CZU: 334.012.63/.64:502.131.1(478) https://doi.org/10.59295/dnwe2025.87

INTERNAL AND EXTERNAL BALANCE AS A MECHANISM FOR THE SUSTAINABLE DEVELOPMENT OF SMEs IN THE REPUBLIC OF MOLDOVA

Anna VOLOSIUC
Moldova State University, 60 Alexei Mateevici, Chisinau, Republic of Moldova
ana.volosiuc@usm.md
ORCID iD: 0000-0002-6748-6661

Purpose of the article: *To examine the mechanisms of internal and external balance that ensure the sustainable development of small and medium-sized enterprises (SMEs) in the Republic of Moldova. The research highlights how SMEs act as an adaptive link between the internal management system and the external economic environment.*

Methodology: *The study applies systemic and institutional approaches, combining qualitative analysis with statistical data from the National Bureau of Statistics and the Organization for SME Development (ODA). The research identifies both exogenous and endogenous factors that influence the sustainability of SMEs.*

Conclusions: *The findings show that sustainable development is achieved through the interaction of external conditions and internal management mechanisms. SMEs play a stabilizing role in the Moldovan economy by maintaining employment, stimulating innovation, and adapting to market fluctuations.*

Originality: *The article proposes an interpretative model of internal and external equilibrium, illustrating how managerial quality and institutional conditions jointly determine the resilience and long-term sustainability of the SME sector.*

Keywords: *sustainability, balance, SMEs, internal and external factors, management mechanisms.*
JEL Classifications: L26, M21, O11, Q01

INTRODUCTION

The sustainable development of national economies increasingly depends on the ability of small and medium-sized enterprises (SMEs) to maintain stability and adapt to ongoing structural changes in the external environment. SMEs constitute the foundation of most economic systems, providing employment, stimulating innovation, and contributing to social and regional cohesion.

In the Republic of Moldova, the SME sector accounts for **98.1%** of all economic entities, employs around **65%** of the labor force in the real sector, and generates over two-thirds of the total volume of goods and services (Parliament of the Republic of Moldova, 2016).

According to data from the **National Bureau of Statistics** (2024)., in 2023 there were **63,266 SME entities**, with a total turnover of **285.9 billion lei**.

As reported annually by the **ODA** (2024), the share of the SME sector in the structure of national production exceeded **70%**, while enterprises in this category generate approximately **60%** of the value added in the economy.

Despite this significant structural role, enterprises face a number of challenges that limit their potential for sustainable growth and competitiveness.

In recent years, Moldovan SMEs have been affected by macroeconomic instability, inflation fluctuations, restricted access to financing, and an increasingly complex regulatory environment.

At the same time, internal difficulties – insufficient managerial competence, a weak innovation culture, and limited long-term planning capacity – reduce their ability to withstand external shocks.

Under these conditions, achieving a balance between internal and external mechanisms of stability becomes a key factor in ensuring the sustainable development of both the SME sector and the national economy as a whole.

The concept of sustainability as applied to small and medium-sized enterprises implies not only economic resilience but also the ability to adapt, restructure, and evolve under the influence of external factors while maintaining internal functionality.

Achieving such equilibrium is possible only through the interaction of several components – economic and financial management, institutional support mechanisms, and social and environmental responsibility.

The dual nature of external and internal influences creates a dynamic system in which sustainability emerges as the result of aligning managerial decisions, institutional conditions, and macroeconomic trends.

The relevance of this research stems from the need to understand the mechanisms of internal and external balance within the SME sector, particularly in the transitional economy of the Republic of Moldova, which is characterized by structural imbalances, dependence on imported resources, and limited institutional support.

Understanding these mechanisms is key to developing effective management models capable of enhancing enterprise resilience and improving the competitiveness of the national economy.

The purpose of this article is to examine the relationship between internal and external factors determining the sustainable development of small and medium-sized enterprises and to identify the mechanisms through which they achieve equilibrium under conditions of economic instability.

To achieve this goal, the following objectives are set:

To identify and classify the main external (exogenous) and internal (endogenous) factors influencing the sustainable development of SMEs in the Republic of Moldova;

To analyze the interrelation between managerial potential, the institutional environment, and macroeconomic conditions;

To develop an interpretative model of internal and external equilibrium as a mechanism for enhancing the resilience of the SME sector.

The structure of the article follows the stated objectives:

The section **"Materials and Methods"** presents the methodological basis of the research;

The section **"Results and Discussion"** includes an analysis of internal and external sustainability factors, as well as the author's equilibrium model;

The **Conclusion** formulates key findings and practical recommendations for strengthening the sustainability of the SME sector in the Republic of Moldova.

MATERIALS AND METHODS

The methodological foundation of the research combines the **systemic** and **institutional** approaches, allowing the SME sector to be viewed as an open socio-economic system whose sustainability is formed through the interaction between internal managerial mechanisms and the external institutional environment.

The study is based on an analysis of statistical data from the National Bureau of Satistics of the Republic of Moldova (2024), reports of the Organization for Entrepreneurship Development (ODA) (2024), as well as international sources – OECD SME Outlook (2023), SME Policy Index (2024), and the World Bank Economic Memorandum (2024).

The following methods were applied:

1. **System analysis** – to study the interconnections between internal and external factors of SME sustainability (Baker, 2016);
2. **Institutional approach** – to evaluate the influence of the regulatory and organizational environment on sustainable development (Borza, 2021);
3. **Economic and statistical method** – to identify the dynamics of enterprise numbers, employment, and turnover during 2020–2024 (Parliament of the Republic of Moldova, 2016);

4. **Content analysis** of strategic documents, including the *Economic Reform Programme 2024–2026* and *Law No. 179/2016 on SMEs* **.**

Object of the research: the sector of small and medium-sized enterprises in the Republic of Moldova.

Subject: the mechanisms of internal and external equilibrium ensuring the sustainable development of SMEs.

The **novelty of the approach** lies in interpreting sustainability through the mechanism of equilibrium that integrates endogenous and exogenous factors into a unified adaptive system (UNDP, 2025; World Bank, 2024).

RESULTS AND DISCUSSION

The results of the conducted research show that the sustainability of the small and medium-sized enterprise (SME) sector in the Republic of Moldova is determined by the complex interaction between external and internal factors, which together form a dynamic equilibrium between enterprise management systems and the institutional environment.

Achieving this equilibrium is a key condition for the transition from a state of economic vulnerability to sustainable development.

The empirical basis of the study includes statistical data from the National Bureau of Statistics (NBS, 2024) and reports from the Organization for Entrepreneurship Development (ODA, 2024) for the period 2020–2024, as well as analytical materials from the OECD (2023) and the World Bank (2024).

Based on their analysis, the main patterns defining the nature of interaction between **endogenous (internal)** and **exogenous (external)** factors were identified.

Accordingly, the first step of the analysis involves examining the external conditions that determine the systemic stability of the sector. The degree of stability of the macroeconomic and institutional environment largely determines how effectively enterprises can implement their adaptive mechanisms and managerial potential.

The external environment remains the decisive element in shaping the resilience of the SME sector.

According to the OECD SME Outlook (2023) and the World Bank Economic Memorandum (2024), the key external constraints include:

– instability of the tax system;

– rising energy costs;

– limited access to long-term financing;

– insufficient efficiency of government support mechanisms.

These issues are further aggravated by the consequences of global crises — energy, logistics, and inflationary – which directly affect production costs and domestic demand dynamics.

Together, these barriers create **institutional instability**, reducing the predictability of the business environment.

As noted in the SME Policy Index (2024), the Republic of Moldova demonstrates **moderate progress** in digitalization and regulatory reforms; however, the level of implementation of programs supporting **innovation and exports** remains insufficient.

The figure illustrates the interconnection between macroeconomic constraints, institutional weakness, and external risks, which together reduce enterprises' adaptive capacity.

Thus, macro-level sustainability can be achieved only through the alignment of fiscal, financial, and industrial policies with the needs of small businesses.

However, even a perfectly structured institutional environment cannot ensure sustainability without an active internal response from the enterprises themselves. In this context, managerial and organizational mechanisms acquire particular importance, as they determine SMEs' ability for self-development and adaptation.

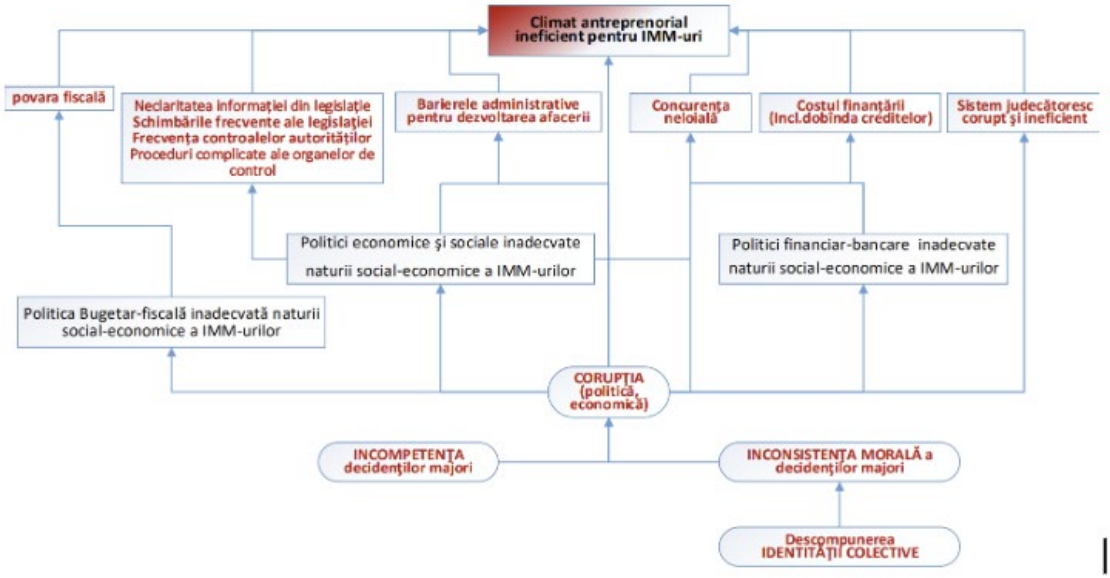


Fig. 1. Synergetic Tree of SME Problems in the Republic of Moldova.
Source: *Data from OECD (2023).*

Alongside external influences, the **internal potential** of enterprises—management quality, professional competence, innovation culture, and organizational flexibility—plays a decisive role in maintaining resilience.

Studies by Borza (2018), Kovács, and Cojocaru (2022) confirm that enterprise sustainability is formed primarily through internal management mechanisms that enable effective responses to market changes.

Nevertheless, analysis of the ODA data (2024) reveals a discrepancy between the theoretical principles of effective management and the actual situation within the SME sector. This gap becomes evident when examining the personnel composition and the level of managerial training.

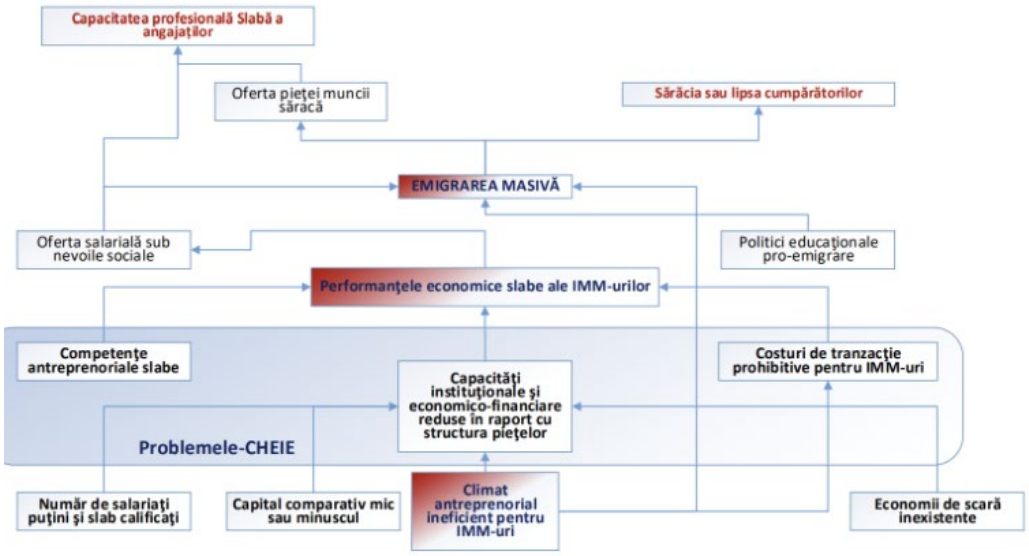


Fig. 2. Performanțele economice slabe ale top și low managerilor ÎMM din Republica Moldova.
Source: *data from OECD (2023).*

According to ODA data (2024), a significant share of small enterprises in Moldova are managed by owners without formal economic or managerial education, which limits their capacity for strategic planning and reduces their innovative potential.

These shortcomings are reinforced by the fragmented internal management structure, the absence of staff motivation systems, and the weak application of modern financial-management tools.

Building sustainability requires a transition from **reactive** to **proactive** management, where the priority shifts from mere survival to adaptive development based on innovation and the rational use of resources (UNDP, 2023).

However, even the most effective management models face systemic constraints embedded in the institutional structure of the economy. Imperfections in the regulatory framework, fragmented support infrastructure, and weak integration into value chains create an external environment within which internal resilience mechanisms operate with reduced efficiency.

The analysis identified several systemic factors hindering the implementation of sustainable-development strategies.

These include the inconsistency of the regulatory environment, the low level of SME integration into value chains, limited innovation-support infrastructure, and weak digitalization of production processes (UNDP, 2025; ODA, 2024).

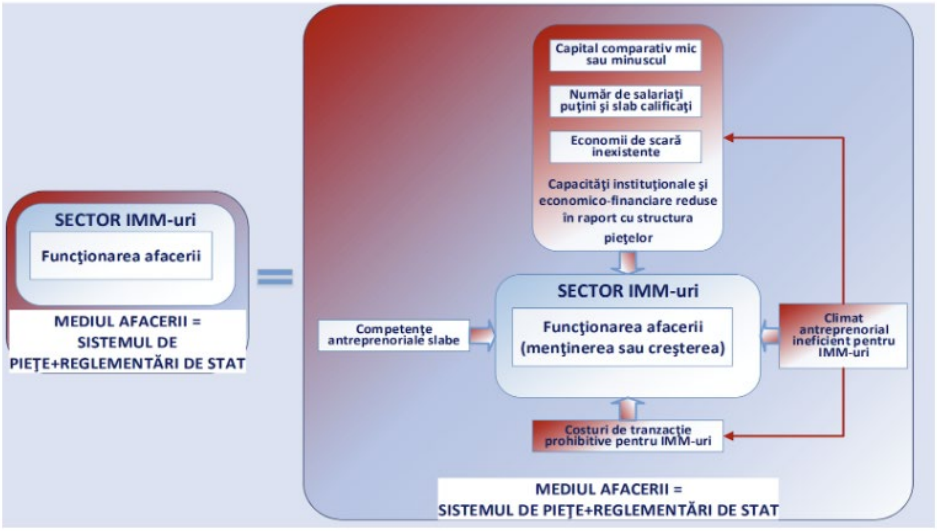


Fig. 3. Factori sistemici ce împiedică strategia de dezvoltare a sectorului ÎMM în Republica Moldova.

Source: *data from OECD (2023).*

As shown in the diagram, these factors form a **closed cycle of institutional dependency**, in which the growth of administrative barriers increases financial risks, which in turn reduce the investment attractiveness of the sector.

As a result, enterprises find themselves in a state of **permanent instability**, where external shocks lead to internal management failures.

To systematize the identified interrelations, a **classification of sustainability factors** was developed.

External (**exogenous**) factors include **tax policy**, **access to credit resources**, **currency fluctuations**, and **energy prices** – all of which define the framework conditions for enterprise operations. Internal (**endogenous**) factors include **managerial qualification**, **innovation activity**, and **organizational structure** – these determine the adaptability and flexibility of the enterprise.

Thus, the sustainability of the system is achieved through a **balance between external and internal influences**, ensuring both **macroeconomic stability** and **managerial efficiency**.

The small and medium-sized enterprise sector acts as the **core link** in the mechanism that maintains this equilibrium.

Due to their multifunctional nature, SMEs connect enterprise-level processes with macroeconomic trends, serving as a key source of **economic dynamics and sustainable balance**.

SMEs perform a **dual role – economic and social**.

They are the main source of employment, a center of innovation, and a stabilizing element of the labor market.

At the same time, SMEs provide the **flexibility and mobility** of the economy, creating the conditions for rapid adaptation to changes in market conditions (Țurcan, 2019; Borza, & Covas, 2018) .

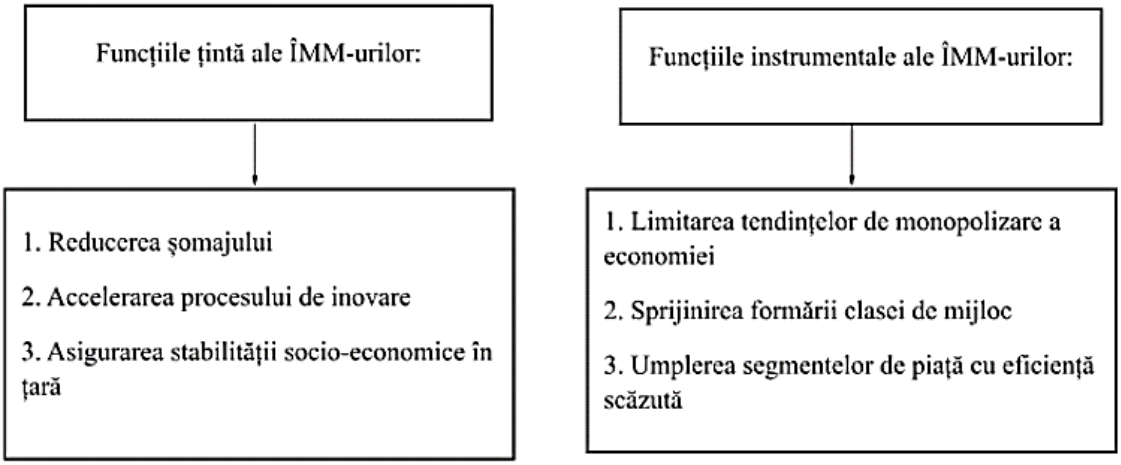


Fig. 4. Functions of Small and Medium-Sized Enterprises (SMEs).

Source: *Elaborated by the author based on (Borza, 2021; Baker, 2016).*

Examining the key functions of the SME sector, several systemic dimensions of its influence on sustainable development can be identified.

From an **economic perspective**, small enterprises foster the creation of a competitive environment, stimulate innovation, expand the labor market, and improve resource allocation efficiency.

From a **social perspective**, they ensure the inclusion of various population groups in economic activity, create conditions for self-employment, and contribute to the development of an entrepreneurial culture in society.

In addition to these systemic roles, SMEs also perform a number of **applied functions** aimed at strengthening economic resilience and balance, including:

– the **innovation-adaptive function**, which ensures the introduction of new technologies and solutions into production processes;

– the **regulatory function**, expressed in the sector's capacity to mitigate the effects of economic crises and unemployment;

– the **integration function**, reflected in the inclusion of small enterprises into cooperative value chains with large businesses;

– the **fiscal and budgetary function**, associated with forming a significant share of public revenues;

– the **social-stimulating function**, aimed at strengthening human capital and developing local communities.

Together, these functions create a **multilevel system** in which SMEs act not only as economic actors but also as institutional intermediaries between the state, the market, and society.

It is precisely the combination of **general and applied functions** that makes the SME sector a **central element of the mechanism of sustainable development and equilibrium**.

The **functional multidimensionality** of SMEs determines their strategic role in maintaining economic dynamics, social stability, and the adaptability of the national economy.

By combining **entrepreneurial initiative, innovativeness, and social responsibility**, small and medium-sized enterprises become the key **link between the state, the market, and society**.

Based on this, there arises a need for a **systemic understanding of the mechanisms** ensuring the sector's overall sustainability.

To provide a holistic representation of these mechanisms, a **conceptual model** was developed, illustrating the interaction of three interrelated levels – **macro**, **meso**, and **micro**, each playing a specific role in forming systemic equilibrium.

At the **macro level**, SME sector sustainability is determined by the quality of national economic policy, the effectiveness of fiscal and budgetary regulation, the degree of institutional stability, and the external economic environment.

Key elements here include the **predictability of the fiscal framework**, **availability of government support programs**, and **integration of the national economy into international trade chains**.

A balanced macroeconomic policy creates the fundamental conditions for stability, reducing uncertainty and ensuring equal development opportunities for enterprises.

The **meso level** reflects the interaction between the state and business through intermediary structures – industry associations, entrepreneurship development agencies, business incubators, chambers of commerce, and local clusters.

This is where **state policy instruments are transmitted** to the level of individual enterprises. The development of SME support infrastructure – financial, advisory, and innovation – enhances competitiveness and facilitates integration into regional and global markets.

At the **micro level**, equilibrium is maintained through **internal management mechanisms**: strategic planning, organizational culture, innovation activity, human capital development, and corporate responsibility.

Efficient resource management, the adoption of digital technologies, the creation of sustainable business models, and the cultivation of human capital provide enterprises with the ability to **adapt to external changes**.

The interaction among these three levels creates a **dynamic system** in which SME sector sustainability emerges as the outcome of aligning **micro-level managerial decisions** with **institutional conditions** at the meso and macro levels.

Such interaction can be characterized as a **self-regulation mechanism**, within which enterprises not only respond to external changes but also exert a **reverse influence** on the institutional evolution of the economy.

In other words, the sustainable development of the SME sector arises at the intersection of three interrelated streams:

– **Macroeconomic stability and institutional predictability**, which establish the operating framework;

– **Meso-level infrastructure and mediation**, which translate government policy into practical growth instruments;

– **Micro-level managerial mechanisms and innovation**, which enable enterprises to adapt, evolve, and maintain competitiveness.

This structural interaction ensures **internally and externally balanced resilience**, where each subsystem performs a function of equilibrium maintenance: the state provides the institutional foundation, the infrastructure transforms incentives, and enterprises realize them through effective management and innovation.

Final Observation

The analysis shows that the SME sector in the Republic of Moldova possesses **significant strategic potential**, but its realization is possible only through the establishment of an **effective mechanism of internal and external equilibrium**.

Economic sustainability should be viewed not as a static condition but as a **dynamic process** of aligning micro-level managerial decisions with macro-level institutional stability and support policies — fully consistent with modern international frameworks presented in **OECD** and **UNDP** reports.

Such interaction forms the foundation for **adaptive and balanced development** of the SME sector, making it a **key component of national economic sustainability**.

REFERENCES

1. Baker, S. (2016). *What is sustainable development?* Routledge.
2. Borza, P. (2021). *Dezvoltare durabilă în Republica Moldova*. ASEM Publishing.
3. Covas, L. (n.d.). *Managementul dezvoltării durabile a întreprinderilor din Republica Moldova prin prisma culturii organizaționale*.
4. Cojocaru, I. (2022). Small and medium-sized enterprises in the Republic of Moldova: Challenges and perspectives. *Economica Journal, 30*(1), 51–67.
5. Gavrilov, A. (2021). Rolul întreprinderilor mici și mijlocii în dezvoltarea economică a Republicii Moldova. *Studia Universitatis Moldaviae, Seria Științe Economice*, 138(8), 25–36.
6. Țurcan, **N.** (2019). *Managementul afacerilor mici și mijlocii în contextul economiei de piață*. CEP USM.
7. Borza, P., & Covas, L. (2018). Strategii de dezvoltare durabilă pentru întreprinderile mici și mijlocii din Republica Moldova. *Economica Journal, 27*(3), 102–116.
8. Organisation for Economic Co-operation and Development (OECD). (2023). *OECD SME and entrepreneurship outlook 2023*. OECD Publishing. https://www.oecd.org/publications/oecd-sme-and-entrepreneurship-outlook-2023-c5ac21d0-en.htm
9. OECD; European Union; European Bank for Reconstruction and Development; European Training Foundation. (2023). *SME policy index: Eastern Partner Countries 2024 – Assessing the implementation of the Small Business Act for Europe*. OECD Publishing. https://www.oecd.org/publications/sme-policy-index-eastern-partner-countries-2024-12e74bf3-en.htm
10. European Commission. (2024). *Annual report on European SMEs 2024/2025: Driving sustainable competitiveness*. Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs. https://single-market-economy.ec.europa.eu/publications/sme-annual-report-2024_en
11. European Commission. (2023–2025). *SME performance review: Moldova factsheet*. https://single-market-economy.ec.europa.eu/smes/sme-performance-review_en
12. United Nations Development Programme (UNDP). (2023). *Resilient and inclusive markets in Moldova (PRIM): Project document 2023–2024*. https://www.undp.org/moldova/publications
13. United Nations Development Programme (UNDP). (2025). *Inclusive growth and SME resilience in Eastern Europe and Central Asia*. https://www.undp.org/european-union/publications
14. World Bank. (2024). *Moldova country economic memorandum 2024: Rebuilding competitiveness*. World Bank Group. https://documents.worldbank.org/en/publication/documents-reports
15. International Monetary Fund. (2024). *Republic of Moldova: Fifth reviews under the ECF/EFF and request for modification of performance criteria* (IMF Country Report No. 2024/208). https://doi.org/10.5089/9798400282218.002
16. National Bureau of Statistics. (2024). *Activity of small and medium-sized enterprises in 2023*. Chișinău. https://statistica.gov.md

17. Organization for Entrepreneurship Development (ODA). (2024). *Annual report on SME sector development in Moldova*. Chișinău. https://www.oda.md/publicatii
18. Ministry of Finance of the Republic of Moldova. (2024). *Economic reform programme 2024–2026*. https://www.mf.gov.md/sites/default/files/ECONOMIC%20REFORM%20PROGRAMME%202024-2026.pdf
19. European Commission. (2024). *Republic of Moldova 2024 report* (SWD(2024) 698). https://enlargement.ec.europa.eu/document/download/858717b3-f8ef-4514-89fe-54a6aa15ef69_en
20. Parliament of the Republic of Moldova. (2016). *Law No. 179 of 21 July 2016 on small and medium-sized enterprises*. *Official Gazette of the Republic of Moldova*, No. 293–305. https://www.legis.md/cautare/getResults?doc_id=105839
21. Organization for Entrepreneurship Development (ODA). (2024). *Annual report on SME sector development in Moldova*. Chișinău