

Suggestions for SMEs as They Emerge From Crisis Periods

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EXECUTIVE SUMMARY

Existing financial problems of SMEs, which have an important place in the economies of countries, deepen even more in times of crisis, affecting businesses negatively and leading them to failure. In the crisis conditions, the strategies that SMEs have implemented in order to maintain their balance in their economic activities and to be successful are of critical importance. For this purpose, a method has been proposed for SMEs to determine the exit method from the crisis in the first crisis phase, which they will notice before entering the chronic crisis phase. In the proposed method, a financial check-up was planned to include 1-current assets, 3-short-term liabilities, 5-equity and production and sales strategies. In addition, as a result of the application of this proposed method periodically, SMEs' control of finance and cash flow will contribute significantly to both their protection from economic problems and their internal control systems.

INTRODUCTION

In today's competitive conditions, rapid developments in environmental factors cause businesses to face situations that we can call crisis. Crises can be caused by both national and international reasons, as well as by industry or businesses themselves. Regardless of their effects, all crises can significantly affect the economies and social structures of countries. The failure of a firm in times of economic crisis includes a process ranging from the firm's failure to fulfill its current obligations for temporary reasons to its bankruptcy.

SMEs may experience great difficulties due to the increasing demand every day and the economic crises that countries are in. In this context, how the crisis is handled in SMEs, how the employees cope with this situation, what measures are taken, what strategies are applied in the economic crisis and crisis periods are of great importance in terms of functioning. SMEs working within the system and program

can overcome crisis periods with less losses. On the other hand, SMEs working outside the system and program may lose their continuity from time to time by being affected by all kinds of crisis. Since SME-level businesses in Turkey and other countries are family businesses, the effects of the economic crisis can cause irreparable damage to both the business and the family.

As it is known, while SMEs constitute an important part of enterprises and employment in all developed and developing countries, they also have an important place in terms of production, export and added value. In this context, the contributions of SMEs in the national economies cannot be ignored. SMEs, which have a very important place in the economy of our country and also contribute in terms of social stability, should be supported in times of economic crisis. For this purpose, a method has been proposed to SMEs to get out of the crisis in the first crisis phase, which they will realize before entering the chronic crisis phase. Evaluating the data obtained from the method applied, it is aimed to have a command of the financial and cash flow related to exit from the economic crisis, to protect themselves from economic problems and to contribute significantly to internal control systems.

LITERATURE REVIEW

Researches on the effects of economic crises that have serious consequences for businesses are given below.

Boer (1999) mentioned the necessity of reducing the cash deficit, which is defined as the difference between cash inflows and cash outflows, especially in times of crisis, and also suggested that measures should be taken to reduce and slow down cash outflows in order to increase stock turnover and increase and accelerate cash inflows. Payne (2002), Wallis (2002) and Sullivan (2003) emphasized the importance of cash and the management of working capital in crisis periods. In addition, it has been revealed that the resource costs of SMEs, whose cash and financial structures are affected more in crisis periods, increase more than when compared to larger enterprises (Arslan, 2003). According to the findings of Aşıkoğlu & Ögel (2006), which they obtained from their study on the effects of the 2001 financial crisis on manufacturing companies, the short-term debts of enterprises increase in crisis periods and the share of equity in total resources decreases. It was also due to the increase in receivables and stock turnover rates in the crisis year and the following year compared to the pre-crisis period, and the decrease in liquidity ratios, equity and total profitability during crisis periods. Apak et. al. (2012) in their research to evaluate the perspectives of SMEs on accounting measures that should be taken in times of crisis, they concluded that SMEs attach importance to cost-saving, cash flow and strategic measures. The result of the study also shows that the implementation of policies that accelerate cash flow rather than cost-reducing techniques and expansion investments during crisis periods plays the most important role.

In times of crisis, there are decreases in sales volume and contractions in production due to demand shrinkage. Many countries are trying to reduce the devastating effect of the crisis on businesses by taking measures to increase demand. An international study conducted by the OECD emphasizes that the financial crises reduce the demand for the goods and services produced by enterprises (especially SMEs), limit their credit opportunities, leading to worsening of cash flows. According to the results of the research, public authorities take measures that increase the sales of SMEs, prevent the dissolution of working capital, increase liquidity access opportunities and help ensure investment continuity (OECD, 2009).

Gençtürk et. al. (2011) in order to determine in which direction the financial structures of the enterprises were affected by the crises experienced, it was tried to determine in which direction the financial structures of the enterprises and accordingly the financing decisions were affected by the global crisis

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