

Justyna Wiktorowicz, Elżbieta Roszko***

DEVELOPMENT POTENTIAL OF POLISH ENTERPRISES AND POLAND'S INTEGRATION WITH THE EMU IN THE FACE OF EMPIRICAL RESEARCH

Abstract. Creation of the Economic and Monetary Union as well as the Common European Market was the main aim of the economic integration of the Member States within the EU. From the point of view of the small and medium-sized sector the establishment of the Common European Market enhanced the possibilities for the growth and development, especially thanks to the internationalization process in these companies. Poland's accession to the EU has facilitated the greater opportunities for firms to undertake investment processes on the EU market, setting up businesses as well as creation of subsidiaries and branches on the foreign markets. Moreover consequences of the economic integration relates to the access to duty-free trade exchange and finally to the equal participation in the procedures of public procurement in the EU.

The goal of this article is to verify the potential of Polish enterprises, especially in the context of the expected Poland's accession to the EMU. Analysis was based on different data sources, including statistics published by the National Statistical Office, research reports published by the Polish Agency of Entrepreneurship Development or the Ministry of the Economy as well as own empirical research with the use of the questionnaire that was sent electronically to the potential respondents representing SME sector. The primary research is an integral part of the broader analysis that is dedicated to the evaluation of the consequences the Euro introduction in Poland. The analysis concerning general characteristics of the Polish private sector potential on the Common European Market is a point of departure for conducted empirical investigation. Finally we concentrate on the judgment of the investment activities in small and medium-sized enterprises in the scope of the actual course and future perspectives in the face of accession to the EMU.

Key words: EMU, foreign trade turnover, investment outlays.

1. INTRODUCTION

A creation of the Economic and Monetary Union as well as the Common European Market was the main objective of the economic integration of Member States within the EU. The main characteristic of the Common European Market

* Ph.D., University of Lodz.

** MSc., M.A., University of Lodz.

functioning is removing trade barriers, especially duties, and other obstacles to a bilateral trade exchange, as well as guaranteeing a free flow of goods, services, capital and people.

From the point of view of small and medium-sized enterprises, creation of the Common European Market enhanced possibilities of a comprehensive development, especially by intensified internationalization processes within the companies. Poland's membership in EU has given small and medium-sized enterprises more freedom in running a business in the whole EU, by offering them greater opportunities to undertake investment processes abroad, setting up businesses as well as creation of subsidiaries and branches on foreign markets, access to duty-free trade exchange and, finally, the equal participation in the procedures of public procurement in the whole EU.

The main objective of this article is to verify the potential of Polish enterprises, especially in the context of the expected Poland's accession to the EMU. The analysis was based on different data sources, including statistics published by the National Statistical Office, research reports by the Polish Agency of Entrepreneurship Development and the Ministry of the Economy, as well as own empirical research being part of a broader analysis dedicated to evaluation of the consequences of Euro introduction in Poland. The starting point of the empirical analysis is a general characteristics of a Polish private sector potential on the Common European Market. Finally, we concentrate on evaluation of investment activities in small and medium-sized enterprises sector – current state and perspectives in the face of EMU accession.

2. POLISH ENTERPRISES ON THE COMMON EUROPEAN MARKET

Functioning on a unified EU market offers enterprises chances of development and expansion, mainly due to the fact it is a huge product and services market. What is more, Poland's EU membership imposes on the government taking up measures aimed at supporting entrepreneurship and development of companies, which is predominantly focused on enhancing conditions of business activity in Poland, and yet raising the potential of Polish entrepreneurs' competitiveness on international stage. Intensified competitiveness boosts changes and effectiveness which consequently lead to the rise of Polish enterprises' export potential. The opportunity to use the experience of foreign capital enterprises functioning on the Polish market, or cooperation with them, provides a brilliant chance for Polish companies. Poland's EU accession opened the way to the Polish enterprises performance on EU markets. Among the advantages offered by Polish companies are still low costs of work and highly qualified workers in comparison to workers from other Member States; however, the possibility of

Poland's expansion into EU markets is rather limited due to lack of sufficient financial potential and much higher saturation of markets in other countries.

Polish products have been recognized on many world markets. On the basis of PARP (Polish Agency for Enterprise Development)¹ research published in 2007, it might be seen that exchange rates with countries of Central and Eastern Europe are becoming more evident in the foreign trade structure. Moreover, import rates in developing countries are rising; Germany remains the main partner of Poland's trade exchange, although their share in the geographical structure of foreign trade turnover has been slightly reduced.

As it is shown in National Statistical Office statistics (compare Table 1), EU countries are most important Poland's trade partners – almost 80% of the total export value goes to EU (what is more, the rate has undergone only minor fluctuation in recent years). It is worth mentioning that generally, export revenue in the years from 2004 to 2007 has risen even by 20% yearly. There are similar tendencies as far as Euro countries are concerned, with slight differences in export structure – export to *Eurozone* has gone down by about 4% in the last four years. As far as import to EU countries is concerned, its share in general import structure is going down (except for the year of 2007), nevertheless, its values remain lower than export. There are similar tendencies in relation to Eurozone countries. Regarding the real values import to EU, including Eurozone, went down in 2005, and in the next years it went up by 15–17% yearly. It should be pointed that both EU and Eurozone countries are Poland's most important trade partners, with export to this part of Europe being higher than import. Interestingly enough, in case of Poland the balance of the exchange is positive only in relation to the whole Union, and in case of trade relations with Eurozone countries, the tendencies turn out to be quite the opposite.

Research data reveal that entrepreneurs perceive both integration with the EU and entering Economic and Monetary Union as beneficiary, however, mainly in macro economical terms. They are rarely able to point to direct benefits of entering Eurozone for their companies². The consequences of European integration are visible in the whole economy, and a single entrepreneur will anyway benefit from the changes. Functioning of economy within EU brings about e.g. elimination of customs barriers, harmonization of certificates lowering operational costs in Union countries. Thanks to cooperation with rich foreign companies as well as accessibility of union funds and cheap credits, the free access to EU markets also allows for an easier outlet to financing sources.

¹ Pyciński S., Żołnierski A. (2007)

² Ministry of Economy, Department of Analysis and Prognosis (2008)

Table 1. Poland's foreign trade turnover in the years 2004–2007

| Specification | | Foreign trade turnover in selected countries (current prices) | | | | | | |
|---------------|--|---|-------|-------|------------|----------|----------|----------|
| | | 2005 | 2006 | 2007 | 2004 | 2005 | 2006 | 2007 |
| | | previous year = 100 | | | in mln PLN | | | |
| Total | export | 106.1 | 119.0 | 112.4 | 272177.9 | 288780.8 | 343779.0 | 386555.6 |
| | import | 100.8 | 120.1 | 115.9 | 325596.3 | 328192.0 | 394030.0 | 456828.4 |
| Europe | export | 105.6 | 119.9 | 112.9 | 247953.7 | 261839.1 | 314000.2 | 354537.5 |
| | import | 99.7 | 117.4 | 114.2 | 263166.1 | 262376.6 | 307977.1 | 351835.9 |
| UE | export | 103.4 | 119.4 | 114.6 | 215585.0 | 222891.0 | 266154.6 | 304935.4 |
| | import | 96.8 | 115.8 | 117.7 | 222257.0 | 215165.0 | 249061.3 | 293184.1 |
| | <i>The share in the total value of export (in %)</i> | | | | 79.2 | 77.2 | 77.4 | 78.9 |
| | <i>The share in the total value of import (in %)</i> | | | | 68.3 | 65.6 | 63.2 | 64.2 |
| The euro area | export | 102.3 | 115.8 | 111.2 | 153096.8 | 156618.0 | 181386.6 | 201695.7 |
| | import | 97.0 | 115.3 | 117.2 | 169690.4 | 164599.7 | 189816.6 | 222432.2 |
| | <i>The share in the total value of export (in %)</i> | | | | 56.3 | 54.2 | 52.8 | 52.2 |
| | <i>The share in the total value of import (in %)</i> | | | | 52.1 | 50.2 | 48.2 | 48.7 |

Source: Own calculations on the basis of Poland's Statistical Yearbook – for the years 2005–2008 and Foreign Trade for the years 2005–2007. National Statistical Office. Warsaw.

A significant threat related to the Common European Market is a strong pressure of competition aimed at elimination of less competitive companies. Polish entrepreneurs have a fear of not being prepared for the competition, also on the local market. Foreign companies are often experienced in international markets and use more competitive and state-of-the-art technologies. What is more, the development of Polish small and medium-sized enterprises is being hampered by the fact that foreign foods are often seen by importers as better and more attractive in comparison to their Polish equivalents.

When judging Polish entrepreneurs' share in the international market, it is worth mentioning changes in companies' revenue in the recent years (compare Table 2).

Data in Table 2 reveal that the year of 2002 was the period of largest revenue downfalls for most groups of entrepreneurs. In companies representing nine of the above sections, there was a lower income in comparison to the previous year (down by 33% – compare section "Education"). The following year situation was generally better (downfalls continued only in "Agriculture" and "Construction"). Interestingly enough, there was a high rise of revenue in 2003 in companies of „Health and social work” sector whereas subsequent years brought return to the previous trend. As for other sections, the highest revenue was taken down in 2007 – in comparison to the year of 1998, the revenues were even 11 times higher

(“Health and social work” sector which is connected with health sector reform). Companies representing „Transport, storage and communication” section had a dynamic growth – the revenue was almost six times higher than in 1998. It was the only group of enterprises with a rising revenue trend in the whole decade. with the beginning of the rising trend in 2001. Generally. from 1998 to 2007. all sections observed an average annual rise; the lowest dynamics – „Agriculture, hunting and forestry” (average annual rise by 5%). “Construction” (8%) and „Financial intermediation” (9%); the highest dynamics – „Health and social work” (32%) and „Transport, storage and communication” (21%) and „Education” (16%).

Table 2. Company revenue* in private sector from 1998 to 2007

| Sector | G | Revenues from total activity (current prices) | | | | | | | | | |
|---|------|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| in mln PLN | | | | | | | | | | | |
| Agriculture, hunting and forestry | 1.05 | 6440 | 6356 | 6531 | 7272 | 6509 | 6287 | 7172 | 7210 | 8098 | 9628 |
| Fishing | 1.10 | 81 | 97 | 91 | 106 | 107 | 134 | 113 | 117 | 183 | 189 |
| Manufacturing | 1.14 | 266508 | 304607 | 349289 | 412692 | 397835 | 462534 | 576353 | 610953 | 703904 | 887455 |
| Construction | 1.08 | 51507 | 62625 | 67128 | 69618 | 56486 | 55041 | 59020 | 65697 | 82116 | 106339 |
| Trade and repair | 1.11 | 275094 | 322794 | 362840 | 411673 | 375189 | 439712 | 496803 | 530225 | 587414 | 688335 |
| Hotels and restaurants | 1.14 | 2575 | 4035 | 4486 | 4929 | 4431 | 4609 | 5868 | 6338 | 7113 | 8502 |
| Transport, storage and communication | 1.21 | 17702 | 22757 | 29540 | 53445 | 57491 | 65483 | 77179 | 79490 | 88726 | 100505 |
| Financial intermediation | 1.09 | 8838 | 13768 | 14736 | 15175 | 12566 | 15220 | 15336 | 16657 | 16129 | 19980 |
| Real estate, retting and business activities | 1.12 | 33337 | 44234 | 52841 | 60793 | 52834 | 57374 | 65017 | 69738 | 79222 | 90723 |
| Education | 1.16 | 331 | 468 | 629 | 793 | 535 | 580 | 715 | 790 | 954 | 1230 |
| Health and social work | 1.32 | 401 | 531 | 855 | 1502 | 1725 | 5021 | 2454 | 3153 | 3781 | 4774 |
| Other community, social and personal service activities | 1.16 | 4511 | 5643 | 6286 | 6909 | 6483 | 7456 | 8715 | 10543 | 11866 | 16807 |

* Data concerning companies' financial management include economic entities keeping accounting ledgers. with more than nine employees.

G – average annual pace of changes in the years of 1998–2007.

Source: Own calculations on the basis of Poland's Statistical Yearbook for the years 2000–2008. National Statistical Office. Warsaw.

The factor which also influenced the height of revenue was a given entity's size. In 2007, small enterprises' total revenue went up by 7.8% (in relation to 2006) and it was PLN 1.053 billion, which made 36.5% of all revenues (where the share of microenterprises' was 23.2%)³.

3. DEVELOPMENT POTENTIAL OF POLISH ENTERPRISES

3.1. Enterprises' investment activity in public statistics data

There are many factors which contribute to the development potential of enterprises. beginning with macroeconomic conditions and general situation on the market and ending with all the factors which shape a given company's competitiveness. Therefore. the starting point of the analysis of Polish enterprises' development potential is (and ought to be) the height of capital investment. The structure of capital investment was not included in the analysis below. From the point of view of a given company's development. one should ask a question whether the investment was mostly related to reconstructive investment or did it entail long-term transformations of a given company's functioning. The issue will be discussed in detail in the further part of the paper.

Table 3. shows that the biggest capital investment downfalls, in part of enterprises, happened from 2001 to 2003; they were least harmful in „Health and social work”, „Other community, social and personal service activities” and „Hotels and restaurants”. It should be added that in case of most sections, the biggest capital investments were carried out in 2007.

It is also worth mentioning that from 1998 to 2007, average annual capital investment values were rising – except for „Financial intermediation” with 2% decrease. In “Fishing” the growth came out to be the biggest. “Fisheries” average annual increase was by about 26%, „Health and social care” (increase by about 19% annually), „Transport, storage and communication” (around 11%) and „Real estate, renting and business activities” (11%) and „Education” (10%). Therefore, these are sectors which reached the highest dynamics also when investigated from the point of revenue. That proves the thesis that the more intense investment activity. being one of the most important indicators of enterprises' development potential. the higher income is gained. The relation ought to be estimated with correlation and regression methods. For this reason, a simple regression analysis was applied. where *revenue* is a dependent variable (total company revenue), and *expenditure* (capital investment) – an operand, where both variables referred to private sector enterprises and were calculated in current prices (PLN mln). Equations for separate sections are based on time series for the years 1998–2007.

³ National Statistical Office (2008).

Table 3. Investment outlays in enterprises* in the years 1998–2007 (private sector)

| Sector | G | Investment outlays (current prices) | | | | | | | | | |
|---|------|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| | | in mln PLN | | | | | | | | | |
| Agriculture, hunting and forestry | 1.07 | 1907.8 | 2058.5 | 1841.5 | 1852.2 | 1960.5 | 1820.5 | 1919.0 | 2231.0 | 2803.0 | 3420.0 |
| Fishing | 1.26 | 5.0 | 14.7 | 14.9 | 14.1 | 12.2 | 11.5 | 15.5 | 52.7 | 25.8 | 40.7 |
| Manufacturing | 1.08 | 24577.6 | 25094.2 | 24452.9 | 23554.8 | 23325.7 | 26973.6 | 31339.0 | 33615.0 | 39467.0 | 48871.0 |
| Construction | 1.04 | 4230.5 | 4360.5 | 5099.6 | 3510.6 | 2641.5 | 3157.5 | 2481.0 | 2139.0 | 3238.0 | 6188.0 |
| Trade and repair | 1.07 | 10105.7 | 14162.0 | 13849.0 | 11959.4 | 11419.2 | 10318.5 | 11653.0 | 13419.0 | 14869.0 | 18768.0 |
| Hotels and restaurants | 1.12 | 597.5 | 944.8 | 1390.4 | 1260.8 | 999.0 | 1019.6 | 798.0 | 970.0 | 1315.0 | 1711.0 |
| Transport, storage and communication | 1.12 | 3965.9 | 5135.7 | 7069.5 | 10506.6 | 8317.6 | 7259.4 | 7955.0 | 7676.0 | 10085.0 | 10595.0 |
| Financial intermediation | 0.98 | 5739.5 | 7889.2 | 7449.9 | 6613.0 | 3504.5 | 2248.4 | 2672.0 | 2505.0 | 3458.0 | 4868.0 |
| Real estate, renting and business activities | 1.11 | 12568.5 | 16917.1 | 23687.4 | 21557.6 | 20408.6 | 20980.9 | 20992.0 | 20724.0 | 24813.0 | 31852.0 |
| Education | 1.10 | 196.7 | 253.8 | 362.8 | 442.3 | 406.8 | 461.2 | 395.0 | 346.0 | 380.0 | 468.0 |
| Health and social work | 1.19 | 275.7 | 230.2 | 486.5 | 424.6 | 458.8 | 502.6 | 596.0 | 672.0 | 687.0 | 1364.0 |
| Other community, social and personal service activities | 1.08 | 1032.0 | 1158.5 | 1132.6 | 960.5 | 1025.1 | 898.9 | 1203.0 | 1010.0 | 1323.0 | 2109.0 |

* The value of investment outlays for entities with more than nine workers – on the basis of reports; for entities with up to 9 people – estimated values.

G – annual average pace of changes in the years of 1998–2007.

Source: Own calculations on the basis of Poland's Statistical Yearbook for the years 2000–2008. National Statistical Office. Warsaw.

Table 4. Regression function analysis: $income/revenue = f(\text{expenditure})$. by section

| Section | Constant | | Investment outlays | | R ² | S _e |
|-----------------------------------|----------------|--------------|--------------------|--------|----------------|----------------|
| | b ₀ | p | b ₁ | p | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Agriculture, hunting and forestry | 3137.3 | 0.001 | 1.840 | 0.000* | 0.864 | 406.5 |
| Fishing | 94.3 | 0.001 | 1.324 | 0.112 | 0.285 | 33.1 |
| Manufacturing | –169783 | 0.058 | 22.139 | 0.000* | 0.910 | 62224.1 |
| Construction | 39665.672 | 0.023 | 7.529 | 0.073 | 0.347 | 13868.14 |
| Trade and repair | –2308.267 | 0.989 | 34.578 | 0.024* | 0.491 | 96289.36 |
| Hotels and restaurants | 1206.96 | 0.450 | 3.708 | 0.024* | 0.493 | 1284.18 |

Table 4 (cont.)

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|-----------|--------------|--------|--------|-------|----------|
| Transport, storage and communication | -20893.5 | 0.394 | 10.199 | 0.007* | 0.615 | 18771.11 |
| Financial intermediation | 16379.294 | 0.000 | -0.328 | 0.501 | 0.058 | 2955.82 |
| Real estate, renting and business activities | -3539.199 | 0.762 | 2.991 | 0.000* | 0.809 | 7728.78 |
| Education | -12.996 | 0.966 | 1.927 | 0.039* | 0.430 | 206.42 |
| Health and social work | 206.848 | 0.814 | 3.886 | 0.018* | 0.522 | 1249.68 |
| Other community, social and personal service activities | -1896.004 | 0.477 | 8.790 | 0.003* | 0.694 | 2154.35 |

* statistically significant correlation;

expenditure – investment outlays of private sector enterprises (by section) in millions PLN,

revenue – total revenue of private sector enterprises (by section) in millions PLN,

b_0 , b_1 – structural parameters. p – test probability. R^2 – coefficient of determination. S_e – standard error.

Source: Own calculations on the basis of Poland's Statistical Yearbook for the years 2000–2008. National Statistical Office. Warsaw.

Data in Table 4 reveal that for most of the section, capital investment presents a stimulus for company results. It might be judged on the basis of a positive parameter next to the variable *revenue* („Financial intermediation” section is an exception; however, it has no statistical value). It should be pointed that in each section (except for the quoted „Financial intermediation” and “Fishing”, and “Construction” – on a smaller scale), the influence is statistically significant ($p < 0.05$). Certainly, intensity of the relation is connected with the unique character of each type of activity – values are the highest for „Manufacturing”, „Agriculture, hunting and forestry” and „Real estate, renting and business activities” (high coefficient of determination – over 0.8).⁴

3.2. Enterprises investment activity in selected surveys

For a better illustration of the current situation of small and medium enterprises on the Polish market, authors of the publication referred to previous empiri-

⁴ Obviously, capital investment has a direct impact on the long-term improvement of financial results; therefore, when planning enterprise's revenue with the knowledge of the capital investment level, one should account for delayed values of an operand. According to analyses, previous year investments have a significant influence only on the revenue of companies representing „Agriculture, hunting and forestry”, “Fishing”, “Manufacturing”, „Transport, storage and communication”, „Real estate, renting and business activities”, “Education” and “Health and social work”. Therefore, it refers mainly to activities related to the production of goods (both directly and indirectly).

cal research carried out by central institutions, including Polish Agency for Enterprise Development and Analysis and Forecasting Department at Ministry of Economy. Due to the nature of the research, the most significant thing was establishing enterprises' development potential expressed by investments and application of innovations. Selection for the research was largely made on the basis of their validity and representativeness.

As for the Ministry of Economy research into functioning of Poland's small and medium enterprises sector, data concerning the first half of 2008 (475 enterprises) and the second half of 2006 (a sample of 629) will be compared. The research reveals that 70% of the interviewed entrepreneurs incurred investment expenses in the first half of 2007, and in 2006 – two thirds of the interviewed. In 2006 it was clear that the larger the company (according to the number of employees) the higher investment expenses were. However, in the first half of 2008 their situation looked a bit different. In the second half of 2006, in the section of microenterprises, slightly more than 60% of companies made capital investment, and as for small enterprises, 81% of interviewees claimed to have born such expenses, and medium sized companies – 88%. When analyzing results for the first half of 2008, it might be easily seen that it is microenterprises that contributed to the general increase in the percentage of companies bearing capital investment (67% of them). The percentage of small companies remained unchanged, and in case of medium companies – it went down. It is also worth mentioning that in 2008 companies invested less than in previous years. Capital investment was most often made by enterprises of transportation services sector and hotel trade, and less frequently – by companies offering other services.

Polish entrepreneurs use external funds much less frequently than an average EU company owner. In 2006, two out of three of the interviewed by the Ministry of Economy declared their investment was paid for mainly with their own money, which does not change in the first half of 2008. Bank credit as a financial source for investment has become more popular only in the last two years – the rate has gone up from about 10% to 20%, where the percentage is rising proportionally to the company size (from ca. 25% in case of microenterprises to almost 70% for medium ones). Leasing turned out to be less popular.

The structure of capital investment for analyzed periods has also changed; it also turned out to be related to the company size. As for microenterprises, most popular expenses were vehicles and equipment, fittings and furniture – in 2006, 40% of small companies spent money on vehicles and equipment, and in 2008, more companies increased their expenditure on cars (around 50%). When you consider the fact that in terms of cars, microenterprises most often paid for car repairing, and in case of furniture – they purchased furniture, equipment etc. it is quite hard to talk about the growing potential of Polish microenterprises, and consequently their chances of becoming more competitive. Small and medium

companies have also invested mainly in cars, equipment and furniture; however, it should be mentioned that they purchased new cars more frequently. Buildings and land were least popular type of expenditure – every fifth company in 2006 spent money on the target (where 12% of them were microenterprises, 35% – small companies and 47% – medium ones). Those companies rarely bought buildings. they more eagerly spent money on renovation of the old ones. It should be pointed that in comparison to the year 2000, only micro enterprises increased their expenditure on buildings – 16% of the companies⁵. Alarmingly, in the second half of 2008 most firms were intending to bear less expenditure on investment. which might reflect general financial crisis tendencies and slower economic development in most European economies.

Similar conclusions are drawn from the Polish Agency for Enterprise Development research carried out on a sample of 802 enterprises. Since the scope for both series of research into companies' investment activity is similar, only the data related to spatial distribution of companies and their development potential have been presented. The data reveal that larger companies invest more eagerly (in 2007, 14 % of micro enterprises did not bear any investment, as for of small companies – 6%, and 1% of medium ones). Most unfavourable results of lower investment rates concern enterprises operating in voivodeships with low development rate – companies from 18% of the voivodeships did not make any investment. whereas in areas with medium development values – 15%, and in voivodeships with the highest development rate – 11%. Moreover, interviewees from voivodeships with the lowest economical development rates, forecast further decrease of average capital investment, both in 2008 and between 2009 and 2011. Considering the structure of capital investment, in voivodeships with low development level. in micro companies there is a substantial decrease of expenditure. especially on non-material and legal values. Alarmingly, companies with lowest investment inclinations forecast further reduction of capital investment in the nearest future (it is especially true of microenterprises located in areas with medium development rates, which want to decrease their expenditure on machines and devices by over 50%)⁶.

3.3. Investment activity of enterprises in the perspective of Economic and Monetary Union of empirical research

The research we want to refer to in the context of the analysis of enterprises' investment activity, was carried out in order to find out entrepreneurs' opinions on accepting the common currency by Poland. It was carried out between

⁵ Ministry of Economy, Analysis and Forecasting Department (2007) and (2008).

⁶ Kornecki J. and others (2008).

September and November of 2008 – which is before destabilization of Polish currency – via internet. with the use of internet survey sent to enterprises by mail. Unfortunately, this type of survey is often not returned. which was also the case during the research. For this reason, research data will be treated only as a poll, although the sample consisted of 625 enterprises, which made only around 14% of the potential sample (n=4500). However, after comparing the results with those concerning the whole Poland, our data seem to be very close to the representative ones. Their statistical representativeness cannot be guaranteed since despite a random choice of the interviewed, the sample is too small.

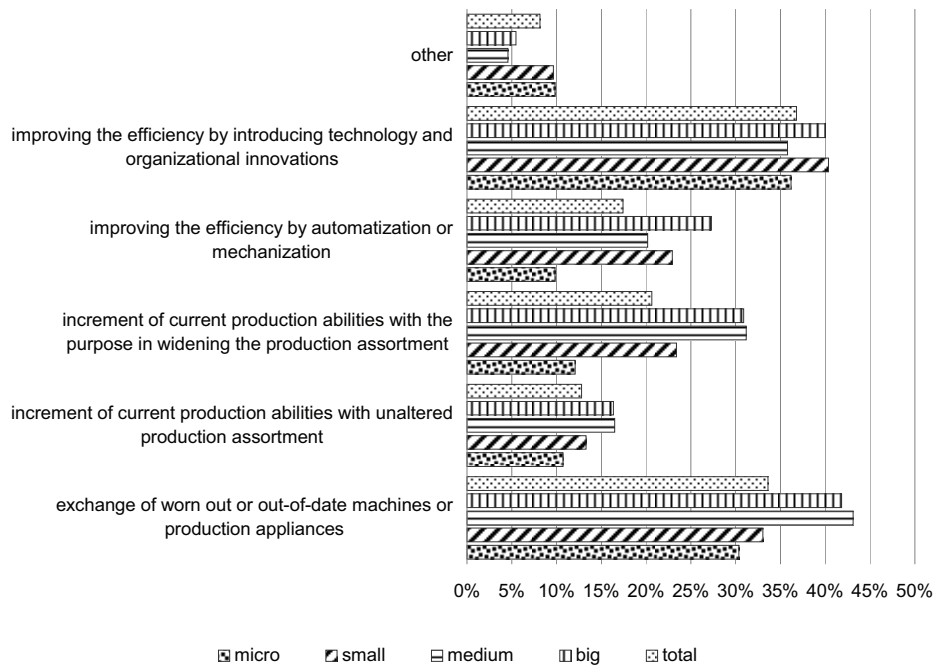
The sample consists of different size enterprises (about 35% of micro and small companies, 17% of medium ones and 9% of big companies) most of which were Polish companies (only 3% of them were firms with 100% of foreign capital. and 1.3% – with majority of foreign capital). As far as organizational and legal form is concerned. they were predominantly limited liability companies (ca. 38%) and natural persons running a business activity (31.4%; then. 12.5% – private companies of natural persons). Most of the interviewees started their activity after 1989 (almost 85%), with around 3.5% of them – after entering EU. As for performance profile. generally they were service (ca. 53%) and trade companies (ca. 30%); the companies often followed both directions.

As the research of 2007 by NBP⁷ shows. most enterprises support introduction of Euro (ca. half of them consider entering the Economic and Monetary Union beneficiary). The results of our research turned out even more optimistic – almost 70% entrepreneurs are definitely for Poland joining EMU, 20% – are quite supportive of the idea. Only 7% of the interviewees are against. It appears that company owners consider entering Eurozone inevitable and they perceive it as an opportunity for the country's economical development. though not necessarily for themselves. Almost 85% of the interviewed find introduction of Euro beneficiary for Polish economy (39% – definitely beneficiary), around 8.5% – not beneficiary, and 2.5% believe it will have no influence on the situation. As for opinions on their own activity and opportunities for their companies, three out of four of the questioned see them positively. It must be said that more open enterprises (export and import rates of the total turnover value are much higher) are better at evaluating the consequences of Euro introduction. What is more, the data are full and rarely does the answer „I don't know” occurs, which might also point to entrepreneurs' better knowledge of the problem. The research showed that in the respondents' opinion, they have a good or very good knowledge of Euro introduction – two thirds of entrepreneurs.

The above information is only a synthetic summary of the main results of the research. Nevertheless, in the publication we will concentrate on the outcome

⁷ Puchalska K. (2008)

concerning development potential of enterprises. As shown in Graph 1, as the main target of their investment activity, enterprises chose the exchange of used or old machines and production devices (generally, it is every third respondent's opinion; the percentage is higher in case of medium and large enterprises – over 40%) and – which sounds optimistic – improving efficiency by introducing technological and organizational innovations (the rate is ca. 37%, being the highest for small and large companies). It should be mentioned that microentrepreneurs also pointed to the enumerated investment directions, which proves pro-developmental orientation of micro and small enterprises.



* p in a chi-square test for analyzed pair of variables is close to 0

Graph 1. The main target of investment activity (according to company size)

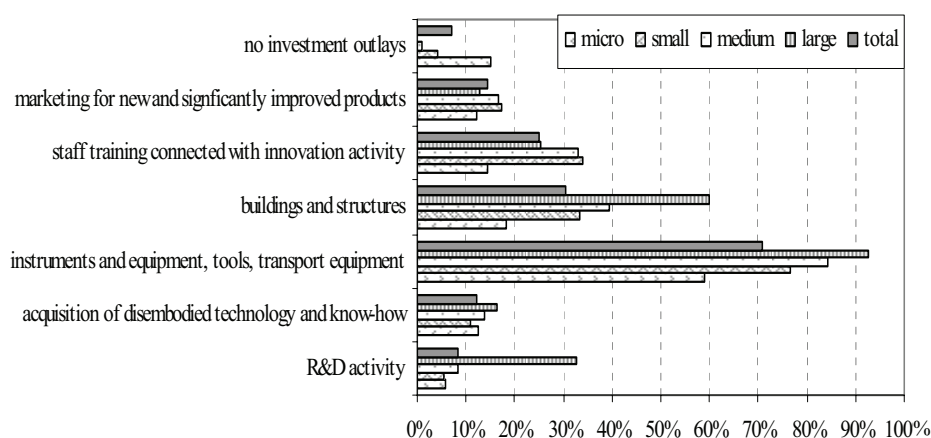
Source: own analysis based on own calculations.

Entrepreneurs' declarations on innovativeness – presented in National Statistical Office statistics or other public institutions – do not reflect the extend of innovative activities undertaken. Most surveys point to low innovativeness of Polish enterprises⁸. Company owners perceive lack of opportunities of financing

⁸ National Statistical Office (2006) and Ministry of Economy, Analysis and Forecasting Department (2007 and 2008).

innovations, too high risk connected with their application and no interest in new products/services on the part of customers as most serious obstacles to the introduction of innovative solutions. At the same time, they can also see the necessity to introduce innovations as a prerequisite to maintain or raise the company's competitiveness.⁹

The research shows that in the last three years, enterprises have devoted their capital investment mainly to machines, technical devices, tools and means of transport (about 70% on average, where the rate grows up proportionally to the company size – from ca. 60% for microenterprises and over 90% for the large ones), buildings and constructions (ca. 30% on average, with analogical tendencies for different-size companies). The rate of companies bearing expenses on Research and Development activity (only ca. 10% – except for large companies, the rate being over 30%) is alarmingly low. Entrepreneurs' declarations to purchase ready technologies were slightly more common (11–16%). Other quite popular expenses were staff trainings in innovative activities (every fourth company).



* p in a chi-square test for analyzed pair of variables is close to 0.

Graph 2. Directions of innovative activity (for the last three years) according to the company size

Source: own analysis based on own calculations.

Just like in case of investment expenditure structure, their value is also connected with an enterprise size (p in a chi-square test is close to zero for both pairs of coefficients, which points to statistical value of the relations). Importantly enough, every fourth company did not make any capital investment in

⁹ Ministry of Economy, Analysis and Forecasting Department (2007).

2007 – 8.5% of small companies, 3% of medium and 4% of large ones. Micro and small enterprises usually spent no more than PLN 500,000 medium ones – between PLN100,000 and PLN10,000,000. The main currency of expenses is PLN, and as for foreign currencies, transactions are generally finalized in Euro.

Enterprises paid for their investment mainly with their own funds (almost 80%). as well as using credits (mostly cash) or leasing. Union funds haven't been used effectively, especially by smaller companies (compare Table 6). The tendencies are in agreement with previously quoted research data, however, high interest rates may reflect the interviewees structure – entrepreneurs with a more pro-development attitude.

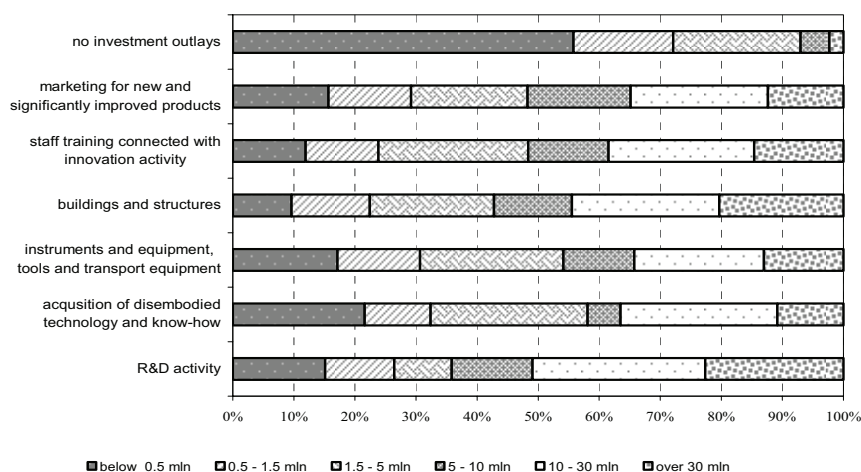
Table 6. Financing sources (by enterprises size)

| Sources of financing investment activities | The company's size | | | | | | | | Total | |
|--|--------------------|------|-------|------|--------|------|-----|------|-------|------|
| | micro | | small | | medium | | big | | | |
| | N | % | N | % | N | % | N | % | N | % |
| Own means | 173 | 77.2 | 175 | 80.3 | 92 | 84.4 | 48 | 87.3 | 488 | 78.1 |
| Budgetary grants | 2 | 0.9 | 8 | 3.7 | 3 | 2.8 | 7 | 12.7 | 20 | 3.2 |
| UE funds | 5 | 2.2 | 19 | 8.7 | 21 | 19.3 | 12 | 21.8 | 57 | 9.1 |
| Credit in PLN | 52 | 23.2 | 81 | 37.2 | 44 | 40.4 | 19 | 34.5 | 196 | 31.4 |
| Credit in Rother currencies | 4 | 1.8 | 3 | 1.4 | 5 | 4.6 | 4 | 7.3 | 16 | 2.6 |
| Leasing | 46 | 20.5 | 85 | 39.0 | 46 | 42.2 | 15 | 27.3 | 192 | 30.7 |
| Foreign means | 0 | 0.0 | 1 | 0.5 | 1 | 0.9 | 0 | 0.0 | 2 | 0.3 |

*100% – the number of companies of a given size (micro – 224, small – 218, medium – 109, large – 55, total – 625); p in a chi-square test is close to 0.

Source: own analysis based on own calculations.

The former analysis carried out on the microeconomic level pointed that enterprises' investment activity is generally reflected in their revenue increase, which has also been proved in our research analysis. The revenue is the higher, the more investment outlays is made (the relation is of statistical meaning – τ - c **Kendall's coefficient** goes to 0.495 at p close to 0). One may also see the relation between the type of investment activity and income level (compare Graph 3).



* 100% is the number of enterprises offering a given type of investment activity; *p* in a chi-square test is close to 0

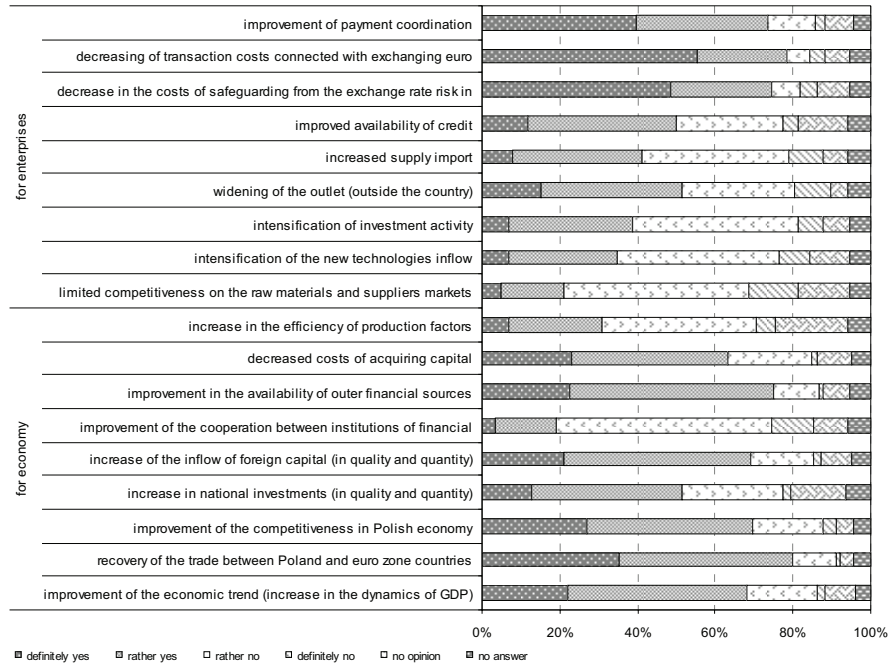
Graph 3. Enterprise's investment activity versus income level

Source: own analysis based on own calculations.

It is mainly enterprises with lowest revenue that did not bear any investments. When analyzing the way a chosen investment activity influences the revenue level, it might be said that highest levels are achieved by enterprises with their own research and development activity as well as those which invested in buildings and constructions (almost half of them gained revenue at more than PLN 10,000,000).

Entrepreneurs perceive Poland's entering EMU as a chance to improve the climate for economic activity in a macroeconomic dimension, and Euro introduction – in their opinion – will not provide an impetus for intensified investment activity (compare Graph 4).

Company owners hope that on Euro introduction, there will be a decrease in current exchange risk, lowered transactional costs and enhanced payment terms; also, expansion to new markets resulting from the revival of trade exchange with Eurozone countries. They also hope for a better accessibility of external sources of financing their activity (especially credit) and operational costs of gaining the capital.



Graph 4. Consequences of Euro introduction in the entrepreneurs' opinion

Source: own analysis based on own calculations.

4. CONCLUSIONS

Companies perform various activities to get adjusted to functioning on the Common European Market. Apart from standard activities like searching trade partners, looking for markets abroad, taking on export activities, introducing innovations and developing their activity, entrepreneurs frequently ask about the consequences of entering EMU. The question is gaining in actuality especially now, in the period of economic stagnation and unstable currency rates. When looking at Slovakia's economy, there are opinions that Poland lost „the moment” by not introducing Euro in 2009; now, the problem of many Polish companies is protection against exchange rate risk. Present financial obstacles will continue to limit the poor investment activity of most enterprises.

According to the research data, investment activity of enterprises is still not sufficient – which generally concerns smaller companies. What is more, investment structure reveals they are generally reproductive investments. The surveys brought about more optimistic results – apart from prevailing expenditure

on machines and devices, every third enterprise pointed their main investment objective is raising efficiency by introduction of new technological innovations; nevertheless, very few of them have spent money on Research and Development and purchase of new technology (ca. one tenth). Both the height of investment expenditure and its structure, have an impact on a given enterprise's revenue. It proves the opinion that a more intense investment activity brings about a better development potential of companies, which consequently lets them achieve a better financial outcome.

In the face of Poland's coming soon entering the Economic and Monetary Union, company owners consider its consequences beneficiary especially for the whole economy, and a bit less also for their own companies. In their opinion, introduction of Euro will not provide a stimulus to intensify investment activity. Entrepreneurs forecast that improving the condition of Polish economy together with limiting the exchange rate risk and transactional costs, will boost better conditions for functioning of enterprises.

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Justyna Wiktorowicz, Elżbieta Roszko

POTENCJAŁ ROZWOJOWY POLSKICH PRZEDSIĘBIORSTW A INTEGRACJA POLSKI Z UGW W ŚWIETLE BADAŃ EMPIRYCZNYCH

Utworzenie unii gospodarczo-walutowej i jednolitego rynku europejskiego było celem głównym integracji ekonomicznej państw członkowskich w obrębie Unii Europejskiej. Z punktu widzenia małych i średnich przedsiębiorstw powstanie wspólnego europejskiego rynku stworzyło wszechstronne możliwości rozwoju, zwłaszcza poprzez intensyfikację w tych przedsiębiorstwach procesów internacjonalizacyjnych. Członkostwo Polski w UE zapewniło małym i średnim przedsiębiorstwom większą swobodę prowadzenia działalności gospodarczej wewnątrz całej Unii poprzez szersze możliwości prowadzenia procesów inwestycyjnych poza granicami kraju, zakładania firm oraz tworzenia oddziałów i filii na rynkach zagranicznych, dostęp do wolnocłowej wymiany handlowej i w końcu równy dostęp do udziału w postępowaniach o udzielenie zamówień publicznych na terenie całej UE.

Niniejsza praca stanowi próbę oceny potencjału polskich przedsiębiorstw, zwłaszcza w kontekście zapowiadanego wejścia Polski do Unii Gospodarczo-Walutowej. Analiza przeprowadzona została z wykorzystaniem zdywersyfikowanych źródeł danych, obejmujących zarówno publikowane statystyki GUS, jak i raporty tematyczne Polskiej Agencji Rozwoju Przedsiębiorczości czy Ministerstwa Gospodarki, a także własne badania ankietowe, stanowiące element szerszej zakrojonych analiz służących ocenie konsekwencji wprowadzenia euro w Polsce. Punkt wyjścia prowadzonych analiz stanowi ogólna charakterystyka potencjału sektora prywatnego przedsiębiorstw w Polsce na jednolitym rynku europejskim, a następnie ma miejsce ocena działalności inwestycyjnej firm sektora MSP – stan obecny i perspektywy w obliczu wejścia Polski do Unii Gospodarczo-Walutowej.

Słowa kluczowe: UGW, obroty handlu zagranicznego, nakłady inwestycyjne.