in detail the two new markets launched in Spain in order to draw some conclusions about their evolution and how effective they have been in achieving those initial goals which justified the creation of these markets.
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