

THE IMPACT ON THE SMALL BUSINESS IN THE AGRICULTURAL SECTOR IN ORDER TO ENHANCE COMPETITIVENESS

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Abstract

This article shows the evolution of SMEs in Moldova. The country's economy depends largely on the development of entrepreneurship. Agriculture was a major component of the Moldovan economy. The last two decades the service sector is the main engine of economic growth in Moldova. For the development of the agrarian sector of Moldova SME sector is of particular importance. Promoting small business in agriculture will ensure the increased competitiveness of the sector.

Key words: business agents, competitive economy, development, entrepreneurship, small business

INTRODUCTION

The development of entrepreneurship is an important element in the process of creation of an efficient and prosperous market economy [4]. Small business, in essence, is a promoter of technological initiatives, a key determinant of competitive economy and the main source of creating new jobs [10]. Small business activity in Moldova began to unfold as independent phenomenon, developing into unfavorable economic conditions and the indefinite transition period from planned economy to market relations economy. In Moldova, SMEs constitute a significant part in the total number of businesses, it provides employment and a modest level of income, it provides market saturation of goods, it participates in the creation of GDP [6].

MATERIALS AND METHODS

Methodological investigations is the economic information the sources published in various books, administrative documents, the National Bureau of Statistics and publications in the field of various scholars. Preference was given to the statistical method of analysis and synthesis.

RESULTS AND DISCUSSIONS

The economy of country depends largely on the development of entrepreneurship, especially in the sphere of small and medium enterprises.

Small business sector in the Republic of Moldova, otherwise as in most developing countries, arose as result of structural reforms, made of the transition from the centralized economy to the market economy [7].

Quantitative impact of SMEs on economic growth is estimated by the indicator weight of SMEs in GDP. The indicator SME share in GDP varies significantly in different countries [1].

Small business enterprises account for over 90% of all businesses, nowadays being considered the backbone of the national economy. In the formation of the gross domestic product, SMEs contributed in 2010 by 28.3% or 6.7 percentage points less than in 2006. The rate of small business agents in the total number of operators has also an increasing trend, although it is not so obvious. Within 20 years, Moldova's SME sector has grown both in terms of quantity and quality. The global economic and financial crisis was reflected negatively on SMEs. The research of crisis impact on the results of this sector, of some groups of SMEs, allows to consider more concrete possibilities and their

restrictions under unfavorable external environment, to argue their improvement of regulatory policy [7].

The considerable increase in the share of small businesses was observed in 1996 (83.3%) compared with 1995 (55.3%); It reached a peak in 2013 (93.3%).

After the decreasing of small business agents, (from 2000 to 2003) there was observed a growth in 2004, to 115.7% (this increase was due to incentives provided by the state of small business in accordance with art. 49 of the Tax Code Moldova). In 2013 SME share is 97.4% (50, 9 thousand units) [2].

The overwhelming majority of small business enterprises is based on private property – 91.3% in 2003 and 90% in 2013.

In the period 2006-2014 SMEs recorded a positive trend in all indicators, which shows that the sector as a whole is profitable and contributes positively to the formation of national income. The best results were recorded in the category of small enterprises.

In Moldova, SMEs account for around 97% of all enterprises in the country and reflects the stable growth of the sector due to both improve the business environment, as well as improving the regulatory framework related to entrepreneurship.

The evolution of the small and medium enterprises in all enterprises in the years 2005-2014 is characterized by the following indicators [2], (Table 1.).

Table 1. The evolution of the small and medium enterprises in all enterprises in the years 2009-2014

Years	Nr of enterprises, thousands			Nr of employees, thousand persons			Sales revenue, mil. lei		
	Total	SMEs	The share of SMEs in total, %	Total	SMEs	The share of SMEs in total, %	Total	SMEs	The share of SMEs in total, %
2009	44.6	43.7	97.8	539.2	316.2	58.7	146,447.0	57,480.0	39.2
2010	46.7	45.6	97.7	526.2	309.4	58.8	177,503.2	65,263.2	36.8
2011	48.5	47.3	97.5	510.2	294.2	57.7	207,676.8	71,887.6	34.6
2012	50.7	49.4	97.5	519.9	300.2	57.7	211,759.3	73,057.0	34.5
2013	52.2	50.9	97.4	524.5	298.4	56.9	231,601.4	77,413.2	33.4
2014	53.7	52.3	97.4	519.0	291.7	56.2	263,051.2	83,650.3	31.8

Source: NBS [2]

Currently, state policy is oriented towards supporting entrepreneurship, it continues to shift, primarily to create a stable and favorable conditions for its development [9].

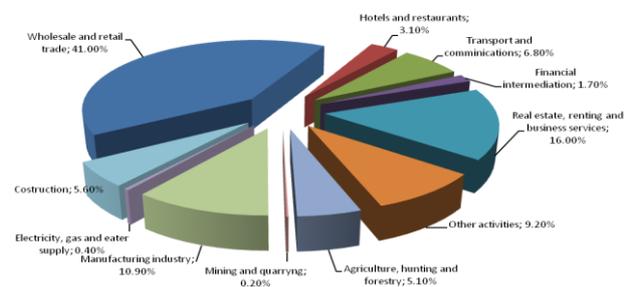
The analysis on growth development of SMEs indicate the average size of enterprises in the sector. Revenues from sales on average per enterprise in 2014 amounted to 1.599 million lei or by 79 thousand (5.2%) more than in 2013. Revenues from sales of SMEs in an employee average is 286,800 lei or by 27.4 thousand (10.5%) more than in 2013. The number of employees on average per enterprise in 2014 was 6 people, being at the level of 2013.

Traditionally, agriculture has been a major component of the Moldovan economy. The

impact of transition to a market economy and, associated with this, collective farms and state disintegration had negative impact on the agricultural sector [3].

Moldova's economy has had a great Agro-industrial tradition, but in the last two decades the services sector is the main engine of economic growth of the country. This sector during the analyzed period reached 63.5% in 2011. The share of agriculture in GDP declined from 31.0% in 2004 to approximately 12.27% in 2013 [2]. However, when the agricultural sector is combined with agro-processing sector, the importance of agriculture as a sector of the Moldovan economy combined represent about 30% of GDP.

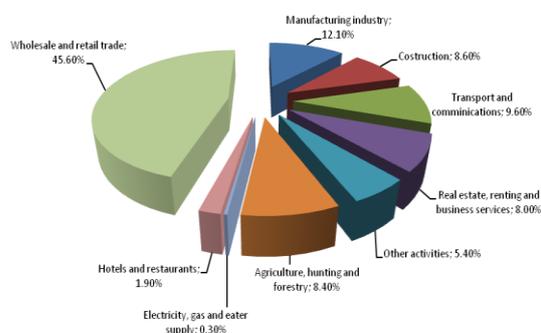
The dynamic evolution of the number of SMEs on the main types of activities is as follows:



2010

Fig. 1. The share of SMEs in the profile of the main types of activities in the year 2010.

Source: NBS [2].



2014

Fig. 2. The share of SMEs in the profile of the main types of activities in the year 2014.

Source: NBS [2].

The major part of SMEs is operating in the field of trade, representing about 20,500 enterprises in 2014, or 45.8% of all SMEs, increasing in 2013 (20.0 thousand enterprises, or 40.0% of total SMEs). In manufacturing industry in 2014 have enabled the SME 4800 or 12.1% of all SMEs. The number of these enterprises compared to the years 2012 and 2013 has declined a hundred enterprises and their share decreased by 0.5 p.p.

Share of agriculture increased in 2014 compared to 2010 by 3.3 pp. (from 5.1% to 8.4%), but the share of SMEs in the agricultural sector is very low – only 2.9 thousand units or 5.5%. Most of these enterprises are micro-enterprises.

In the years 2006-2014 SMEs in most sectors of the national economy recorded downward values development. Except in 2009, revenues

from sales decreased in all branches of activity of small and medium enterprises, in addition to financial activity.

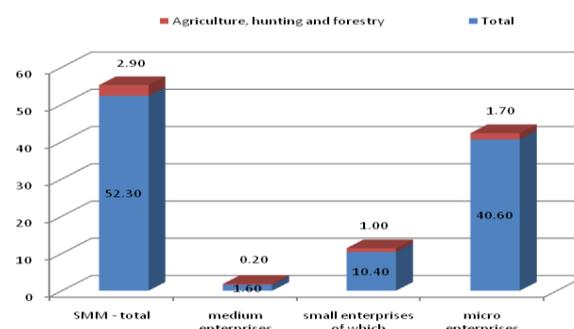


Fig. 3. Number of SMEs in the agriculture sector in the years 2010-2014.

Source: NBS [2].

Thus, if in 2009 the revenues from sales of SMEs decreased compared to 2008 by 7504.1 million lei, then in 2010-2014 they increased significantly.

This is due to the flexibility of SMEs, most if complying with micro class, which are characterized by an additional volatility (it restructures and refocuses more quickly).

Efficient funding of the business sector, especially in agriculture, depends largely on government policy in supporting small business. That is why the support of the state has a great importance for small business. It could be conditioned by two factors, namely, primarily small business has a social and macroeconomic effect, and secondly it is in conditions of unequal competition. In conditions of unequal competition, the basis could be organizational support, special legal and economic assistance and foundation stage [9].

CONCLUSIONS

For the development of the agrarian sector of Moldova SME sector is of particular importance.

Feature key indicators of SMEs, assessing of the potential and contribution of this sector in the economic development of Moldova's evolution, including the crisis last year, will enable to identify areas of strength and weaknesses of Moldovan SMEs compared to

other European countries, to argue the main directions and measures to support the state.

The crisis has had an impact on several indicators characterizing socio-economic development of countries it also had a negative impact on business development.

SMEs in Moldova participates quite active in the production of goods and services, meet demand, especially on the internal market. Characteristic for Moldova is lack of cooperation between large enterprises and SMEs, so SMEs contribute primarily at the consumer market saturation.

The support and development of SMEs increase trust between business and authorities, creating a more favorable environment for business also to achieve other economic policies – by sectors, regional, investment, innovation and so on.

Currently, small businesses are at the inalienable and most dynamic market economy as well as being a promoter of technological and economic initiatives, a primary source of innovation and an important determinant of high productivity and competitive economy, being also relevant for the Republic of Moldova.

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