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ECONOMIC ANALYSIS OF POLISH SME SECTOR SITUATION IN THE PERIOD OF ECONOMIC SLOWDOWN

Abstract

According to economic theory in the post-industrial economy based on the knowledge, the main importance have small enterprises. Therefore, in this article were taken attempts to assessment of the SME sector in Poland in the years 2004–2012 paying particular attention to the sub-period of the economic slowdown. In the article for the assessment of this problem there were mainly used quantitative indicators as: number, survivability, decrease, liquidation of enterprises and also the qualitative share in the GDP creating as also the structures according to the area of their activities.

JEL Classification Code: **D22**.

Keywords: small and medium enterprises, economic slowdown, assessment indicators.

Introduction

The purpose of this publication is to show the impact of the economic slowdown on the quantitative state of the SME sector in Poland. Efficient operation of the enterprise in these times, where we meet mostly with a market economy depends on many factors. The success of an economic subject depends on the kind of goods and also services, which they can offer to potential purchasers, from that how the management system functions moreover, a significant impact on efficient functioning of the enterprise has a selection of appropriate sources of financing business activity. Selec-

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tion of appropriate sources of funding gives the enterprise the opportunity to carry out both operating activity, as well as investment (see: Fetisovová 2012, pp. 73–90). Despite such important factors, there is an incredibly important aspect of the economic situation in the country and its surroundings, which acts on the functioning of enterprises. Enterprises' profitability does not depend only on the material factors of production but is based on indefinable difficult to measure or even to name immaterial means of production and labor (see: Majer 2014, p. 80).

Nature and importance of small enterprise

Along with Polish accession to the European Union there have been made changes to Act on freedom of economic activity of 2nd July 2004. These changes have been introduced for act of the Polish National Parliament from 26th November 2004 (see: Ustawa o swobodzie działalności gospodarczej). The Act contains a definition of micro, small and medium enterprise. The definitions of the above mentioned enterprises are in accordance with the being in force canons in the area of the EU. There are three basic factors that determine which category could be qualified for a particular enterprise. These factors are (see: Piasecki 2007, pp. 86–87):

- annual turnover value;
- amounts in the assets balance;
- size of employment.

On the basis of the above criteria the Act distinguishes between three types of enterprises:

- micro enterprises;
- small enterprises;
- medium enterprises.

Micro enterprises belong to the economic entities that employ no more than 9 employees on a yearly average. The company's turnover does not exceed a year in zlotys an equivalent of 2 million EUR. Talking about a turnover it is thought about net revenues from sales. To micro enterprises there are also included those entities which compiled total assets balance at the end of the reporting year did not exceed the equivalent of 2 million EUR. The above conditions must be realised together and at least during one year in the past two years. On the other hand, when a company operates for less than a year on the market then its annual net turnover from the sale, as well as size of employment is determined on the basis of the data documented by entrepreneur for the previous period.

Small enterprises in accordance with the contents of Act on freedom of economic activity employ on a yearly average less than 50 employees, while their net income from the sale of goods, products and services does not exceed the PLN equivalent of

10 million EUR, and the total assets balance of the unit, which has been compiled at the end of the reporting period has not exceeded a value equal in PLN of 10 million EUR.

Medium enterprise is defined pursuant to the Act as an entity which in at least one year of the last two years average employed during the year less than 250 employees, and its net income has not exceeded the equivalent in PLN of 50 million EUR. Regarding the total assets of its balance compiled at the end of the financial year it may not exceed PLN equivalent of 43 million EUR. Moreover, in the case of micro, small and medium enterprises there are important some reservations that cause that the enterprise cannot be qualified to one of three of their kinds, where it is not considered as micro enterprise where entrepreneurs other than small ones, the Treasury or the territory autonomy entity have:

- more than 25% of the contributions, shares in the company;
- the right to more than a 25 percent of share in the profits;
- more than 25% of the votes in the general meeting of associates (shareholders).

For a small enterprise is not considered a unit in which the conditions above mentioned are fulfilled, relating to micro enterprise. Similarly, in the case of medium enterprise, with the difference that the above conditions relating to contributions to the company, the shares in profit and the number of votes at the general meeting of associates concern besides the Treasury, territory autonomy entities, small entrepreneurs they also include medium entrepreneurs. The table below illustrates vividly previously discussed criteria for the division of enterprises according to the Act on freedom of economic activity.

Table 1. The criteria for the distribution of enterprises according to the Act on freedom of economic activity of 2nd July 2004

Enterprises	Micro	Small	Medium
Employment	< 10	< 50	< 250
Net revenues	to 2 mln EUR	to 10 mln EUR	to 50 mln EUR
Total assets in the balance	to 2 mln EUR	to 10 mln EUR	to 43 mln EUR

Source: Art. 104 – 106 Act on freedom of economic activity of 2nd July 2004.

Distinguished in EUR terms such as value of net revenues, total assets balance and the size of employment enable to classify enterprises moreover, these values expressed in EUR are calculated into PLN according to the average exchange rate announced by the Polish National Bank on the last day of the financial year, which has been designated to determine the status of the enterprise.

Economic importance of sme sector

The role of the SME sector is dependent on factors both economic and non-economic. Despite this, the sector in all conditions, regardless of the economic and non-economic factors is essential in the economy of the country for issues such as (see: Piasecki 2007, pp. 100–103):

- creation of new jobs, thereby reduction of unemployment in the country;
- appropriate and rational distribution of resources;
- innovations as well as modernization of industrial structure.

Discussed the first two issues, such as new place of employment and rational allocation of resources is unusually emphasizes in the countries that are at the least grade industrialized and also in developing countries, where it is assumed that the SME sector (see: Skowronek – Milczarek 2010, p. 50):

- using simple production techniques that are at labour-intensive nature absorbs the excess of workforce;
- allows the recruitment of women, immigrants and also young people on a scale much larger than large companies;
- manages more economically and productively, and uses capital economically, the savings as well as other funds;
- cooperates with modern enterprises;
- provides products onto the market, as well as the services of a lower quality, which are generated at lower costs and in many cases sold on credit;
- supports not attractive for large entities specialized markets.

To sum up, the transitions and the associated experiences of countries which are well developed prove that the SME sector fulfills a significant role in the economy, and therefore having a particular impact on economic growth, as well as the employment growth, what is connected with a decrease of unemployment, which is the economic and social problem in many countries. Above that, the SME sector affects the growth of the occurrence in goods market at suitable quality.

The SME sector is an important stimulus to the development of economy, the number of SME enterprises, and also their potential, may be one of the benchmark of the economic growth.

Actual state of sme in Poland

Since the beginning of the political transformation in Poland, the SME sector is an essential factor, generator that drives the economy of our country, thereby contributing to determine the degree and the structure of employment, as also determining the level of social wealth. The number of active enterprises in Poland in the years 2004–2012 describes the following figure.

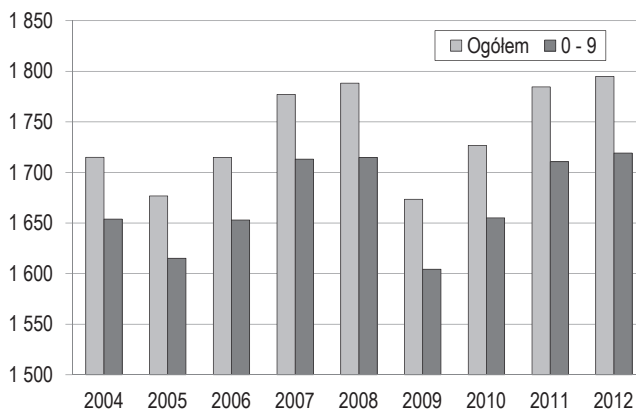


Figure 1. The number of active enterprises in Poland in general and small enterprises in the years 2004–2012 (in thousands)

Source: www.parp.gov.pl

After a period of growth of the number of enterprises active in Poland, which took place in years 2006–2008, there has occurred the essential in 2009, as many as 6% decrease of their number in comparison with the previous year.

In 2010–2011, there has been set down the resurgence of the number active enterprises (by 3.2% in 2010 in comparison to 2009 and by 3.4% in 2011 in comparison with 2010). In 2011, the value returned to the level of the years 2007–2008. In 2012 there has been set down the resurgence of active enterprises in Poland, although the increase was not as dynamic as in previous years.

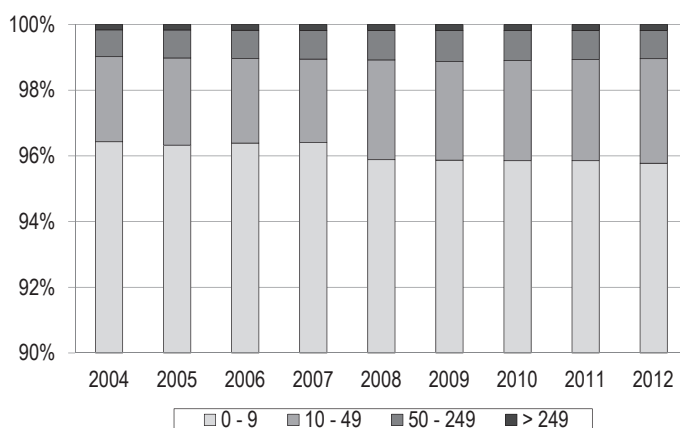


Figure 2. The number of active enterprises in Poland in specific groups by size in the years 2004–2012 (in per cent)

Source: www.parp.gov.pl

Decrease of the number of enterprises active in Poland mainly concerned the smallest subjects, where the number of small companies decreased by 7.5% and 6.4% in the case of micro enterprises. Such occurred situation could be related to the deterioration of the economic situation in the country.

A very important aspect of illustrating the condition of the economy is the number of newly created enterprises. The increase of the number of enterprises indicates Polish economic development, as it is illustrated in the chart below.

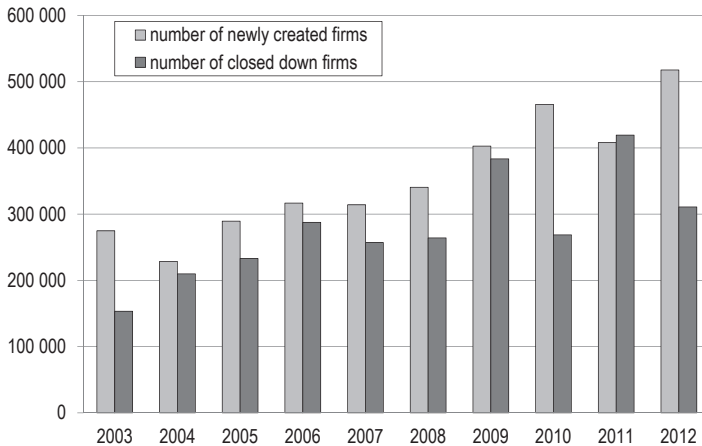


Figure 3. The number of newly created and closed down enterprises in Poland in 2003–2012 (in thousands)

Source: www.parp.gov.pl

Based on the above chart it should be noted that the number of newly created enterprises during the entire period 2003–2012 was higher than those liquidated. However, although both categories displayed the increase tendency, the number of liquidated enterprises grew much faster than the number of newly created economic entities.

Despite the economic slowdown, which took place in Poland in the years 2009–2010, the number of newly established companies has grown dynamically – in 2009 to 404 thousand. (an increase of 18.7% compared with 2008), and in 2010 to 466 thousand (an increase of 15.3% compared with 2009). The negative impact of economic slowdown on the Polish enterprises appeared only in 2011, where there was a significant decrease in the number of newly created companies (up to 408 thousand – a decrease of 12.5% compared with 2010).

This year, the number of liquidated enterprises was also higher than the newly created entities (419 thousand). At the same time, one of the major causes of change in the number of companies could also be carried out verification of the REGON database by GUS31. Another year, namely 2012 brought a certain improvement, because the number of newly registered enterprises has increased and, consequently, exceed-

ed the level of 500 thousand (518 thousand, an increase by 26.8% compared with 2011, and by 11% compared with 2010). In 2012, there was also observed a decrease in the number of enterprises removed from the REGON – up to 311 thousand. The number of liquidated enterprises this year was about a quarter lower than in 2011.

Polish trade structure of small and medium enterprises is shown on the figure 4.

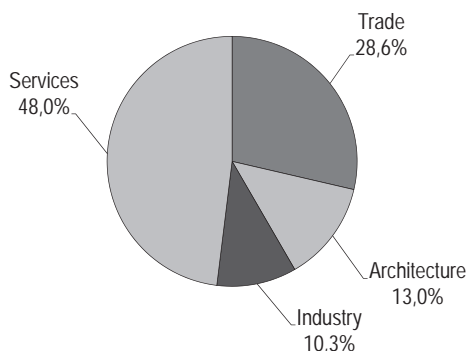


Figure 4. The structure of SME in Poland according to fundamental business area

Source: www.parp.gov.pl

The SME sector carries out mostly service activity (48.0%), trade (29.0%) and also construction (13.0%). Less frequently deals with the industrial activities (10.0%). On the other hand, big enterprises mainly specialise in industrial activity (52.3%), and in much lesser extent than SME are present in services (29.4%), trade (13.2%) or in the construction industry (5.1%). In the industry large companies operate mainly in such areas as industrial manufacturing (in this economic sector operate 47.0% of large subjects), while in the administration and support service activities (8.2%) and in transport and warehouse management (6.2%).

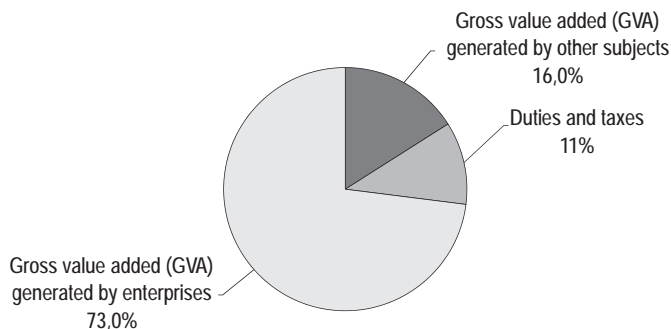


Figure 5. Share in the GDP creating of the groups of enterprises according to working number in Poland in 2012

Source: www.parp.gov.pl

In Poland, enterprises generate about three quarters of Polish gross domestic product (GDP). This result, formed at 73.0% in 2012.

Table 2. Share in the GDP creating of the groups of enterprises according to working number in Poland in 2004 – 2012

Year	GDP in million PLN	Gross value added (GVA) generated by enterprises [%]						Gross value added (GVA) of other subjects [%]	Duties and taxes [%]
		Total	Small and medium enterprises (SME)				big		
			Together	micro	small	medium			
2004	923 248	70,50	48,60	31,00	7,60	10,00	21,90	18,30	11,10
2005	983 302	70,30	47,80	31,50	7,40	8,90	22,50	17,80	11,90
2006	1 060 031	70,70	47,80	31,00	7,40	9,30	22,90	17,20	12,20
2007	1 176 737	70,80	47,30	30,40	7,20	9,80	23,50	16,70	12,50
2008	1 275 432	71,10	47,20	29,90	7,40	9,90	23,90	16,50	12,50
2009	1 343 366	72,30	48,40	30,40	7,90	10,10	23,90	16,50	11,10
2010	1 416 447	71,60	47,60	29,60	7,70	10,40	24,00	16,50	11,90
2011	1 528 127	71,80	47,30	29,40	7,80	10,10	24,50	16,10	12,20
2012	1 596 378	73,00	48,50	29,70	7,80	11,00	24,50	15,60	11,40

Source: www.parp.gov.pl

Over the years 2004–2012 there are observed clear increase tendency of enterprises in Poland confirmed by an increase of GDP share of big enterprises, with a simultaneous decrease of the share of smaller (micro companies). In the period 2004–2012 there has occurred an increase in the importance of large companies in GDP generating in Poland (from 21.9% in 2004 to 24.5% in 2012). In the case of small and medium companies, it is difficult to indicate clear tendency, their share in the GDP generating in 2009–2012 varies for medium enterprises at the level from 10.1% to 11.0%, and in the case of small enterprises – from 7.7% to 7.9%. In the group of micro companies in 2009–2012 there is observed a downward trend (from 30.4% in 2009 to 29.7% in 2012), what could have a direct connection with the economic slowdown.

Conclusions

The last years have brought a lot of complications to the Polish State in the economy. After the collapse in 2009, there have appeared the better years 2010 to 2013 with a clear progression. During the economic slowdown there has been observed a temporary reduction in the number of enterprises, as well as the deterioration of the indicators concerning the survivability of enterprises. The negative impact of the economic slowdown in Poland has contributed to the decline in newly created

enterprises moreover, there have been observed an increase in the number of liquidated economic entities. After the strong slowdown in the economy at the end of 2009, and at the beginning of 2010, there appeared a gradual revival of the economy, what was supported by the improvement of foreign economic situation. An improving economic situation resulted in a decrease of the risk of enterprises' activity in the area of economic environment and the improvement of the financial situation of the enterprises. Based on the above considerations we have to claim that the economic slowdown undoubtedly had a significant impact on the functioning of the SME sector.

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