

THE SMALL AND MEDIUM ENTERPRISES AS THE BASIC COMPONENT OF THE ENTREPRENEURIAL ACTIVITY IN THE REPUBLIC OF MOLDOVA

Liliana GRINCIUC

The State Agricultural University of Moldova, 44 Mircesti, Chisinau, Republic of Moldova,
Phone: + 373 22 432 432, Email: lgrinciuc@gmail.com

Corresponding author: lgrinciuc@gmail.com

Abstract

The aim of the research was to study and put into evidence the importance of the small and medium enterprises as the basic component of the entrepreneurial activity in the Republic of Moldova. As a result of the investigated research topic, it can be noted that during the last 5 years, the number of small and medium enterprises was growing steadily, increasing from 43.7 thousand enterprises in 2009 to 50.9 thousand enterprises in 2013, the sector had a share about 97.4 percent of the total number of registered enterprises in the year 2013. The growing results were recorded in the last two years on revenue of the sales and obtained profit, and according to the types of activities the most of the requested enterprises are those in the wholesale and retail, sector rentals, real estate transactions and activities to provide services for enterprises.

Key words: competition, income, innovation, market economy, micro enterprises, products, services, small and medium enterprises

INTRODUCTION

Contemporary economy is presented by a wide variety of enterprises and their structures; their dimensions, roles and features are greatly diversified. Currently small and medium-sized enterprises (hereafter SMEs) are the most common form of business organization, which fulfils various economic, technical and social functions. There is no country with a market economy without any SMEs. SMEs are an important development factor of each nation's economy; they are also called "the backbone of the economy"[4]. The role and importance of SMEs in the national economy development is characterized by some features, and namely:

- direct contribution to the gross domestic product in every country, usually between 55-95%;
- creation of new jobs;
- competition enhancement;
- export growth;
- innovation and technology promotion[6].

If compared with large enterprises, SMEs are more flexible and react more rapidly to the changes of the business environment and

market requirements, they provide the staff with the opportunity to enhance their qualifications and to apply for the positions in large enterprises, they also enhance competition and improve the functioning of large enterprises, providing various services or producing various subsets; they manufacture products and provide services in terms of efficiency [1].

Thus, the described sector of the national economy offers relevant possibilities to implement creative entrepreneur skills and leadership abilities; investments in this sector result in higher incomes.

MATERIALS AND METHODS

The research has been conducted based on the information and studies on SMEs as key components of the entrepreneurial activity in the Republic of Moldova. In order to study the issue we have used professional literature, the data of the National Bureau of Statistics of the Republic of Moldova and the Ministry of Agriculture and Food Industry. The analytical count method as well as the table method and the graphical method have been used to interpret the gathered information and

calculations. The analysis method was applied to interpret the results. The authors have used the method of induction and deduction to draw conclusions.

RESULTS AND DISCUSSIONS

The interest in one's own business is being increased along with the transition to new market relations. The humanity is going through a new economy type, the knowledge-based economy where a knowledge-based company is its main component. The studies so far show that the prototype of a knowledge-based company is a small or medium-sized enterprise. These organizations have become increasingly important in the contemporary society, because the development of this sector increases the prosperity and improves living standards of the population; it also represents a number of important factors for the social stability, such as:

- Both production and economy increase;
- Contribution to the creation of new jobs;
- Diversification of products and services in the market;
- Product quality improvement and consumer demand satisfaction;
- Different people's self-realization, ensuring their economic freedom;
- Welfare increase;
- Profitable investment direction, initiated from one's own sources;
- Rapid adjustment of the range of products and services to the market demand;
- Development of the entrepreneurial spirit;
- Formation of middle class homeowners that would ensure stability in the society, etc.

Thus, firstly, SMEs contribute to the improvement of the economic situation and stimulate its growth. This increase results in the income for the state budget by means of the tax system, the income can then be distributed to the other members of the society. SMEs also contribute greatly to the diversity of products and services, increasing their quality and, as a result, the consumer demand is satisfied. Having reduced material and financial resources, SMEs are not able to produce large quantities of homogeneous

goods, therefore, in order to succeed they use gaps in the market or create new markets themselves, providing a wide range of products that would meet the tastes and requirements of different groups of consumers.

In the Republic of Moldova, the SME sector emerged as a result of the transition from the centralized economy to the market economy in the late 1990s. At that time there was an explosion in the development and establishment of SMEs, which resulted in their strong position in the national economy [2]. Taking into consideration the importance of the small and medium-sized enterprises sector in ensuring the sustainable country development, the Moldovan Parliament adopted the Law nr. 206 of July 7, 2006 on supporting the small and medium-sized enterprises sector, which provides three types of companies:

- micro enterprises – the annual average number of employees is not more than 9 people, the total annual sales revenues is not more than 3 million lei and the total annual value of the assets does not exceed 3 million lei;
- small enterprises – the annual average number of employees is not more than 49 people, the total annual sales revenues is not more than 25 million lei and the total annual value of the assets does not exceed 25 million lei;
- medium-sized enterprises – the annual average number of employees is not more than 249 people, the total annual sales revenues is not more than 50 million lei and the total annual value of the assets does not exceed 50 million lei [5].

During the last 5 years the number of SMEs was increasingly growing, from 43,700 companies in 2009 to 50,900 enterprises in 2013.

The SMEs sector represents about 97.4% of the total number of registered enterprises in 2013 [3].

The evolution of SMEs in the period 2009 - 2013 is presented in Table 1.

Table 1. The evolution of SMEs in Moldova during the years 2009 - 2013

Years	The number of enterprises, thousand		
	The total	SMEs	The share of SMEs in the total, %
2009	44.6	43.7	97.8
2010	46.7	45.6	97.7
2011	48.5	47.3	97.5
2012	50.7	49.4	97.5
2013	52.2	50.9	97.4

Source: the National Bureau of Statistics of the Republic of Moldova, Entrepreneurship

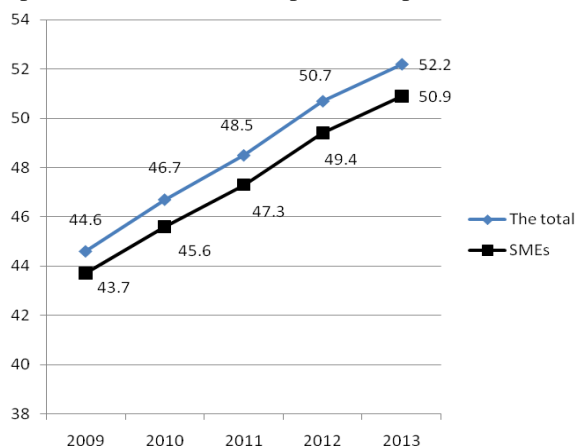


Fig. 1. The dynamic evolution of SMEs in Moldova in 2009-2013, thousand units.

Source: developed by the author.

The current status of SMEs can be characterized by such indicators as: the number of employees or workers, the amount of revenues from sales and financial results characterized by the amount of registered profits or losses. In the last 5 years there has been a decrease in the number of people working in SMEs [3].

In 2009 the number of employees amounted to 316,200 people, or 58.7% of the total number of employees, in 2013 their number decreased by 17.8 thousand and was 298,400 people, which is 1.8% less than in 2009.

As for the amount of income from sales, it is evident that it was increasing in that period.

In 2009 the revenues from sales amounted to Lei 57,480 mil., in 2013 the number increased by Lei 19,933.2 mil. lei and was Lei 77,413.2 mil. (Table 2).

Based on the data presented in Tables 3 and 4, we are going to analyze the dynamic evolution of the number of SMEs and revenues from sales according to the main types of activities [3].

Table 2. The evolution of the number of employees and revenues from sales at SMEs in 2009-2013

Years	The number of employees, thousand people			Revenues from sales, mln. lei		
	The total	SMEs	The share of SMEs in the total, %	The total	SMEs	The share of SMEs in the total, %
2010	526.2	309.4	58.8	177,503.2	65,263.2	36.8
2011	510.2	294.2	57.7	207,676.8	71,887.6	34.6
2012	519.9	300.2	57.7	211,759.3	73,057.0	34.5
2013	524.5	298.4	56.9	231,601.4	77,413.2	33.4

Source: The National Bureau of Statistics of the Republic of Moldova, Entrepreneurship

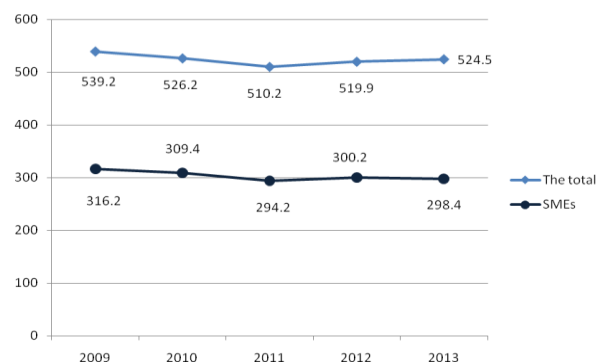


Fig. 2. The dynamic evolution of the number of employees at small and medium-sized enterprises, thousand people.

Source: developed by the author.

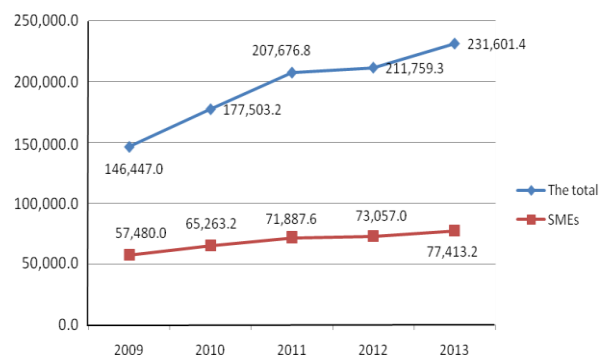


Fig. 3. The dynamic evolution of revenues from sales of small and medium-sized enterprises, mln. lei.

Source: developed by the author

Taking into account the data provided in Table 3, it is obvious that the largest number of SMEs may be found in the wholesale and retail sector, which is 20,400 units of the total of 50,900 units registered in 2013 or by 400 units more than in 2012.

Table 3. The dynamic evolution of the number of SMEs according to the main types of activities in 2012-2013

Types of activities	2012			2013			2013 in % as compared to 2012
	SMEs (thousand units)	The share of SMEs in:		SMEs (thousand units)	The share of SMEs in:		
The total of enterprises, %		The total of SMEs, %	The total of enterprises, %		The total of SMEs, %		
The total, including the main types of activities of enterprises:	49.4	97.5	100	50.9	97.4	100	102.9
Agriculture, hunting and forestry	2.5	97.6	5.0	2.7	97.6	5.2	107.0
Manufacturing	4.9	95.8	9.8	4.9	95.3	9.6	100.1
Electricity, gas and water	0.2	86.8	0.5	0.3	88.1	0.6	118.9
Construction	2.7	96.9	5.5	2.7	96.7	5.3	99.1
Wholesaling and retailing	20.0	97.8	40.5	20.4	97.6	40.0	101.6
Hotels and restaurants	1.7	99.4	3.4	1.7	99.4	3.3	102.6
Transport and communication	3.3	98.1	6.7	3.4	97.9	6.7	102.5
Real estate, renting and services for enterprises	8.5	98.4	17.2	9.0	98.3	17.6	105.8
Other activities	5.7	97.1	11.5	6.0	96.5	11.7	105.3

Source: the National Bureau of Statistics of the Republic of Moldova, Entrepreneurship

Other 9.0 thousand units of SMEs in 2013 are registered in the sphere of real estate transactions, rent and services provided for the enterprises, it is by over 500 units more than in 2012.

Then the manufacturing sector comes which remains at the same level in the last two years and equals to 4,900 units. If we analyze SMEs in agriculture, hunting and forestry, we can mention that in 2013 their number increased by 200 units as compared to 2012.

The number of SMEs in the transport, communication, electricity and gas sector increased by 100 units in 2013 as compared to 2012.

These data prove once again that the interest in one's own business is constantly growing. Analyzing the amount of revenues from sales according to the main types of activities from both Table 4 and Fig.4., we can conclude that the highest revenues are registered at the SMEs that operate in the wholesale and retail sector, accounting to Lei 36,333 mil. in 2013 or by Lei 34 mil. more than in 2012.

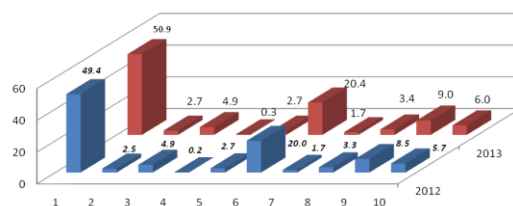


Fig. 4. The dynamic evolution of the number of SMEs according to the main types of activities.

Source: developed by the author

Legend: 1.SMEs, 2.agriculture, hunting and forestry; 3.manufacturing; 4.electricity, gas and water; 5.construction; 6.wholesaling and retailing; 7.hotels and restaurants; 8.transport and communication; 9.real estate, renting and services for enterprises; 10.other activities

Table 4. Revenues from sales of SMEs according to the main types of activities

Activity	2012				2013			
	The total, mln lei	SMEs mln lei	The share of SMEs in:		The total, mln lei	SMEs mln lei	The share of SMEs in:	
			The total of enterprises%	The total of SMEs %			The total of enterprises%	The total of SMEs %
The total, including the main types of activities of enterprises:	211,759.3	73,057.0	34.5	100.0	231,601.4	77,413.2	33.4	100.0
Agriculture, hunting and forestry	7,257.6	4,930.3	67.9	6.7	8,931.6	6,157.8	68.9	8.0
Manufacturing	33,265.7	9,522.8	28.6	13.0	37,144.2	9,640.9	26.0	12.5
Electricity, gas and water	22,355.2	261.8	1.2	0.4	19,402.9	236.3	1.2	0.3
Construction	8,439.8	5,349.9	63.4	7.3	10,572.3	6,109.9	57.8	7.9
Wholesaling and retailing	98,590.9	36,299.0	36.8	49.7	107,906.2	36,333.0	33.7	46.9
Hotels and restaurants	1,830.5	1,365.8	74.6	1.9	1,998.9	1,482.0	74.1	1.9
Transport and communication	19,423.7	6,885.1	35.4	9.4	21,273.0	7,700.6	36.2	9.9
Real estate, renting and services for enterprises	8,021.7	5,177.2	64.5	7.1	2,909.3	5,942.4	204.3	7.7
Other activities	12,574.2	3,265.0	26.0	4.5	21,463.1	3,810.3	17.8	4.9

Source: The National Bureau of Statistics of the Republic of Moldova, Entrepreneurship

Then, on the 2n position came the manufacturing sector which had revenues of Lei 9,640.9 mil. in 2013, it is by Lei 118.1 mil. more than in 2012.

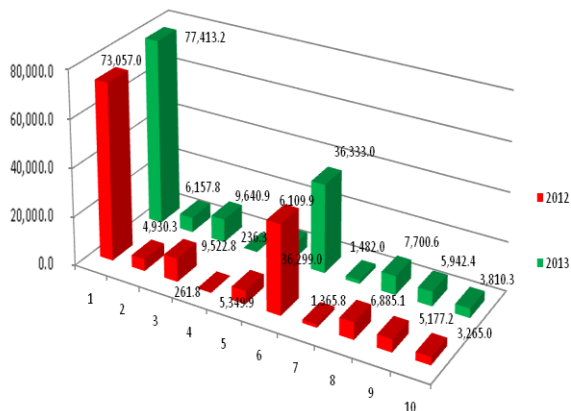


Fig. 5. Revenues from sales of SMEs according to the main types of activities.

Legend: 1.SMEs, 2.agriculture, hunting and forestry; 3.manufacturing; 4.electricity, gas and water; 5.construction; 6.wholesaling and retailing; 7.hotels and restaurants; 8.transport and communication; 9.real estate, renting and services for enterprises; 10.other activities

Table 5. The financial results achieved by SMEs in the period 2012-2013

Types of activities	Profits (+), losses (-) before taxation, mln lei							
	2012				2013			
	SMEs - the total	including			SMEs - the total	Including		
	medium-sized	small	micro		medium-sized	small	Micro	
The total	1,084.6	393.6	715.9	-24.8	2,008.5	657.1	1,267.3	84.2
including the main types of activities of enterprises:								
Agriculture, hunting and forestry	-53.5	29.1	-41.6	-40.9	389.7	195.9	187.0	6.8
Manufacturing	9.8	32.0	2.9	-19.3	316.6	216.1	107.1	-6.5
Electricity, gas and water	-42.4	-22.9	-17.1	-2.3	3.9	28.8	-11.8	-13.1
Construction	97.0	-4.2	84.9	16.3	350.7	155.2	174.7	20.8
Wholesaling and retailing	695.4	271.6	540.5	-116.6	620.3	210.1	551.4	-141.2
Hotels and restaurants	-119.9	-14.4	-57.7	-47.7	-115.2	-12.8	-60.2	-42.3
Transport and communication	-37.1	-6.8	-48.6	18.3	118.5	82.3	37.1	0.8
Real estate, renting and services for enterprises	469.1	72.1	251.2	145.8	252.7	-216.6	257.2	212.1
Other activities	66.2	37.2	7.3	21.7	71.3	-2.0	24.8	48.4

Source: the National Bureau of Statistics of the Republic of Moldova, Entrepreneurship

The rest of the SME sectors have registered an increase of revenues from sales in 2013 as compared to 2012, except the sector of electricity, gas and water: the revenues from sales decreased by Lei 25.5 mil. in 2013 as compared to 2012.

The situation with SMEs in the country can be characterized by analyzing their financial situation determined by the amount of profits or losses recorded in the last two years.

The amount of profits / losses before taxation gained by small and medium-sized enterprises was Lei 2,008.5 mil. in 2013, or by Lei 923.9 mil. more than in 2012.

The losses were registered only at the enterprises from the sector of hotels and restaurants.

Having analyzed the SMEs sector in the Republic of Moldova, we notice that the most demanded fields of business are wholesaling and retailing, real estate transactions, renting and services for enterprises. According to the content, this shows that the mentioned sectors imply no maximum risks and the high speed of assets rotation provides a short-term payback, which presents a great advantage for them.

CONCLUSIONS

SMEs are an important development factor of each nation's economy; they are also called "the backbone of the economy". The development of this sector provides prosperity and improves living standards of the population; it also represents an important factor of the social stability. SMEs are the main force for the socio-economic development, ensuring the sustainable economic growth of the country, as well as the largest business sector in any country with a market economy. SMEs generate most of the GDP of each country; provide most jobs; are the main promoters of the knowledge-based economy. As SMEs are more flexible and react more quickly to the changes of the business environment as well as market demands, it is demonstrated by their practice that investments in SMEs lead to higher incomes than investments in large enterprises. Thus, we can conclude that the small and medium-sized enterprises need to be supported by the state by creating stable legal and economic conditions, favourable to the development of the entrepreneurial activity in Moldova.

REFERENCES

- [1] Certan, S., 2012, Teoria administrării afacerilor. Chişinău: CEP USM, 400 p.
- [2] Chişlari, E., 2005, Antreprenoriatul: diversitatea

modelelor și mecanismelor de realizare. Chișinău:
Editura ASEM, 217 p.

[3]Date statistice privind activitatea întreprinderilor
mici și mijlocii în R. Moldova//www.statistica.md.

[4]Drucker, P., 1993, Inovația și sistemul antreprenorial,
Editura Enciclopedică, București, pp.25.

[5]Legea privind susținerea sectorului întreprinderilor
mici și mijlocii nr.206-XVI din 07.07.2006.

[6]Nicolescu, O. 2011, Managementul întreprinderilor
mici și mijlocii: concept, metode, aplicații, studii de
caz. București: Editura Economică, 448 p.