

# FINANCIAL MANAGEMENT OF SMALL AND MEDIUM ENTERPRISES IN CONTEXT WITH THE REQUIREMENT OF INTEGRATING SUSTAINABLE DEVELOPMENT AND SUSTAINABLE SOCIALLY RESPONSIBLE BUSINESS

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**Abstract:** The paper deals with the assessment of the current state of financial management of small and medium-sized enterprises in the conditions of the market economy in Slovakia and points out that during the transformation for the sake of sustainability, financial managers must find answers to many and complex questions related to sustainability and financial performance of the enterprise. It is therefore necessary to develop the content of financial management tasks from a sustainability perspective.

**Keywords:** Financial Management, Small and Medium Enterprises (SMEs), Sustainable Development, Socially Responsible Business

## 1. INTRODUCTION

The Sustainability, sustainable development and sustainable socially responsible business are increasingly becoming the focus of business stakeholders (management, owners, employees, suppliers, creditors, etc.). Sustainable development and sustainable corporate social responsibility are many times perceived by businesses only as an option for a certain way of behaving and not as a principle (principle) of behaviour.

Small and medium-sized enterprises despite declaring sustainability implemented in the corporate strategy, do not have established processes towards sustainability. SMEs consider economic objectives as the main business goals, especially profit generation and increasing the market value of the enterprise; sustainable development and sustainable socially responsible business are perceived more as a superstructure and not as a part of their business. In doing so, it is clear that sustainability and social responsibility are important prerequisites for securing competitive advantage and higher profitability.

In the process of transformation of SMEs towards sustainability, it is necessary to implement all business processes in this direction, from product development through operational implementation, logistics, marketing, not excluding financial management.

## 2. LITERATURE REVIEW

In theory and practice, there is no clear definition of financial management and its roles, especially in the context of sustainability. Many definitions can be found in the literature, which differ in terms of depth, specificity and content of financial management. Fabozzi et al. (2004) view financial management as the area of finance that deals primarily with financial decision making within a business unit. According to him, financial decisions include: cash management, lending, acquiring other businesses, issuing stocks and bonds, and obtaining bank loans. Valach (1999) characterizes financial management as a subjective economic activity concerned with raising the necessary amount of money and capital from various financial sources (financing), allocating money to various forms of non-monetary assets (investing), and distributing profits (dividend policy) in order to maximize the market value of the firm's equity. McMenemy (1999) understands financial management as the management of the investment and financing activities that are necessary for a firm to produce the goods and services required by customers. The tasks of financial management include: analysing the financial situation, making financial decisions, setting financial objectives, formulating financial plans and developing an effective system of financial control in order to achieve the set corporate objectives. Kráľovič and Vlachynský (2002) understand financial management as the management of financial processes of an enterprise in the conditions of a market economy. Since all decisions and processes taking place in an enterprise ultimately have some impact on revenues or costs and thus on financial results, financial management is a unifying factor of the entire enterprise management system.

The terms sustainability, sustainable development and sustainable socially responsible business appear more and more frequently in international documents as well as in professional publications. Originally, sustainability was understood in the sense of ensuring the long-term use of natural, renewable resources. The current understanding of sustainability is linked to the famous Brundtland Commission report (1987), which defines sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It is a way of developing human society that reconciles economic and social progress with full preservation of the environment. The United Nations Educational, Scientific and Cultural Organization's Sustainable Development Goals (2000) articulated sustainability and sustainable development as follows: sustainability is most often understood as a long-term goal (i.e., a more sustainable world), as the ability to continue over a long period of time, while sustainable development refers to the many processes and pathways to achieve sustainability. Sustainable development, as stated by the European Commission (2019), means meeting the needs of current generations without compromising the needs of future generations. It is a comprehensive approach that combines economic, social and environmental aspects in a way that mutually reinforces each other. The concept of sustainability and sustainable development is intended to enable the present and future development of the individual, society and civilisation without compromising the present and future existence of human beings.

Sustainability and sustainable development are closely linked to corporate social responsibility. Sustainable corporate social responsibility is essentially a business concept that aims not only to maximise profits but also to act on environmental, social, community aspects and objectives.

The three interrelated dimensions (pillars, aspects) of sustainability, sustainable development and sustainable socially responsible business are the environmental, social and economic dimensions. It is important that SME management and owners conceive the goals and objectives for each pillar as a balanced optimum, because only by meeting the objectives in all dimensions can sustainable development and sustainable socially responsible business be ensured.

### **3. EXPERIMENTAL**

The target group of the survey were small and medium-sized enterprises (SMEs) of industrial production operating in the territory of the Trnava self-governing region. When categorizing the enterprises, we based on the generally accepted definition of SMEs based on the European Commission recommendation. According to this Recommendation, a medium-sized enterprise is an autonomous enterprise that employs less than 250 employees and has an annual turnover of no more than EUR 50 million or shows total assets of no more than EUR 43 million in its financial statements. A small enterprise is an autonomous enterprise which employs fewer than 50 employees and has an annual turnover of not more than EUR 10 million or has total assets in the accounts of not more than EUR 10 million.

A questionnaire survey was used to obtain information and elaborate the analysis on the application of financial management in the context of sustainability and social responsibility of SMEs.

The aim of the questionnaire survey was to find out:

- what tasks financial management performs and which areas of financial management are perceived by companies as risky,
- how SMEs perceive sustainability and social responsibility,
- what sustainability and social responsibility activities businesses undertake, who manages them and how they are financed,
- whether SMEs report non-financial environmental and social indicators in addition to economic/financial indicators, if so which ones,
- in relation to the integration of the concept of sustainability and social responsibility into financial management, what objectives SMEs have set themselves for the future.

The results of the findings, on the one hand, were a verification of how the theoretical knowledge on financial management, sustainability and sustainable corporate social responsibility is applied in the practice of SMEs and, on the other hand, became a source of valuable information on the need for corporate practice in the area of financial management development in the context of sustainability and corporate social responsibility

### **4. RESULTS AND DISCUSSION**

The survey was carried out in the first half of 2022. 240 SMEs were contacted by e-mail, mainly in the field of industrial production, as this production is the most developed in the Western Slovakia region. 84 enterprises participated in the survey, i.e., the re-turn rate of

the questionnaires was 35%, we categorised the enterprises by size (Figure 1) and by industrial production sector (Figure 2).

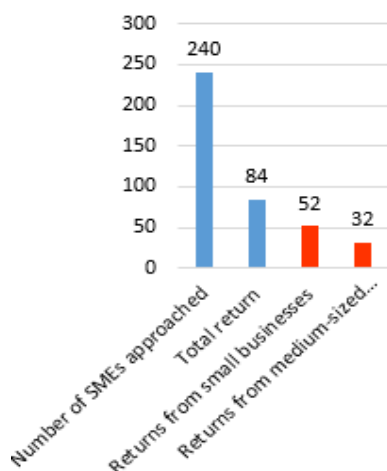


Fig. 1. Return rate of questionnaires by size of enterprise

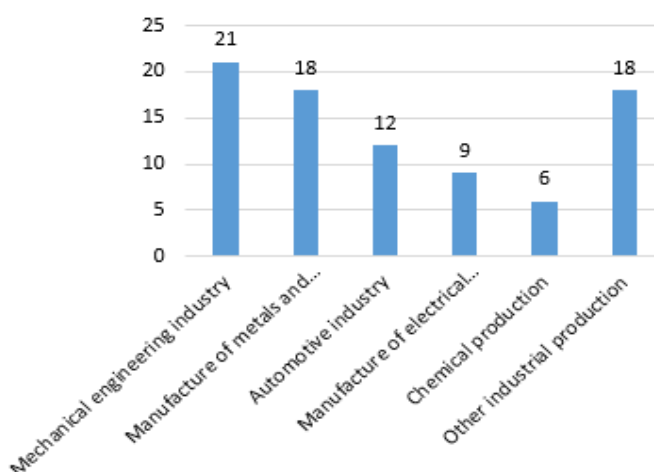


Fig. 2. Return rate of questionnaires by industry sector

The questionnaire asked 11 questions, of which 6 questions were multiple choice, 4 questions were open-ended and 1 question was semi-closed.

1. *Which factors in your company influence the organisation and the level of application of financial management? (Open question)*

The first question asked which factors have an impact on the organisation and the level of application of financial management in a given enterprise. The answers of the respondents show:

- The level of application of financial management in SMEs is mostly influenced by the size of the enterprise, the nature of the business, the interests of the owners and market influences.
- Financial management is usually the responsibility of one person in small industrial enterprises. Financial management is handled by the owner, the manager, or a business consultant. In medium-sized enterprises, financial management is usually the responsibility of the financial manager or the head of the finance and accounting department. The use of external financial advisors is rather rare.

- The causes of insufficient implementation of financial management in small and some medium-sized enterprises are mainly the lack of knowledge about the importance and necessity of financial management, its tasks, methods and tools used, lack of time, lack of qualified human and financial resources.
- Lack of access to internal and external information, especially in small enterprises, does not create favourable conditions for the implementation of financial management tasks.

2. *Which areas of financial management do you consider to be problematic? (You can select more than one area)*

The second question was aimed at finding out which areas of financial management are considered problematic by companies. The most problematic area of financial management was identified by 88% of small businesses as financing, 77% as accounts receivable management and 73% as short-term financial asset management. More than 50% of enterprises identified inventory management and capital allocation to current asset items as problem areas. 78% of medium-sized enterprises identified financing and 56% of enterprises identified receivables management as problem areas (Figure 3).

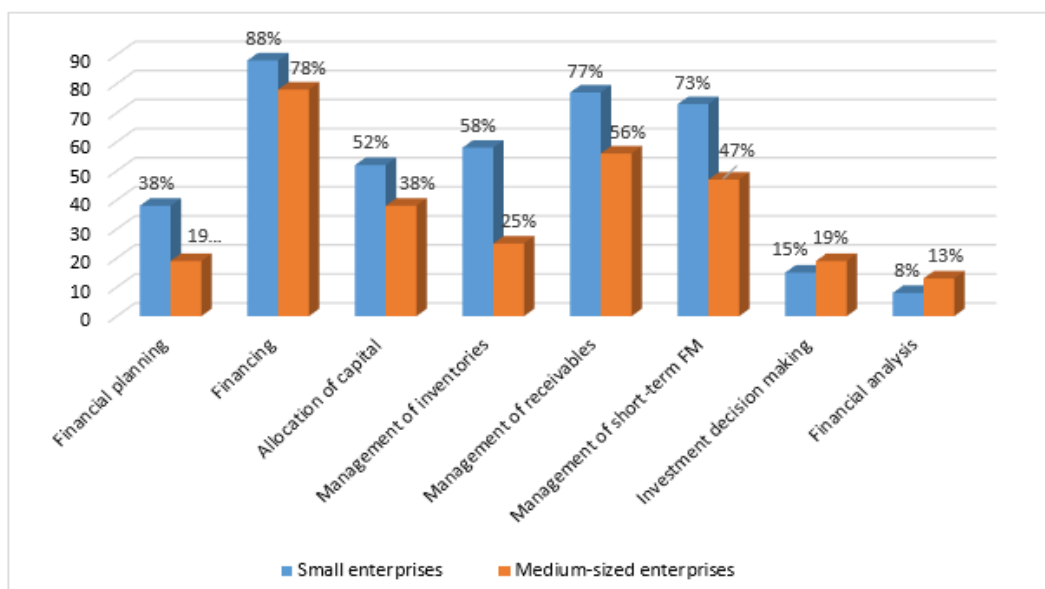


Fig. 3. Problem areas in SME financial management

3. *In your opinion, what are the causes of the problems in the areas of financial management of your company? (Open question)*

With this question, we wanted to find out what businesses see as the reasons that cause problems in the financial management of their business. Based on the most frequently occurring similar statements, the following conclusions can be drawn:

- A critical area for many SMEs is the area of financing. Access to finance for SMEs is more difficult. Banks justify the limited access to bank credit for SMEs by the poor quality of the business plan, the inability of enterprises to repay loans, the low competitiveness of many SMEs, the inefficiency of the technologies used, low labour productivity, the inability to provide sufficient guarantees, unclear ownership structures.
- SMEs rely almost exclusively on their own sources of finance to start up and establish themselves. In business development, own resources (profits and

depreciation) remain an important component of financing. Among external sources of financing, Slovak SMEs most often use leasing, followed by overdrafts and short-term bank loans.

- The scarcity of financial resources leads SMEs to use any available resources without first assessing the appropriateness of using the relevant form of finance. Decisions on the financial structure of the enterprise are therefore mostly encountered in successful firms. These enterprises address two main issues in their financial structure decisions, namely the level of indebtedness and the longevity of the various sources of financing.
- In the context of inventory management, SMEs consider the determination of the appropriate inventory level, supply cycle and size of supply to be of utmost importance. For small industrial enterprises, these variables are most often derived from the volume of specific orders and orders. Many small enterprises try to minimize the volume of inventories and procure the necessary raw materials, materials, semi-finished goods only on the basis of existing need. In medium-sized enterprises, the problem in supply is to determine the optimum size of supplies and the required level of inventory.
- In the area of debt monitoring and recovery, the main problem for SMEs appears to be the lack of a corporate standard that would clearly define the procedures and measures during the recovery process as well as the responsibility for the implementation of individual steps. SMEs justify this shortcoming by a lack of knowledge about the process and possibilities of debt recovery as well as a lack of confidence in the positive results of debt recovery.
- Most SMEs deal with cash fluctuations by taking out overdrafts, timing payments and disbursements, negotiating business terms with suppliers and customers, or taking out a bank loan.
- In many SMEs, owners or managers base investment decisions on their own experience or simple calculations and do not take into account the time value of money, resulting in the selection of inappropriate investment alternatives.
- In many SMEs, financial analysis is not carried out at all or to an insufficient extent. Often, financial analysis focuses only on selected groups of ratios, in particular profitability or activity ratios.
- One area of financial management that is not given adequate attention in SMEs is financial planning. Small enterprises in particular cite difficulties in establishing revenue projections, lack of time to develop plans, as well as lack of knowledge of the planning process and planning methods as reasons for not developing a financial plan.

#### *4. Has your company implemented a sustainability/social responsibility concept?*

This question was aimed at finding out whether companies have implemented a sustainability/social responsibility concept. Out of the total number of SMEs, 47 enterprises (56%) have implemented the concept of sustainability/social responsibility. The remaining enterprises (37 enterprises, i.e. 44%) stated that although they do not have sustainability/social responsibility formally declared, they have to accept the necessity of development, innovation and responsibility towards customers, employees and society in their business. Of the small businesses, 22 (42%) and 25 (78%) of the medium-sized businesses reported that they have implemented the concept of sustainability/social responsibility. This shows that currently small enterprises are less concerned with

sustainability and social responsibility issues compared to medium enterprises. Businesses are not sufficiently aware that sustainability and social responsibility is becoming a necessity in business and businesses that transform themselves early on to become sustainable and socially responsible become more competitive and more reliable for customers, investors and the public.

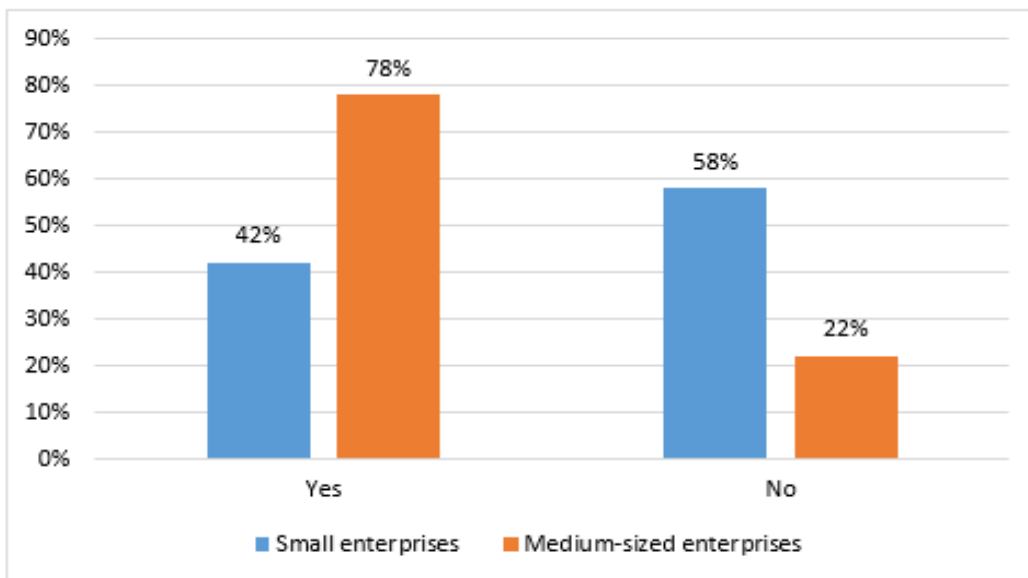


Fig. 4. Implementation of sustainability/social responsibility

5. *What sustainability and social responsibility activities does your company carry out in the environmental field? (Open question)*

The fifth question was aimed at finding out which environmental protection activities are carried out by SMEs. The most common activities that SMEs carry out can be summarised as follows:

- separation of the waste produced to ensure its environmentally sound treatment;
- efficient use of materials in production without large waste and residues, reuse of materials, production from recycled materials, prolonging the life cycle of products/production of remanufactured products (zero-waste economy);
- reduction of emissions and wastewater;
- investment in new greener technologies;
- optimisation or reduction of energy consumption - electricity, heat, gas, fuel;
- use of renewable energy sources (use of waste heat from industrial processes, heat pumps, photovoltaic systems, biomass combustion, etc.);
- reducing the energy consumption of buildings (insulation and replacement of windows);
- implementation of an environmental management system according to ISO standard 14001:2015.

6. *What sustainability and social responsibility activities does your company carry out in the social area? (Open question)*

The sixth question was to find out which social activities SMEs are undertaking for their employees and the communities around them. The most common social activities of the enterprises surveyed included:

- creation of stable jobs with adequate wages, stabilisation of employees, reduction of turnover;
- organising training activities for staff beyond the scope of the statutory training;
- support for career development of employees;
- providing various benefits to employees, especially in medium-sized enterprises, less so in small enterprises. The benefits provided to employees most often include, for example, the introduction of the cafeteria system, under which employees choose their own employee benefits, the introduction of flexible working hours to reconcile work and personal life, the organisation of team building activities for employees, the provision of benefits to employees beyond the scope of the law in accordance with the Collective Bargaining Agreement, the organisation of social and sporting events for employees;
- increase the level of internal communication as a prerequisite for sharing information and knowledge and promoting employee engagement, stability and loyalty;
- philanthropy (supporting athletes, artists, talented youth, etc.);
- implementation of excursions, internships and graduate practice for high school and university students.

7. *What sustainability and social responsibility activities does your company carry out in the eco-nomic field? (Open question)*

With this question, we wanted to find out what economic activities SMEs carry out in the context of sustainability and social responsibility. The most common activities are:

- Ensuring transparency by publishing both financial and non-financial information. The publication of financial statements (financial information) is mandatory for SMEs operating in double-entry bookkeeping.
- Particularly in medium-sized companies, forming good relationships with stakeholder groups (shareholders, management, customers, business partners, employees). In the group of small enterprises, it is mainly a question of bringing together the interests of owners and employees.
- Both small and medium-sized enterprises consider the timely fulfilment of obligations (from trade, to employees, to insurance companies, to the state) to be important.
- Delivering innovation, especially product innovation - manufacturers are forced to take customer requirements into account when designing and manufacturing a product. The customer is the entity in the supplier-customer relationship that sets the requirements for product quality and the supplier is forced to adapt its operational capabilities to these requirements.
- The production of products with higher value added, which is characterised as the difference between the value of output and the value of consumption in production. This means that SMEs in the production programme should have quality products that meet customer requirements, while the production of products must be associated with a reduction in material and energy intensity.
- Implementation and certification of quality management system according to ISO standard (ISO 9001).
- Adherence to a code of ethics, ethical principles and standards of conduct.



8. *From what sources does your company finance sustainable development/social responsibility?*

This question was aimed at finding out how sustainable development and social responsibility activities are financed. The answers show that SMEs mainly use their own re-sources, a combination of own and foreign resources (bank loans, projects) for financing, and to a lesser extent they use other sources (loans and grants from the EU budget, social fund in the case of employee benefits, employee collections - financial, collections of clothes, toys, unnecessary items, etc.).

Small businesses finance sustainability and social responsibility activities from their own resources, less through a combination of own and external resources, and use other sources the least. Medium-sized enterprises finance these activities mostly through a combination of own and external resources, to a lesser extent from own resources and least from other sources (Figure 5).

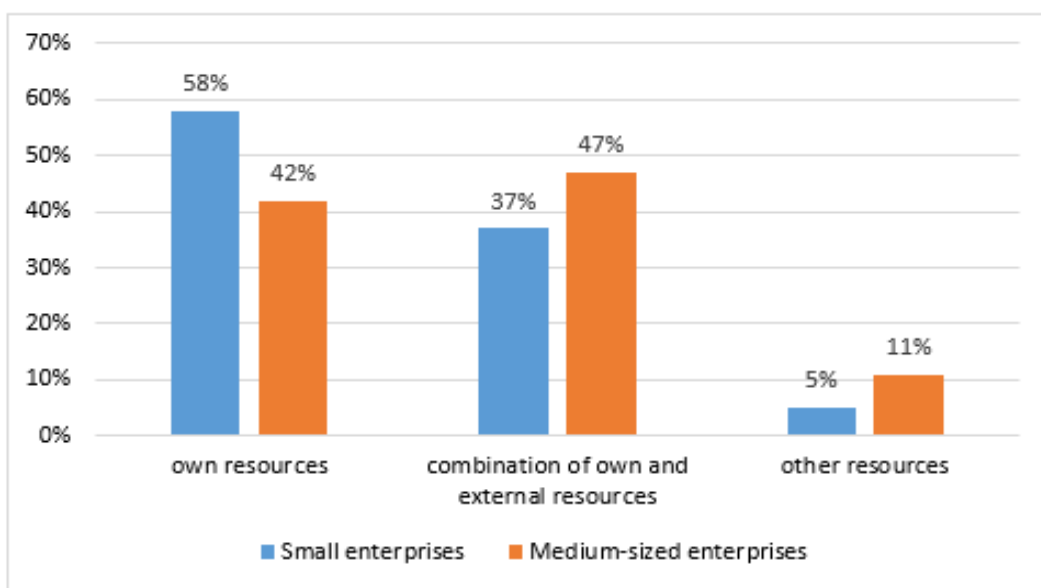


Fig. 5. Financing sustainable development and social responsibility activities

9. *What methods does your company use to evaluate environmental/social investments? (Semi-closed question)*

Question number nine sought information on how SMEs evaluate environmental and social investments. Enterprises could choose from the offered methods of evaluating the effectiveness of investments or give their own answer. When evaluating investments, SMEs mainly focus on assessing the payback period of investments. In addition to the payback period, medium-sized enterprises also use the net present value method when deciding on investment choices.

The responses also showed that SMEs do not pay enough attention to assessing the impacts of investments on sustainable development and sustainable corporate social responsibility. It is desirable to monitor the impact assessment of these activities as their benefits may be demonstrated not only in the short term but over a long period of time.

10. *Divide the 100 points between the disclosure areas according to the importance your company places on reporting financial, environmental and social indicators.*

With this question, we wanted to determine the extent to which SMEs provide information on financial and non-financial indicators. The responses showed that financial indicators

are the most widely reported by enterprises, with environmental and social indicators reported sporadically.

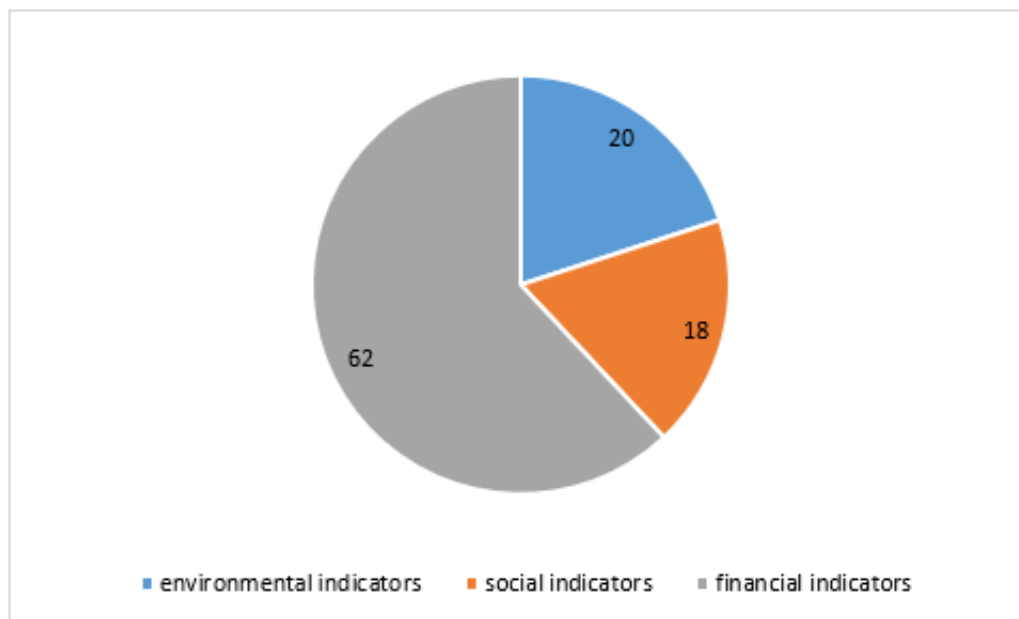


Fig. 6. Importance of reporting indicators and assessing the impact of environmental and social activities on financial indicators according to the scores allocated from the perspective of SMEs

11. *Has the implementation of sustainable development brought about the need to change the management of your company? If yes, please specify your answer. (Semi-closed question)*

More than two-thirds of medium-sized enterprises responded that changes in management were due to innovations, especially technological ones. These changes were mainly related to changes in the organisation of work and the need for further training of employees aimed at developing their knowledge and skills. In the group of small enterprises, there were no significant changes in management. This is probably due to the fact that small enterprises have a simpler management organisation and the responsibility for the management of the enterprise lies with the owners.

12. *Does your company have a sustainability risk concept and indicators to quantify them?*

Comprehensive sustainability risk assessments and metrics to quantify them are not sufficiently implemented by SMEs. Enterprises mostly monitor the environmental impact of their production (e.g., amount and type of waste produced, emissions, energy and input consumption). Some, especially medium-sized enterprises, feel the need to develop a data system to quantify the impacts of the sustainability-related activities carried out by their enterprise.

13. *Do employees of your company participate in educational activities, conferences or other events in the field of sustainable development or social responsibility?*

In the last question, we asked whether the company's employees participate in various sustainability/social responsibility activities. 55% said that their company regularly organises training activities in this area as needed, 30% said that they inform employees about activities in company magazines, leaflets, on the intranet or at work meetings. 11% of companies said that their employees gain their knowledge through self-study, and 4% of companies said that they do not provide training for their employees.

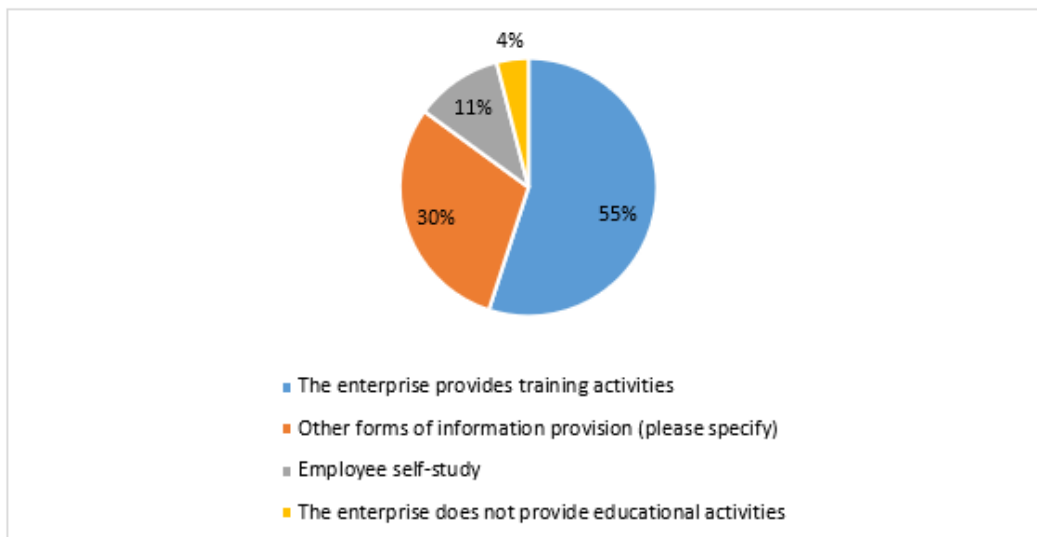


Fig. 7. Forms of employee training on sustainable development/social responsibility

- Today, many businesses, and especially medium-sized businesses, have developed a sustainability strategy and set sustainability targets. Sustainability-oriented enterprises, although they have implemented non-financial indicators to assess environmental and social sustainability, but there is a lack of linking the assessment of the impact of environmental and social measures on the financial performance of enterprises.
- In the area of sustainability, small and medium-sized enterprises focus on waste management measures, reducing wastewater and emissions, reducing energy consumption and input materials. A shortcoming appears to be the fact that the financial impacts of these measures are not sufficiently assessed in SMEs.
- The implementation of environmental measures involves investment. When evaluating investments, SMEs focus mainly on assessing the payback period of investments, but enterprises of this size do not pay enough attention to assessing the impacts of investments in terms of sustainability of development and sustainable business.

#### 4.1. DISCUSSION

A survey conducted by the Slovak branch of the foreign bank UniCredit Bank in February 2022 on a sample of more than 1,000 respondents showed that up to 97% of people consider sustainability and adherence to the principles of social responsibility important. Half of the respondents think that an employer's socially responsible behaviour and its focus on sustainability is as important as maximising profits. A further nearly 20% of survey respondents said that employer sustainability and social responsibility is even more important to them than profit maximisation. Only 12% of respondents agreed with the statement that profit maximisation is the main and only goal of a company. The survey showed that businesses should not underestimate sustainability and social responsibility and these concepts are becoming an important factor for business success. SMEs do not yet have sufficient experience in implementing sustainability and social responsibility and should therefore learn from the experience of large enterprises and multinational corporations in their transformation into sustainable organisations.

Sustainable development processes require changes in all business processes from product design, procurement, production and sales, including care for employees, the environment and management. It is a lengthy, complex and also costly process that requires the commitment of employees in different job roles. For this reason, it is essential to identify an entity to address sustainability issues and its metrics. A study conducted by Deloitte on a sample of German corporations and larger medium-sized enterprises confirmed that CFOs are not only key stakeholders in a company's successful transition to a sustainable enterprise, but are destined to take the lead. CFOs have the perspective to leverage their expertise and create an effective data infrastructure as well as the integrated reporting for all departments needed to successfully address sustainability and social responsibility challenges.

The central finding of this study is that major challenges still lie ahead for most businesses. Four significant factors have been identified:

- Development of new governance and reporting dimensions as needed - driven by the CFO: Successful transformation towards sustainability requires adapting current tax and reporting structures and processes. Sustainability cannot be developed independently of the financial area. Businesses in which the CFO already plays a critical role have made much more significant progress in the transformation process.
- Support in the integration of the sustainability aspect into the data and systems environment: Sustainability requires a new form of data transparency that makes significant use of non-financial indicators. Existing and new systems need to be adapted to provide the necessary data transparency.
- Targeted alignment of employee motivation: a successful transformation requires highly motivated senior management and employees. The usual composition of objectives needs to be aligned with the company's new strategic sustainability goals. This requires the creation of targets that, while continuing to prioritise the success of the business, also take into account its sustainability goals.
- Developing relevant knowledge on sustainability: CFOs need to find new ways of operating and can no longer focus or limit themselves to financial indicators. New types of knowledge are needed. While traditional indicators will continue to be used, there is a need to apply new rules based on non-financial indicators.

In small businesses, owners and top management play a crucial role in their transformation into sustainable businesses, while in medium-sized businesses this role falls to owners, top and middle management, especially heads of finance. For overall success, it is important that the employees of SMEs are also aligned with the idea of sustainability. In the process of sustainable development of SMEs, it is important to identify a range of new roles that need to be secured within financial management. The most important tasks of SME financial management in the context of sustainability can be defined as follows: ensuring sustainable financing, creating a data system enabling the monitoring of financial and non-financial indicators, effective evaluation of the return on investment in sustainability.

*How to ensure sustainable financing?* Securing finance is a prerequisite for sustainable growth and corporate social responsibility. SMEs that rely on their own financial resources grow more slowly because it is more difficult for them to invest. In the current period, the way to overcome the lack of own financial resources to move towards sustainability is to raise external finance provided by the banking sector and EU green investment pro-

grammes. An important factor for raising funds from these sources is the implementation of an ESG strategy. Unlike large companies, especially multinationals, SMEs have little experience in this area. ESG advice is mainly offered by banks, which not only assist in the implementation of an ESG strategy but also provide the means to finance efficient and cost-saving ESG solutions.

The main ESG areas focus on environmental „E“ factors (climate change, waste management and pollution, use of renewable energy), social „S“ factors (respect for human rights, diversity, inclusion and equal opportunities, local community impact and philanthropy) and corporate governance „G“ factors (business ethics, quality of management and board independence). Many investors are guided by ESG performance, not just financial performance, when making investment decisions.

*How to assess sustainability in the context of the financial stability of SMEs?* Kiseľáková, Šoltés (2016) state that indicators such as profit, turnover, added value, costs, liquidity, etc. are very often applied to measure corporate sustainability. Due to the wide range of financial indicators, it is not efficient to apply all financial indicators, so it is important to select the key ones that can demonstrate progress towards sustainability. The analysis and assessment of SME sustainability should not only be based on a traditional assessment of business performance based on financial indicators quantified using accounting data, but together with information on environmental and social factors should form a comprehensive picture of the state of corporate sustainability. In this respect, it is important that companies establish appropriate metrics to measure their sustainability objectives.

Sustainability reporting has not been defined by legislation for SMEs until now and it was up to the company how to measure and report sustainability, and therefore bench-marking between companies was not possible due to inconsistencies in reporting. Wollmert and Hobbs (2021) consider the new EU Corporate Sustainability Reporting Directive (CSRD) as a fundamental change. The 27 EU member states are expected to transform the new directive into national law by 31 December 2022 and, as a result, companies falling within the scope of the directive (listed and large companies) will have to comply with it for fiscal years starting 1 January 2023 and beyond. Listed SMEs are to start reporting information under the Directive from 1 January 2026. The CSRD aims to ensure that companies disclose adequate information on sustainability risks and opportunities, as well as on the impacts they have on people and the environment. SMEs are expected to re-report sustainability information appropriate to their size and resources.

According to the CSRD, sustainability disclosures should include forward-looking and backward-looking information, both quantitative and qualitative. They should also take into account the time horizon (short, medium and long term) and include information on the entire value chain. Businesses will use the new standards for reporting sustainability information in their annual reports, providing individual stakeholders with an integrated view of their environmental, social and performance impacts. In this respect, critical reporting responsibilities will fall to owners or accountants in small businesses and to heads of finance in medium-sized businesses.

*How to ensure sustainable investment?* The current period of turbulent changes resulting from the economic recession, the energy crisis, high inflation and the associated uncertain demand are causes of uncertainty in the business environment, which also affects the investment decision-making of SMEs. The role of state governance is therefore to restore stability and acceptability of the political, economic and social framework, which are key

to successful investment activity, to the growth of business performance, to the protection of the environment and to the improvement of the social environment.

Sustainable investing is focused on reorienting and scaling up investments that contribute to the sustainability goals. Sustainability investments take into account environmental, social and corporate governance factors. SMEs should incorporate sustainability risk assessment into the investment decision-making process, in addition to the traditional methods of evaluating investments for their economic benefits. Different types of investments (financial investments, tangible/real investments, intangible investments) are affected differently by sustainability risks. When making investment decisions in the capital market, investors are already making decisions not only on the basis of the return on investment, but also taking into account sustainability performance. Sustainable development requires high investments in the renewal of equipment and buildings, in the digitisation and automation of business processes. The introduction of technological and product innovations contributes to reducing the environmental burden by reducing emissions, reducing energy intensity, implementing a waste-free economy and so on, but also to changes in the social environment and corporate governance. It is therefore important to consider investments not only from an economic point of view, but also from an environmental and social point of view, as well as from the point of view of SME management.

## 5. SUMMARY AND CONCLUSION

In all areas of business, the importance of sustainability is increasing. The effects on the finance function are already being felt. CFOs therefore need to adapt their understanding of their finance function, capability and service portfolio to meet the new demands. Indeed, finance is a central motivation factor that ensures the successful transformation of an organisation into a sustainable enterprise.

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