

THE DEVELOPMENT OF SMALL BUSINESS IN THE REPUBLIC OF MOLDOVA

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Abstract: *This article describes the importance and development of the small business in the Republic of Moldova. The author also presents the dynamics of small and medium enterprises for the years 2014-2018. The share of small and medium-sized enterprises is also being researched.*

This article will be useful for professors, students and business researchers dealing with the sciences of entrepreneurship.

Key Words: SME, business, company, micro enterprises, small enterprises, entrepreneurial activity.

JEL Classification: L26, L31.

Introduction

Currently, the development of small businesses is an important factor in ensuring the sustainable development of the economy of the Republic of Moldova. A small business is a business, known as a company, representing an organization that deals with the trade of goods and/or services to consumers.

A more comprehensive definition of small business includes micro-enterprises and small enterprises. In developed countries, the most widespread criteria for assessing the size of the enterprise are the annual volume of sales and the number of employees.

It is also said that small business is the "backbone of the economy" that contributes to the creation of new jobs, the stimulation of competition, the promotion of innovations, the modernization of technologies in the activity process.

It is obvious that every citizen who intends to establish a small business in the Republic of Moldova should know, at least in general terms, what constitutes entrepreneurship and the forms of entrepreneurial activity allowed by the legislation.

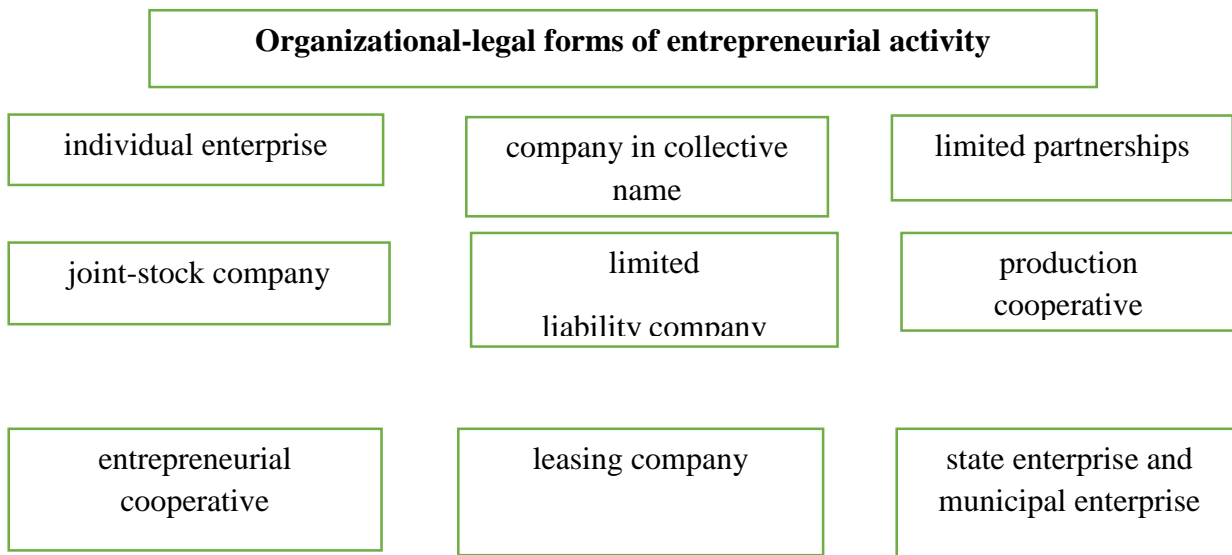
The continuous improvement and modernization of the economy in the Republic of Moldova constitutes the main development direction of the society. With the transition to a market economy from the centralized one, problems arose that had to be solved by making an urgent and timely decision.

The analyses of structure of the SME in Moldova

Small businesses in the Republic of Moldova began to appear and develop at the end of the 80s, when the first cooperatives were founded. Then on January 3, 1992, Law no. 845, "On entrepreneurship and enterprises" which defines entrepreneurship as an activity of manufacturing production, execution of works and provision of services, carried out by citizens and their associations independently, on their own initiative, in their name, at their own risk and under their patrimonial liability with the aim of securing a permanent source of income.

At the same time, this Law provides for the organizational-legal forms of entrepreneurial activity, namely:

Figure 1 Organizational-legal forms of entrepreneurial activity



Source: *Developed by the underlying author*

The legal framework for the activity of micro, small and medium-sized enterprises, as well as the support measures from the state for their creation and development, is provided for in Law no. 179 of July 21, 2016 "Regarding small and medium enterprises".

Small and medium-sized enterprises are grouped according to the average annual number of employees, the annual turnover or the total assets they have in the following categories:

a) micro enterprise - an enterprise that has at most 9 employees, achieves an annual turnover of up to 9 million MDL or has total assets of up to 9 million MDL;

b) small enterprise - an enterprise that has from 10 to 49 employees, achieves an annual turnover of up to 25 million MDL or has total assets of up to 25 million MDL;

c) medium-sized enterprise - an enterprise that has from 50 to 249 employees, achieves an annual turnover of up to 50 million MDL or has total assets of up to 50 million MDL

The purpose of this law is to promote the sustainable development of micro, small and medium enterprises by means of improving the legal framework and the economic environment in which they are created and operate. The objectives of this law are to ensure and increase the competitiveness and performance of micro, small and medium-sized enterprises, as well as to facilitate prompt adjustment to economic and technological changes.

The level of development of the sector of large and medium enterprises has a crucial economic importance for the economy of the Republic of Moldova. Therefore, in the tables below we will analyze the main activity indicators of SMEs that ensure their development in the strategic term. In table 1.1. we will analyze the dynamics of enterprises as a whole and including medium, small and macro enterprises, which demonstrate to us the level of SMEs growth, in the Republic of Moldova, for the years 2014-2018.

Table 1. The dynamics of small and medium enterprises in the years 2014-2018

Total number of SMEs, thousands	Years				
	2014	2015	2016	2017	2018
Inclusive:	52,3	49,8	51,6	53,6	55,7
medium enterprises	1,6	1,6	1,3	1,3	1,3
small businesses	10,1	10,0	5,8	6,1	6,4
micro enterprises	40,6	38,2	44,5	46,2	48,0

Source: Developed by the underlying author

From the analysis of Table 1 the number of enterprises in 2015 had a small decrease compared to 2014 by 2,5 thousand. units. In 2016, there was an increase compared to 2015 by 1,8 thousand. units, which is 3.6% more than the previous year. In 2017 there was an increase compared to 2016 by 2,0 thousand. units, which is an increase compared to the previous year by 3.9%. The increase in the number of enterprises in 2018 was maintained at the level of 2017.

The largest share of the number of enterprises is micro-enterprises, the dynamics of the share of small and medium-sized enterprises is presented in the table below.

Table 2. Share of small and medium enterprises in the years 2014-2018

Total number of enterprises, (%)	Years				
	2014	2015	2016	2017	2018
Inclusive:	100,0	100	100	100	100
medium enterprises	3,1%	3,2%	2,5%	2,4	2,3%
small businesses	19,3%	20,1%	11,2%	11,4%	11,5%
micro enterprises	77,6%	76,7%	86,3%	86,2%	86,2%

Source: Developed by the underlying author

From the given analysis, we see that, in the reference period, the involvement of micro enterprises is increasing, which proves that the development of small business that is in the development phase, a process with multiple implications, and we can conclude that the growth of enterprises contributes to the development of human resources through innovation of competences and entrepreneurial culture, increasing the degree of encouragement and facilitation of the modernization of business enterprises.

The choice of specialized personnel requires the acquisition of skills that can be emphasized through training programs.

Another priority that ensures the sustainable development of SMEs is the average number of employees. In the following table we will analyze this indicator.

Table no. 3 The dynamics of employees of small and medium enterprises in the years 2014-2018

Average written number of employees, thousands	Years				
	2014	2015	2016	2017	2018
Inclusive:	291,7	281,4	313,5	323,3	328,0
medium enterprises	85,9	82,4	101,5	103,5	99,3
small businesses	119,3	115,1	107,2	112,0	117,0
micro enterprises	86,6	83,9	104,8	107,8	111,7

Source: Developed by the underlying author

According to the data in the table of the number of employees of SMEs in 2018 compared to 2014, it is increasing by 36,3 thousand people, including each category separately. The general evolution of the number of employees within SMEs, for the years 2014-2018, was increasing. Thus, if at the beginning of the period, in 2014, 291,7 thousand employees worked in SMEs, in 2018 their number is 328,0 thousand, which tells us about a continuous development of small businesses.

Table no. 4 Dynamics of sales revenues of small and medium-sized enterprises in the years 2014-2018

Sales revenue, million MDL	Years				
	2014	2015	2016	2017	2018
Inclusive:	83650,3	86 824,6	124 954,4	137 506,1	144 159,9
medium enterprises	28085,0	28 712,0	41 303,7	45 237,0	44 738,80
small businesses	44553,9	46 833,1	50 079,3	56 090,4	60 531,50
micro enterprises	11011,4	11 279,6	33 571,4	36 178,7	38 889,60

Source: Developed by the underlying author

The sales revenue of SMEs in 2018 amounted to 144159,9 million MDL. The increase in sales revenues amounted to 58.0%, or more than in 2014 with 60509,6 million MDL. The largest increase in sales revenue is held by small businesses, which count 42%, then medium-sized businesses, 31%, and micro-enterprises, 27%.

Table no 5 Dynamics of profit (+), losses (-) before taxation of small and medium-sized enterprises in the years 2014-2018

Profit (+), losses (-) before taxation, million MDL	Years				
	2014	2015	2016	2017	2018
Inclusive:	3012,7	3 037,6	5 878,5	10 568,9	11219,4
medium enterprises	1045,0	1 028,8	2 101,3	3 322,9	3 544,40
small businesses	1765,7	1 875,8	2 229,8	3 811,5	4 536,40
micro enterprises	202,1	132,9	1 547,4	3 434,4	3 138,60

Source: Developed by the underlying author

The amount of profit obtained by SME in 2018 was 11219,4 million MDL, or 8206,7 million MDL (2,4 times) more than in 2014.

According to the data of the National Bureau of Statistics in 2018, the number of small and medium-sized enterprises (SMEs) constituted 55,7 thousand enterprises and represents about 98.7% of the total number of enterprises. The number of employees who worked in small and medium enterprises during the reference period constituted 328 thousand people, holding 60.7% of the total number of employees of the enterprises. The sales revenues of small and medium enterprises during this period amounted to 144159,9 million MDL or 40.4% of the total sales revenues for the economy.

In **conclusion**, from the analysis of the data above, the SMEs sector has an important role in ensuring the development of the stability and growth of the national economy to the changes that took place during this period. In this context, this study was carried out to highlight the current situation of enterprises by category within SMEs in the Republic of Moldova through the lens of the most important statistical indicators for the time period between 2014-2018.

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