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**BARRIERS TO THE DEVELOPMENT AND OPERATION
OF SMALL AND MEDIUM ENTERPRISES**

**BARIERY ROZWOJU I FUNKCJONOWANIA MAŁYCH
I ŚREDNICH PRZEDSIĘBIORSTW WOJEWÓDZTWA ŚLĄSKIEGO**

Summary: Small and medium enterprises are crucial for the functioning of the Polish economy, contributing to the economic growth of the country. However, companies in this sector face many barriers to their development. The paper presents results of studies conducted in a group of entrepreneurs from the region of Silesia. The aim of the study was to find out the opinions of entrepreneurs about the various difficulties encountered in their work and to answer the question to what extent the economic crisis of recent years has affected the condition of the surveyed enterprises.

Key words: Small and medium enterprises, barriers to the development, economic crisis

Streszczenie: Małe i średnie przedsiębiorstwa są niezmiernie istotne dla funkcjonowania gospodarki polskiej, przyczyniają się do wzrostu gospodarczego kraju. Jednakże przedsiębiorstwa z tego sektora napotykać na wiele barier utrudniających ich rozwój. W opracowaniu przedstawiono wyniki badań

przeprowadzonych w grupie przedsiębiorców z obszaru województwa śląskiego. Celem badania było poznanie opinii przedsiębiorców na temat różnego rodzaju utrudnień, na jakie napotykają w swojej działalności oraz uzyskanie odpowiedzi na pytanie, w jakim stopniu kryzys gospodarczy z ostatnich lat wpłynął na kondycję badanych przedsiębiorstw.

Słowa kluczowe: małe i średnie przedsiębiorstwa, bariery rozwoju, kryzys gospodarczy

Introduction

Small and medium-sized enterprises are very important for the functioning of the Polish economy. This sector became the main source of economic growth in Poland after 1992. Now it has a large share in the total number of enterprises, and significant share in GDP generation and creation of jobs. Despite a huge diversity in forms of ownership and organisational and legal forms, the sector of small and medium-sized enterprises has some common characteristics that distinguish it from the sector of large enterprises. They include: high flexibility, use of non-standard technological processes, offering original products, innovativeness and creativity¹.

1. Barriers limiting the development and functioning of small and medium-sized enterprises

Academic literature extensively discusses barriers to the development and functioning of small and medium-sized enterprises. We can distinguish entry barriers, which impede the establishment of a company and its initial stage of operation, and development barriers, which constrain further functioning of a company on the market.² The most important barriers include:

- Legal barriers - one of most burdensome barriers. One of the first obstacles that an entrepreneur encounters is a bureaucratized and laborious procedure of setting up a company.
- Tax barriers - unclear tax law which allows for different interpretations of tax regulations; lack of transparency and clarity is also one of the main barriers.
- Financial barriers - today small and medium-sized enterprises have a number of possibilities of using various forms of financial support for their development, such as: credits, loans, guarantees for loans, leasing, factoring, franchising, etc. Some of them are addressed to this sector. An important issue is low awareness of these possibilities among entrepreneurs³.
- Market barriers - lack of appropriate resources that allow an enterprise to adapt to the situation, look for new markets or buyers.
- Social barriers - often negative perception of an entrepreneur by the society⁴.

¹ *Bariery w korzystaniu z usług bankowych w finansowaniu działalności małych i średnich przedsiębiorstw*, red. J. Bilski, E. Stawasz, Wydawnictwo Uniwersytetu Łódzkiego, Łódź 2006; M. Smolarek, *Planowanie strategiczne w małej firmie*, Oficyna Wydawnicza „HUMANITAS”, Sosnowiec 2008, p. 58-62.

² *Finansowanie MSP w Polsce ze środków finansowanych z UE*, red. E. Latoszek, Szkoła Główna Handlowa w Warszawie, Warszawa 2008.

³ M. Smolarek, J. Dzieńdziora, *Wybrane zewnętrzne źródła finansowania rozwoju małych i średnich przedsiębiorstw w Polsce*, Zeszyty Naukowe Wyższej Szkoły Humanitas, Zeszyt 2/2011, Seria: Zarządzanie, p. 7-25.

⁴ *Małe i średnie przedsiębiorstwa, Szkice o współczesnej przedsiębiorczości*, red. T. Łuczka, Poznań 2007.

Apart from the barriers mentioned above, the situation of small and medium-sized enterprises has been significantly affected in recent years by the world economic crisis. The crisis in Europe started a bit later and was largely a reaction to negative news from the United States, but its consequence were comparable. They included:

- loss of trust between banks and rating institutions,
- inhibition of credit activity and decrease in real production.

The Polish economy turned out less resistant to the world crisis than it had been thought in its initial phase. The economic policy of the Polish government and companies' adaptability were used to appease the crisis in Poland and make it less costly, but they could not prevent problems that had their sources abroad.

2. Barriers impeding the development and functioning of small and medium-sized enterprises in the light of own research

The aim of the research was to identify barriers and impediments encountered by small and medium-sized enterprises in the conditions of economic slowdown. The research was conducted in the first half of 2013 and covered a group of enterprises from the area of Silesian Voivodeship.

The research tool was survey questionnaires, sent to 250 enterprises, of which 180 questionnaire replies were received. Verification showed that 159 questionnaire replies had been filled in correctly⁵.

Most participants of the survey were enterprises employing from 1 to 9 people (66%), with majority of them providing services (65%). Almost 80% of the enterprises surveyed have been continually carrying out their activity for over 15 years. Table 1 presents a detailed characterisation of the entities surveyed.

One of specific aims of the survey was to find out how entrepreneurs perceive the economic situation of their companies in the conditions of an economic crisis. Fig. 1 presents the results of this assessment.

Table 1. Characterisation of the enterprises surveyed

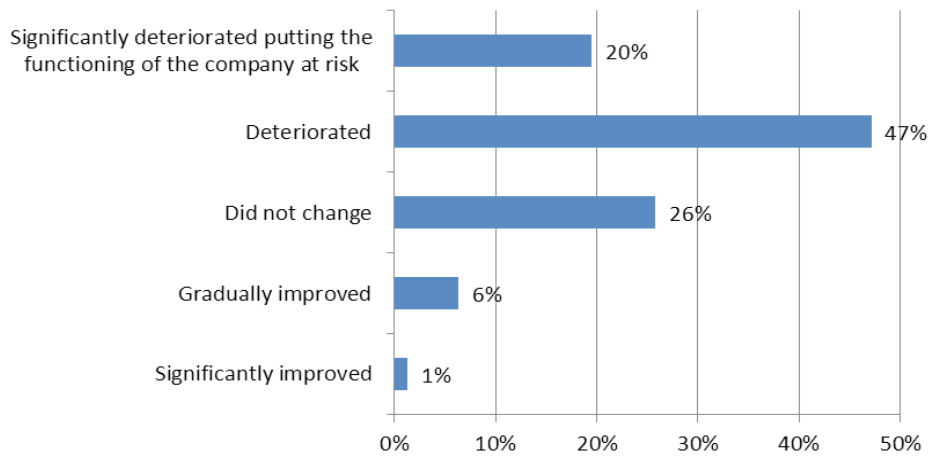
Enterprise type in terms of employment		
	Number of enterprises	Percentage
Micro-enterprises (1-9 people)	105	66.04
Small enterprises (10-49 people)	43	27.04
Medium-sized enterprises (50-249 people)	11	6.92
In total	159	100%
Type of business activity and number of industries in which an enterprise operates		
Enterprises operating in one industry		

⁵ The results presented constitute a selected fragment of the survey.

Industry name	Number of enterprises	Percentage
Trade	2	1.26
Manufacturing	14	8.81
Services	103	64.78
Construction	8	5.03
Enterprises operating in two industries		
Names of the industries	Number of enterprises	Percentage
Trade, services	4	2.52
Trade, manufacturing	16	10.06
Manufacturing, services	4	2.52
Construction, services	1	0.63
Manufacturing, construction	1	0.63
Enterprises operating in three industries		
Names of the industries	Number of enterprises	Percentage
Trade, manufacturing, services	6	3.76
In total (for 1, 2 or 3 industries)	159	100%
How long business activity is conducted		
1 - 5 years	7	4.40
6 - 10 years	16	6.92
11 - 15 years	11	10.06
Over 15 years	125	78.62
In total	159	100%
Legal form		
Natural person	118	74.21
Civil partnership	22	13.84
Registered partnership	4	2.52
Limited liability company	10	6.29
Other legal form	5	3.14
In total	159	100%

Source: own work based on survey results.

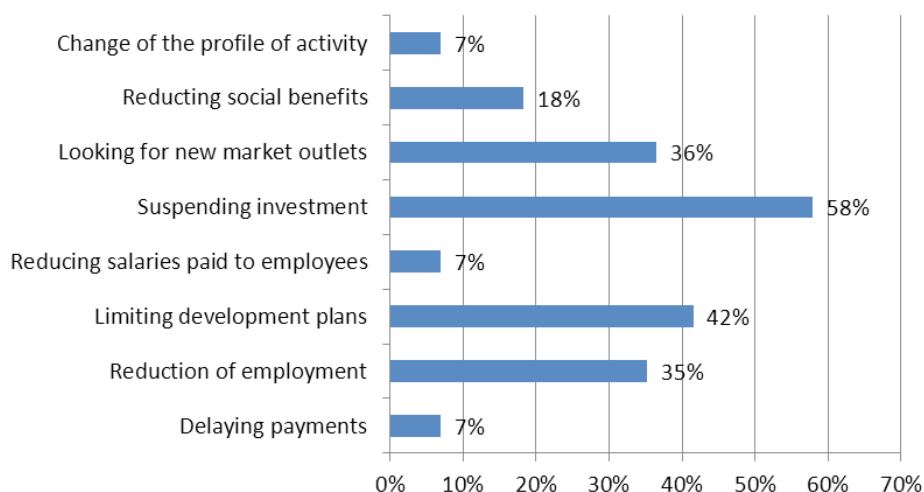
Almost 70% of companies declared that their situation had significantly deteriorated, and even put the functioning of the company at risk. Especially small enterprises and micro-enterprises assessed their situation as bad.

Figure 1. Assessment of the economic situation of the enterprises surveyed (in %)

Source: own work based on survey results.

When asked about necessity of taking anti-crisis measures, only 28 companies replied that they didn't think it was necessary to take such measures (17.61%). The majority, over 50% of the entrepreneurs (81 enterprises), realised the necessity of taking anti-crisis measures. Types of anti-crisis measures taken by the enterprises analysed are presented in fig. 2.

The largest group of enterprises was forced to suspend investments - 58% of all the companies decided to take such actions, whereas 42% of the enterprises limited their development plans. 36% of the companies decided to look for new market outlets, and almost the same percentage (35%) reduced employment. The other measures presented in figure 2 were taken by much less enterprises, namely: 18% reduced social benefits in their company, 7% reduced salaries received by their employees, and 7% delayed payments. The same percentage applies to the companies that decided to change the profile of their activity.

Figure 2. Anti-crisis measures taken by the enterprises surveyed (in %)

Source: own work based on survey results.

These measures are cumulated. Around 32% of the companies took only one measure; in most cases companies took two, three or even more measures. The population surveyed included also companies that didn't take any anti-crisis measures. A detailed analysis of the questionnaire replies shows that these are companies indicating in earlier questions that their economic situation has not changed, the crisis did not affect their functioning, and they did not see necessity to take anti-crisis measures.

Apart from identifying anti-crisis measures that have already been taken, as presented in fig. 2, the entrepreneurs surveyed were asked whether they intended to take measures in the future such as those discussed earlier. The largest group, i.e. 64% of the enterprises planned proactive actions focused on looking for new market outlets. At the same time 51% intended to stop or postpone investments, limit development plans (37%) and reduce employment (27%) in the future.

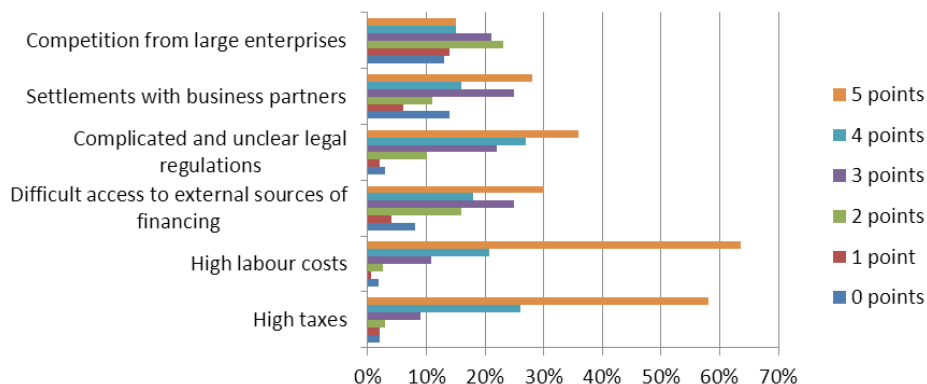
A very important factor influencing the development of an enterprise is obtaining capital for financing current operations and investment activity of an entity. The main source of financing of the companies surveyed are own funds. The analysis shows that the enterprises surveyed use external sources of financing, such as credits, leasing or EU grant, to a negligible extent.

The survey questionnaire contained a question designed to find out how difficult it is for enterprises to obtain bank credits. Although the survey shows that most entrepreneurs do not encounter difficulties in obtaining bank credits, only 23% of those surveyed use this source of financing. Entrepreneurs' reluctance to run up a debt is likely to result from the country's macro-economic situation, including unstable interest rates and unstable economic policy of the country.

In order to diagnose how entrepreneurs perceive barriers impeding the functioning and development of small and medium-sized enterprises, the survey used a scale from 0 to 5 points, where 0 points is an imperceptible barrier, and 5 points - the biggest barrier; the results have been presented in fig 3. The analysis of the results shows that the biggest barrier indicated by entrepreneurs is labour costs - 101 entrepreneurs gave it 5 points, which is 63.5% of all the companies. 93 companies, which accounts for 58% of all the companies surveyed, indicated

high taxes as a serious impediment to business activity, giving 5 points to this barrier. Another significant barrier indicated by entrepreneurs is complicated and unclear legal regulations (36% of the companies surveyed gave it 5 points).

Figure 3. Assessment of barriers on a scale from 0 to 5 points.



Source: own work based on survey results.

The biggest barriers to companies, i.e. those receiving four and five points, are: high labour costs - 134 companies surveyed (84.27%), high taxes - 134 companies surveyed (84.27%), and complicated and unclear legal regulations - 101 companies surveyed (63.52%). The other barriers have negative effect on the functioning of enterprises to a medium extent.

One of the aims of a detailed survey conducted among enterprises from Silesian Voivodeship was to find out the opinions of entrepreneurs on the work of the government and economic policy of the state (tab. 2). Entrepreneurs were asked to assess the existing regulations and procedures in the area of tax law. 30 entrepreneurs surveyed assessed the tax law as very bad, which accounts for 19% of those surveyed, whereas 67 assessed it as bad (42% of the total). No entrepreneur indicated that this law was functioning very well.

Table 2. Entrepreneurs' opinion on the economic policy of the state (in %)

	Very bad	Bad	Medium	Good	Very good	In total
Assessment of the existing provisions of the tax law	19	42	37	2	0	100
Assessment of regulations and procedures regarding settlements with business partners	7	18	60	14	1	100
Assessment of the existing provisions and procedures of the labour law	9	28	55	8	0	100
Assessment of the economic policy of the government	23	40	33	3	1	100

Source: own work based on survey results.

The existing regulations and procedures regarding settlements with business partners were significantly better assessed by the entrepreneurs. Only 11 entrepreneurs assessed them as very bad, which accounts for 7% of all surveyed.

Similarly assessed were the existing provisions and procedures regarding the labour law. Only 14 entrepreneurs surveyed assessed the provisions of labour law as very bad, which accounts for only 9% of the total sample. 88 entrepreneurs assessed the labour law as medium, which accounts for 55%, whereas 13 entrepreneurs assessed it as good (9%). None of the entrepreneurs surveyed assessed the labour law as very good.

Negative assessments dominated the opinions on the economic policy of the government. In total, 101 entrepreneurs surveyed assessed the economic policy of the government as bad, which accounts for 63.52% of the total research sample. 53 entrepreneurs assessed it as medium, which accounts for 33% of the total.

Summary

The survey results presented above show that the small and medium-sized enterprises analysed from Silesian Voivodeship feel negative effects of the economic crisis. Over half of the companies surveyed have taken or are planning anti-crisis measures that mainly involve suspending investments, limiting development plans, and reducing employment.

Small and medium-sized enterprises encounter a range of barriers impeding their functioning. Based on the results of a survey on barriers existing in the sector of small and medium-sized enterprises in Silesian Voivodeship, three main barriers affecting the activity of enterprises have been identified: high labour costs, high taxes and complicated and unclear legal regulations.

The biggest barriers impeding the activity of enterprises as indicated by the entrepreneurs surveyed are beyond their control and the entrepreneurs cannot reduce them. Reduction of these barriers lies with the government. Analysis of this part of the results may suggest that the economic policy of the state does not support small and medium-sized enterprises. This is confirmed by the answers of the entrepreneurs to the questions concerning the assessment of the government's economic policy. Of the entrepreneurs surveyed, 63% negatively assess the government's economic policy, and 61% of the companies surveyed assess the provisions of the tax law as bad or very bad.

Analysis of academic literature and statistics over recent years on the issues of the sector of small and medium-sized enterprises conducted for the purpose of comparison with the results of the survey presented in the paper shows similarities. Among the main barriers encountered by entrepreneurs, high taxes have invariably held top position, which was also confirmed in the survey conducted on enterprises from Silesian Voivodeship; the next barrier indicated in academic literature is high labour costs and unclear and complicated legal regulations, which were also indicated by entrepreneurs in the survey conducted as the main barriers.

The economic policy of the state does not sufficiently solve or reduce impediments encountered by small and medium-sized enterprises in Poland. In this respect, the assessment of a large majority of the enterprises surveyed was also negative.

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