

# Review of: "Determinants of Internal Financing: Small and Medium Enterprises in Pakistan"

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**Potential competing interests:** No potential competing interests to declare.

The paper discusses the importance of internal financing for a firm's self-reliance and growth, emphasizing that it can discourage investors due to lower dividends. The study presents a method to determine the right level of internal equities. It also suggests the need for monetary and fiscal policy intervention to support small and medium enterprises (SMEs). The research is based on six years of data from 398 companies in Pakistan, using panel least square (PLS) techniques for parameter estimation. The topic is interesting and timely. In my view, however, its presentation suffers from several weaknesses.

Therefore, I recommend revising the provided paper as follows:

1. The introduction should start with a discussion of the scope and significance of the issue and or problem.
2. It's essential to strike a balance between internal financing for self-reliance and attracting external investment. How can companies determine the optimal mix between the two to achieve growth and maintain investor interest?
3. Could you elaborate on the specific factors or strategies mentioned in the study that help assess the appropriate level of internal equities for companies? What criteria were used to determine this?
4. The abstract briefly mentions the intervention of monetary and fiscal policies to support the survival of small and medium enterprises (SMEs). Can you provide more details on the recommended policies or measures and how they can benefit SMEs?
5. It would be interesting to know if the study found any industry-specific variations in the relationship between internal financing, growth, and investor interest. Were there any sectors where internal financing had a more significant impact on dividends and investor confidence?
6. How did the study define and measure "lower return on investment" and its impact on investments in small and medium enterprises (SMEs)? Were there specific thresholds used to identify when lower returns became discouraging?
7. The literature review could be improved. We need to update your related works with these papers:
  - Al-Tit, A., Omri, A., & Euch, J. (2019). Critical success factors of small and medium-sized enterprises in Saudi Arabia: Insights from sustainability perspective. *Administrative Sciences*, 9(2), 32.
  - Mateev, M., & Anastasov, Y. (2010). Determinants of small and medium sized fast growing enterprises in central and eastern Europe: a panel data analysis. *Financial theory and practice*, 34(3), 269-295.
  - Omri, A., Euch, J., Hasaballah, A. H., & Al-Tit, A. (2019). Determinants of environmental sustainability: evidence from

Saudi Arabia. *Science of the Total Environment*, 657, 1592-1601.

- Euch, J., Bouzidi, D., & Bouzid, Z. (2019). Structural analysis of acute success factors of performance of reverse logistics relative to customer satisfaction. *International Journal of Combinatorial Optimization Problems and Informatics*, 10(2), 39.
1. Could you explain the rationale behind using panel least square (PLS) techniques for estimating the parameters in this study? What advantages do these techniques offer compared to other statistical methods?
  2. Is there any insight from the study regarding the challenges faced by SMEs in Pakistan when it comes to internal financing, and how monetary and fiscal policies can address these challenges effectively?
  3. Did the study consider the external economic and political factors that might influence the relationship between internal financing and investor interest in SMEs? If so, how were these factors incorporated into the analysis?
  4. Conclusions: The readers would appreciate one or two paragraphs on research directions
  5. Finally, the authors should check and considerably improve the writing of various parts of the text.