

THE ROLE OF FINANCING METHODS TO FUND SMES PROJECT IN SYRIA: A PILOT STUDY

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Abstract: The purpose of this study is to conceptualize the possible relationship between Leasing finance, Bank financing, Trade credit, Government Financial assistance, and Capital Market as a proposed independent variables, with Financing SMEs Projects in Syria as proposed dependent variables. In addition, this research aimed at studying the moderating effect of Account Standards as moderating variables on the relationship between dependent and independent variables. To conduct this study, the research analyzed the recently published literature review, which included an analysis of the gaps that were mentioned or noticed in the literature review. The research considered a sample of 30 respondents to test the reliability of the instrument. Findings suggested that this paper revealed that studying the effect of Finance Methods (namely: Leasing finance, Bank financing, Trade credit, Government Financial assistance, and Capital Market) as independent Variable, on Financing SMEs Projects in Syria as a dependent variable, with the moderation effect of Accounting Standards, is paved by the literature and ready for the data analysis.

Keywords: Leasing finance, Bank financing, Trade credit, Government Financial assistance, Capital Market, SMEs, Accounting Standards, Syria.

I. BACKGROUND OF THE STUDY

SMEs play a pivotal role in the economies of countries, considering their importance as a positive contribution. In many economic indicators but with funding problems such as indebtedness or weak sources or the difficulty of obtaining loans that limit their development, modern methods must be provided in line with nature. The purpose of this study is to reach a conceptual framework that spotlights the factors that influence financing SMEs projects in Syria.

As per the report of FITA (The Federation of International Trade Associations), Syria is a member of the IASB (International Accounting Standards Board), and the Syrian Ministry of Economy provides information on the Syrian Certified Accountants Association (FITA, 2015).

In the past 10 years, many researchers studied the Syrian case and the accounting situation in it. As per the study authored by Katrib & Rahman (2014), the companies of the general industrial sector in Syria concentrate on the use of traditional management accounting tools. At the same time the researcher also noticed that they ignore the modern management accounting tools to a great extent. They have justified this ignorance for many reasons. The researcher also noticed that the companies of the general industrial sector in Syria are like most other companies in the world wide as far as the degree of using modern management methods. The companies of the Syrian general industrial sector highly concentrate on using actual cost as one of the traditional management accounting tools. Meanwhile, these companies give high interest to the activity based costing is a real alternative for the problem of allocating the indirect manufacturing costs. The study indicates that there are a lot of reasons which detain the development of management accounting tools in Syria (Katrib & Rahman, 2014).

The researchers recommended in their study that the necessity of the qualification of cadres specialized in determining a future vision to execute the most useful tools in order to accompany the modern business environment to meet the many calls to develop the Syrian general industrial sector. On the other hand, the transition to the economy of the social market demands that the best products are presented within the shortest time, least possible cost and highest quality. It is necessary that part of the scientific research is concentrating on the study of the developed management accounting tools so that they remain part of the interest in Syria (Katrib & Rahman, 2014).

Moreover, another study carried out by Al-Taweel (2014) intended to examine the associations between cost accounting structure and costing report attributes. In order to test the research hypotheses, data collected from 42 Syrian Corporations listed in the Syrian Commission of Financial Markets and Securities (SCFMS) using the survey strategy. The structure of cost accounting leads to a higher quality of costing reporting attributes. These findings support the theoretical argument in management accounting literature that more functional accounting systems provide a better reporting quality. Findings support the theoretical argument in management accounting literature that more functional accounting systems provide a better reporting quality (Al-Taweel, 2014).

Furthermore, according to the study published by Ali, Khiyata, & Soulyman (2013) it aims to determine the role of accounting information in the effectiveness of liquidity risk management at the Industrial Bank of Syria. Considering the great importance of liquidity in any bank, because it represents the backbone of its activity mainly to accept different deposits and offering loans. The study concludes to a significant effect of each of the relevance and reliability of accounting information in the effectiveness of liquidity risk management at the Industrial Bank of Syria (Ali, Khiyata, & Soulyman, 2013).

Thus, according to what have been discussed, this study was designed to answer the following questions:

- What is the effect of (Leasing finance, Bank financing, Trade credit, Government Financial assistance, and Capital Market) on Financing SMEs Projects in Syria?
- What is the Moderation Effect of Accounting Standards on the variables that may influence Financing SMEs Projects in Syria?

Hence, the objectives of conducting this study are:

- To investigate effect of (Leasing finance, Bank financing, Trade credit, Government Financial assistance, and Capital Market) on Financing SMEs Projects in Syria
- To explain Moderation Effect of Accounting Standards on the variables that may influence Financing SMEs Projects in Syria

II. RESEARCH GAP ANALYSIS

Based on the literature review, few points can be highlighted to identify the feasible research gaps. Table I is formulated to identify the gaps that will be covered in this research. The gaps have been identified by observing the variables, dependent (Financing Projects) independent (Leasing finance, Bank financing, Trade credit, Government Financial assistance, and Capital Market), and moderating variable (Accounting Standards) from the literature review.

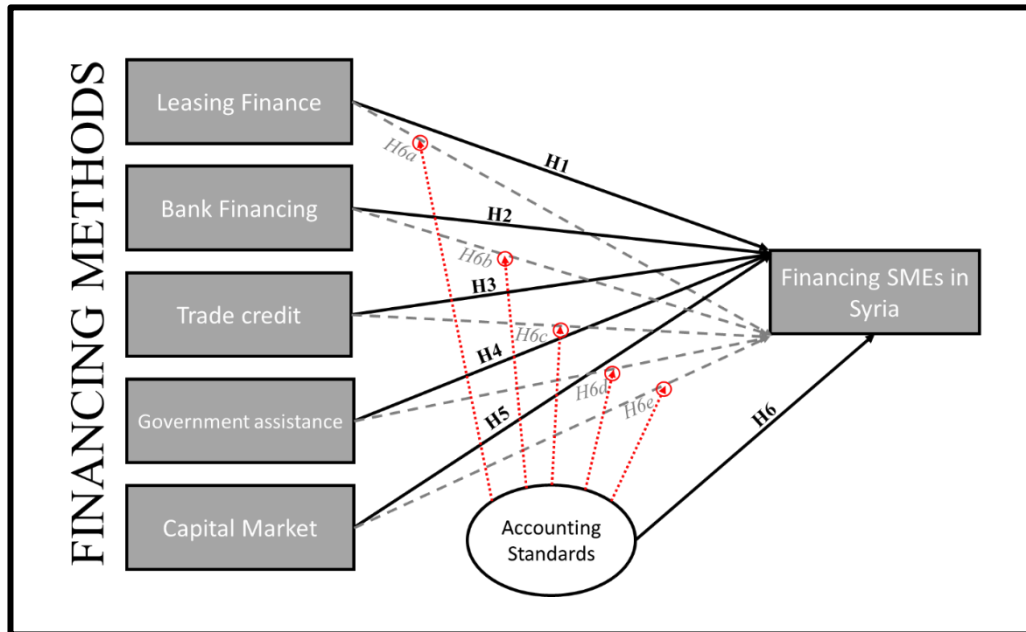
TABLE I: RESEARCH GAP

Literature on	Gap	Citation
SMEs in Syria	<ul style="list-style-type: none"> ● The published literature lacked the empirical, holistic research about the SMEs in Syria. ● SMEs financial reporting and accounting are absent from the published literature as a field of study. 	<ul style="list-style-type: none"> ● (Zidan, 2013) ● (Ibeh & Kasem, 2011) ● (Alasadi & Abdelrahim, 2008)
Accounting standards in Syria	<ul style="list-style-type: none"> ● Many researches stated that IFRS standards have not been adopted in Syria, while the official reports of the IFRS stated that the standards compliance are the commitment of jurisdiction bodies, which in this field deserve an empirical 	<ul style="list-style-type: none"> ● (IFRS, 2016) ● (Zehri & Abdelbaki, 2013)

	<p>study about Financial and accounting standards in Syria and the effect of them on the SMEs.</p>	
Financing methods in Syria	<ul style="list-style-type: none"> • Since the start of the Syrian conflict in 2011, no recent studies have been conducted as a number of changes happened to the Syrian economy. In this modern era, there are many financing methods that could be studied and implemented in Syria. • Most of the traditional financing methods have been affected by the Syrian conflict, an empirical study is required in this context. 	<ul style="list-style-type: none"> • (Lababidi, 2020) • (Robicheau, 2014)
Leasing finance in Syria	<ul style="list-style-type: none"> • In the past decade, leasing finance has not been studied as a concept, not only in Syria, but in the Middle East and North Africa Area (MENA), as leasing finance, as a term, was absent in the published literature, as were many reports and studies. 	<ul style="list-style-type: none"> • (Pearce, 2011) • (Elbannan, 2011) • (Al-Sugheyer & Sultanov, 2010)
Bank financing in Syria	<ul style="list-style-type: none"> • The Scarcity of the studies of the relationship between bank financing and financing projects in Syria was the major gap this study is designed to bridge, there are no noted publications that target this important relationship, even though the published literature on it is wide in the neighboring countries such Egypt, Jordan and Palestine. 	<ul style="list-style-type: none"> • (Awad & Al Karaki, 2019) • (Qudah, 2017) • (Boushnak, Rageb, Ragab, & Sakr, 2018)
Trade credit in Syria	<ul style="list-style-type: none"> • As a concept of project financing, there were no studies mentioning how trade credit has an effect on the plan of financing the SMEs in Syria. This gap has not been highlighted in the published literature. 	<ul style="list-style-type: none"> • (Soylemezoglu, 2010) • (Mousa, Judit, & Zeman, 2018)
Government Financial assistance in Syria	<ul style="list-style-type: none"> • The financial assistance of the government is a crucial factor for the small and medium-size enterprises (SMEs) success. It is not clear in the published literature what kind of effect of the government financial assistance has on the SMEs projects' financing. To bridge this gap, an empirical study is required to understand the relationship between government financial assistance and SMEs projects' financing. 	<ul style="list-style-type: none"> • (Robicheau, 2014) • (IFRS, 2016) • (Matar & Kadri, 2016)
Capital Market in Syria	<ul style="list-style-type: none"> • Even though the role of the capital market on financing SMEs projects has been studied in many Middle Eastern countries, like Jordan, Egypt, and Saudi Arabia. Capital market may include bonds, stocks, currency and foreign exchange markets ...etc. 	<ul style="list-style-type: none"> • (Mardini, Tahat, & Power, 2013) • (Elsaman & Alshorbagy, 2011) • (Mahayni, 2013)
Financing Projects in Syria	<ul style="list-style-type: none"> • Post-conflict "Syria" has been a discussed subject in many researches, as Syria's war is on the brick of its end. Many studies were determined that small and medium enterprises (SMEs) and their businesses are the best solution to rehabilitate a healthy economy for Syria. As much as it looks interesting to study such projects, finding a source of finance is still not discussed academically yet, which creates a big gap that needs to be filled for the future of Syria. 	<ul style="list-style-type: none"> • (Zidan, 2015) • (Alnafrah & Mouselli, 2019)

III. RESEARCH CONCEPTUAL FRAMEWORK

In this study, the research conceptual framework consists of Financing Projects as a dependent variable, Leasing Finance and Finance Methods as independent Variable, and Accounting Standards as Moderating Variable, as shown in Figure 2 1.



IV. RESEARCH METHODOLOGY

Research designs, according to Creswell (2014), are “types of inquiry within qualitative, quantitative, and mixed methods approaches that provide specific direction for procedures in a research design”. In this study, the researcher will use mixed methods research methodology. This study will be conducted in twofold phases. The first phase will be involved in the quantitative research mode, the research will conduct a survey, on which it will provide a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population. From sample results, the researcher generalizes or draws inferences to the population (Creswell, 2014). Furthermore, data will be collected by using a questionnaire, which is a written list of questions, the answers to which are recorded by respondents. In a questionnaire respondents read the questions, interpret what is expected and then write down the answers (Kumar, 2014). The answers to these questions are then regarded as the opinions and attitudes of the whole population from which the sample was taken.

The second phase will be involved in the qualitative research mode. The interview data were crucial not only to strengthen the findings from the questionnaire stage of the study but also to highlight some concerns that were unresolved by the questionnaire data, including the major elements of the Financing SMEs Projects in Syria and other key elements that may influence and improve the Financing projects. Typically, priority is given to the quantitative approach because it comes first in the sequence of data collection (Creswell, 2014).

According to Creswell (2014), the data collection steps include setting the boundaries for the study; collecting information through unstructured or semi structured observations and interviews, documents, and visual materials, as well as establishing the protocol for recording information.

A survey, according to Sekaran & Bougie (2016) is a system for collecting information from or about people to describe, compare, or explain their knowledge, attitudes, and behavior. Whereas the survey strategy is very popular in business research, because it allows the researcher to collect quantitative and qualitative data on many types of research questions (Sekaran & Bougie, 2016). Indeed, surveys are commonly used in exploratory and descriptive research to collect data about people, events, or situations.

The data collected during descriptive observation provide an initial story or narrative account, which may serve as a basis for the development of a set of concepts, a theory, or even a conceptual framework. Hence, the development of concepts, theories, and conceptual frameworks is facilitated by a greater focus via focused and selective observation. Focused

observation emphasizes observation in which the researcher will concentrate on particular types of feelings, emotions, actions, activities, and/or events and look for emerging themes. Finally, in selective observation the researcher focuses on different types of actions, activities, or events and looks for regularities in them, while being open to variations from or exceptions to emerging patterns (Sekaran & Bougie, 2016).

In this study, the feedback of the questionnaires collected within 3 weeks. The data recorded and updated simultaneously as the questionnaires received. The results organized in Google sheets with the code sheet that has developed to measure the attitudes of the respondents. The data organized into separate rows and columns with the assigned attitudinal score as mentioned previously. The responses of each question assigned with numerical values for the analysis.

Moving on to the qualitative phase. A semi-structured interview was developed by the researcher in order to obtain a more exhaustive aspect in relation to the questionnaire information collected at the first part of the data collection. The interviews were intended to further examine some issues and strengthen the results of the questionnaire data. According to Rea, Parker & Wallace (2012), interviews are used to generate insights and obtain information to allow for the elicitation of in-depth spontaneous and non-biases responses. Its use is principally based on the need to gather more information or gain insights, and allow the researcher to probe relatively new and unexplored topics (as in this study) in the cause of discovering new ideas (Rea, Parker, & Wallace, 2014). The interviews were particularly expected to furnish further clarifications to highlight some concerns that were unresolved by the questionnaire data, including the major elements of the project financing in Syria, especially for SMEs financing. Respondents will be asked open-ended questions to solicit their opinion about other conditions that may influence and improve financing projects.

30-40 Participants will be selected based on their known attributes. They will be selected, as they are likely to produce valuable information relevant to this study. In the selection, the considerations will be the ownership of the business and long period of involvement in the SMEs business. According to (Denscombe, 2010), the exploratory element of the study allows the researcher to focus on the respondents as they could provide information critical to the study.

V. PILOT STUDY AND RELIABILITY

The pilot study is always conducted before the data collection. Saunders, Lewis, and Thornhill (2016) assure for the usefulness of carrying out a pilot study before collecting the data. It will provide a great help by giving the researcher to correct any inadequacies in the research instrument before the data collection (Saunders, Lewis, & Thornhill, 2016; Sekaran & Bougie, 2016). Therefore, the reliability of the instrument has been tested on this study; a prior literature review was the source of the questions. At the same time, Cronbach alpha will be conducted on a sample of 30 participants in order to make sure that the instrument is valid and reliable. To check the reliability, 30 questionnaires will be distributed for the pilot test of the questionnaire. The researcher will make sure that all respondents would have a full understanding of the questions and would be managed to complete the entire questionnaire 10-15 minutes.

The aim of the pilot study is to measure the reliability of the research instrument. Nunnally & Bernstein (1994) defines reliability as the consistency of your measurement or the degree to which an instrument measures in the same way each time it is used under the same condition with the same subjects. In this study, SPSS software version 26.0 will be used to measure the reliability of the research instruments by calculating the value of Cronbach's Alpha, which indicates the internal consistency, Cronbach's Alpha values greater than 0.60 will be considered as acceptable degree of the reliability of the instrument (Hair et al., 2014; Nunnally & Bernstein, 1994). Table 3 2 is illustrating the reliability of the instruments for 30 participants.

Table 2: Reliability for pilot study

Reliability Statistics		
Variables	Cronbach's Alpha	N of Items
LGF	.869	5
BKM	.822	5
TEC	.711	5
GFA	.803	5
CLM	.737	5
AGS	.861	5
FIN	.814	5

As shown in the table above all variables have an acceptable level of Cronbach alpha while anchoring is shown good internal consistency. These results suggest the appropriateness of the questionnaire which is used in this research study.

VI. CONCLUSION

In this study, the researcher presented a pilot study of his research that illustrated a relationship between Financing SMEs Projects in Syria as a dependent variable, Leasing Finance and Finance Methods as independent Variable, and Accounting Standards as Moderating Variable. The researcher introduced the research background and detailed research gap, then the researcher presented the framework of the study. In addition, the researcher defined the research methodology that would be implemented in the full research. Finally the researcher tested the reliability and it showed that the instrument items are all valid and reliable for the next step. Therefore, findings of this paper revealed that studying the effect of Finance Methods (namely: Leasing finance, Bank financing, Trade credit, Government Financial assistance, and Capital Market) as independent Variable, on Financing SMEs Projects in Syria as a dependent variable, with the moderation effect of Accounting Standards, is paved by the literature and ready for the data analysis.

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