

Innovative Small and Medium Sized Firms: Intangible Investment and Financial Constraints - a Literature Review.

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Abstract : Small and medium sized firms "SMEs" play essential role in the countries' economic development mainly in terms of production, employment and equitable distribution of income. For innovative SMEs, the investment in the human capital and in research and development are crucial to survive in a competitive environment. In this paper we perform a literature review to underline the financing difficulties and constraints which innovative SMEs face while investing in intangible assets: not only when defining amount of the investments but also while choosing its financing methods. Literature review revealed that in order to finance their intangible assets, SMEs rely in first on their internal financing; the availability of internal cash flows can then determine their investment's decision. Moreover SMEs face difficulties to finance their intangibles by financial debts due to the uncertainty of future cash flow and the absence of physical guarantees; they will therefore go for the issuance of new shares as a second choice, since innovative companies have high opportunity of growth that attract new shareholders.

Keywords : small and medium sized firms, capital structure, intangible investment, financial constraints

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