

# 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.

Review of the paper:

Determinants of Internal Financing: Small and Medium Enterprises in Pakistan

by Muhammad Ayub Mehar

This study refers to internal financing in SMEs. It is important for enterprises survival and growth to leverage on internal financing but at the same time it is discouraging to investors due to low dividend.

SMEs has also difficulties in getting external financing. This limits their expansion and development. SMEs face also much more difficulties on the market comparing to large companies.

Paper tries to find a balance between internal and external financing. Research was based on 6 years observations of 398 Pakistan companies. Time period should be given also in Abstract.

Paper covers five sections including discussion on the views of economists and experts on the role of external financing by literature review. In next section Authors explain the research methodology to identify the factors of internal equities. Authors used panel least square (PLS) techniques to estimate the parameters. The results and conclusions with final recommendations for policy measures close the paper. Software program used for estimations should be mentioned.

Conclusion from the paper is that from the investment policy point of view SMEs must pay lesser dividends as compared to large enterprises which is not surprising conclusion. Would be value added to give some rationale behind.

Authors suggest that the exemption and rebate on dividend income from small and medium enterprises may be the right option. This is quite strong suggestion. Not sure if supported buy research results of own Authors' opinion.

Literature review is solid. Maybe only referring to publications from 1992 and 1995 discussion trends is quite overdue (page 4). Would suggest to update references, discussed trends could have changed during 30 years time period.

Determinants of internal financing clearly defined in text, formulas and figure in Section 3. Macroeconomic factors were also considered.

Referring to 6 years data always is better to give the time period 2016-2021 to make sure that reader knows the context. Also including 2020-2021 requires some assumptions and explanations how we treat the Covid period.

Reference to statistics about SMEs contribution and share data from 2088 is too old. Referring to any statistics should not be older than 1-2 year. page 2.

Limitations of this study named and listed at the end of the paper.

/A.Ptak-Chmielewska/