PROBLEMS AND SOLUTIONS FOR THE INCREASING OF THE EUROPEAN REAL ECONOMY PERFORMANCES ARISING FROM THE SMES ACTUAL PROBLEMS

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Abstract: *The small and medium enterprises hold an important proportion of the business environment, which is why the association of the evolution of these economic entities with the conditions of macroeconomic performance is imperative for the efficiency of the socioeconomic development. Within this context, the small and medium enterprises should be considered as the main source of revenue to the state budget and, at the same time, as the main market for the labour force, these two perspectives showing their essential role in influencing the demand and consumption. Given the way in which these macroeconomic objectives are targeted, particularly by the system of macroeconomic policies, it appears necessary to analyse the interrelationships between the business environment and the macroeconomic administration – context within which the strategic objective of establishing the proper conditions for the evolution of the small and medium enterprises becomes of utmost importance.*

Keywords*: microeconomic, macroeconomic, fiscality, SME, evolution.*
JEL Classification*: E 62.*

1. Introduction

In the present paper, starting from the taking into consideration the actual problems of the economy – especially speaking about the macroeconomic situation and considering, as a very important point, the co-relations between the general economy and SMEs problems and development level, by analysing the mentioned co-relation in the situation of actual problems and risks, the principal objective is to demonstrate some points o recommendations for the increasing of the mentioned co-operation towards the general economy benefits.

2. European administrative references

The fiscal policy of the European Union consists of two components: direct taxation, which is the exclusive competency of the member states, and the indirect taxation, which influences the free circulation of the goods and the free provision of services. In respect of the direct taxation, the member states took measures to avoid tax evasion and double taxation. The fiscal policy aims to avoid distorting the competition between the member states on the domestic market because of the different levels and regimes of indirect taxation. (Bojeşteanu and Manu, 2011) Measures have been also taken to prevent the adverse effect of the fiscal competition when the companies transfer liquidities between the European Union member states.

Current problems of the SMEs in the field of fiscality – generalities

The Romanian small and medium enterprises have been confronted during the past several years by problems arising from the worldwide economic situation, which influenced substantially the domestic economic situation too, through the established mechanisms of reception and evolution of the economic shocks transmitted via the facilities provided during the recent years by the complexity and evolution of the international economic markets.

Compared to the other microeconomic institutional actors of the economic market, the SMEs can be treated as a special case, given their lower possibilities to ensure and maintain their economic and financial stability, particularly under conditions of the general risk of receiving economic shocks on the market – risk which affects, in a different manner, the market actors; within this context, the SMEs are in disadvantage, particularly in terms of the struggle for a share of the market, the leaders, the strong multinational companies, being favoured by their clearly better internal administrative capabilities (Mishkin, 1997; Roldan, 2013).

This problem can be noticed, under the current circumstances, under various aspects, as it will be presented by this paper, with the purpose to evaluate a set of associated risks that may affect the national macroeconomic situation and to propose a set of solutions.

Generally, the fiscality impact on the activity of small and medium size companies is acting through the following mechanisms (International Monetary Fund, 2006):

- By direct mechanisms, i.e. the action of the fiscal policy on the amount of direct and indirect taxes paid by the economic actors;
- By indirect mechanisms:
  - Through the action of the fiscal policy on the amount of indirect taxes paid by the economic actors;
  - Through the action of the fiscal policy on the amount of direct taxes paid by the natural persons;
- Through other mechanisms which impact on the activity of the economic actors – mechanisms which stimulate of inhibit their economic evolution.

In order to analyse the implications of fiscality on SMEs activity and identify solutions, it is necessary to show SMEs particularities which characterize them among the other economic actors. Thus, unlike the economic agents with high economic and organisational capacity, the SMEs are characterised by: low variety of the offer; modest financial capacity; low market share; small capacity to implement marketing policies, particularly the competitional policies; modest financial stability.

3. Elements of fiscality impact on SMEs activity

The macroeconomic importance of the SMEs is to be taken into consideration especially at the administrative level of coordinating the macroeconomic policies, given the following main aspects of SMEs activity on the market (Bojeşteanu and Manu, 2011):

a) The proportion of the SMEs among the total group of economic agents means:
- Large proportion within the GDP;
- Highly important for the economic independence/dependence on the regional market.

b) The economic stability of the economic agents influences:
- The economic stability of the market, within the functional assembly of the specific mechanisms, with a corresponding proportion;
- The stability of the main elements if the economic market: demand and offer, within the same conditions of corresponding proportion.

Leaving from these aspects, and knowing that the economic stability of the SMEs can be stimulated, maintained or disadvantaged by strategies of macroeconomic policy, it is important to consider the correspondence between the macroeconomic objectives and the direction of action of the implemented strategies: the macroeconomic objectives can match or not the manner of influence of the macroeconomic strategies on SMEs activity.

Since the statistics on the:

a) Evolution of the SMEs number over the past 5 years:

- SMEs operating at the same parameters;
- SMEs which reduced their activity;
- SMEs which developed their activity

b) Number of Trade Register operations concerning the SMEs, over the past 5 years:

- Registrations;
- Strikeoffs;
- Changes of the field of activity don't show clearly the reason for these actions, we may say that fiscality is one of the factors impacting on SMEs activity. However, it is not the only factor of influence, being associated with other factors such as:

c) Quality of the microeconomic management, pertaining to several main issues such as:

- Optimal utilization of the marketing strategies to: increase the market share; diversify the offer according to the segments of clients with the view to increase consumption;
- Optimal utilization of the managerial strategies to enhance the efficiency of the internal processes with the view to: reduce the operational risks; cost optimization;

d) Influence of other factors of impact:

- Other macroeconomic policies;
- Economic shocks.

In the subsequent part we will only make a theoretical analysis of the relation between fiscality and SMEs activity, an empirical analysis would be insufficiently relevant due to the scarcity of available information.

Thus, SMEs activity, of major importance for the economic market, both as direct effects of the activity of these economic entities:

- Participation to the economic stability of the market by its main components – demand and offer – and stability of the economic flows correlated with those of other economic entities;
- Contribution to GDP formation;

and as indirect effects, through:

- Supplying jobs;
- Other components of the demand and offer and of the economic flows on the market, can be influenced, in terms of the fiscal policy coordination, in the following ways: stimulate SMEs growth; hinder SMEs growth; neutral impact.

4. Solutions coming from the SMEs

In terms of SMEs specificity, the impact of the fiscal policy on SMEs activity is of the same type as the impact of the fiscal policy on the activity of other economic entities, particularly since there are two possible relations between the SMEs and the large companies: competition on the market and non-competition.

Regarding these possibilities, the way in which the level of fiscality is experienced by the SMEs and by the large companies has the following impact (International Monetary Fund, 2006):

- In the case of competition, the SMEs are disadvantaged because:
  - They have a more frail financial balance;
  - Have a lower access to sources of financing;

o Have a lower level of (own and drawn) financial resources, which makes them more vulnerable to shocks;

- In the case of non-competition, the SMEs can be disadvantaged only if their market segments are targeted by the large enterprises.

A few solutions for the SMEs emerge thus, particularly given by the actuality of the problem, characterized by phenomena resembling to a financial crisis, which makes the state budget to seek cheaper, additional sources – compared to the situation of macroeconomic normality – from domestic resources, even if this is totally contrary to the objectives of economic growth. Some times the wrong decision of halting the economic growth is taken in order to fill some gaps in the budget which are not covered by the economic activities.

When there is the situation of competition between the SMEs and the large companies, the persistence of a high pressure fiscal regime is a further disadvantage for the economic stability of the SMEs, compelling their microeconomic management to seek solutions. Several such possible solutions can be:

- Establishment of SMEs consortia in order to preserve their market segments; this solution raising the following issues:

o The issue of specialisation, of establishing a minimum complexity of the consortium, which to enable maintaining the functional stability of this consortium

- Establishment of mixed consortia, SMEs – financial institutions, intended to allow a higher access to financing of the SMEs and to add efficiency to the financial institutions which are currently confronted by problems generated by the lower demand of financial products and services.

When there is the situation of non-competition between the SMEs and the large companies, striving towards the same objective of maintaining their market segments, the potential solutions for SMEs management regard the economic cooperation, as follows: industrial cooperation:

o Underproduction: of capacity; of speciality;

o Coproduction;

  o Commercial cooperation: distribution; sales; other;
  o Cooperation in the field of services: marketing; service activities; other.

All these are to be applied using the general pattern of cooperation between SMEs and large companies.

In the situation of non-competition, compared to the situation of competition, it is preferable to implement non-competitional solutions in the relation with the large companies because the large enterprises can also be part of consortia, and in this case the advantage of the SMEs will vanish being replaced by a new competitional formula, which is to the advantage of the large companies.

Reverting to the impact of fiscality, generally speaking, it touches on the financial situation of the particular enterprise by diminishing its gross income, and here there are two aspects to consider: the primary source to support future activities; the source of profit, not as significance of the financial gain, but as incidence, through the indicators of profitability, on the odds of drawing further financing.

The generic problem regarding this aspect is the fact that the bearability of the fiscal pressure by the SMEs – as economic entities with much lower financial power and access to sources of finance compared to the large enterprises, and which also have a more frail financial stability (with a higher risk of going unstable in case of possible market shocks) than the large companies – is more difficult for them than for the large companies because (Korka, M. and Tuşa, E., 2003):

$VN = VB – C – I$
where
VN = net income
VB – gross income
C = expenditure
I = taxes
If we use the following equation
$I = (VN \times X) / 100$
We have
$VN (1 – \times/100) = VB – C$

In the case of the SMEs whose gross incomes and expenditure are much lower, both in absolute terms and comparatively, than those of the large companies (the usual differences is of several times), the left side of the above equation also is much lower than that of the large companies. This means financial stability with a higher risk of unstableness compared to the large enterprises and lower financial power, even if the profit indicators are within the acceptable range from the point of view of the banks. However, the interpretation of the liquidity indicators in terms of value, particularly under the conditions of financial risks on the market, should lead to the expression of a moderate possibility of access to financing; from the macroeconomic point of view, this means economic stability with a high risk of turning unstable, and this happens whatever microeconomic solution the SMEs select as strategy of sustainability.

This is why we should also look at solutions which can come from the macroeconomic administrator.

5. Solutions coming from the system coordinating the macroeconomic policies

The business environment, due to the large number of SMEs that compose it, runs a high risk of economic instability, one of the causes being the high fiscal pressure. So, by taking into consideration the above mentioned problems, it is necessary to propose below some points of recommendations for the possible suture economic policies meant to the developing of the business environment – in particular and also to the economy – in general.

For an efficient implementation of the macroeconomic policies, starting from the hypothesis that they rely on a strategy which agrees with the targeted objectives and with the complexity of the macroeconomic situation, an important objective, both at the macroeconomic and at the microeconomic levels, is to reduce the risks of instability on the economic market – as essential element for the implementation of the macroeconomic policies – to identify all the factors that are likely to cause instability of the economic market and to seek ways to reduce their impact through macroeconomic strategies and programs.

Thus, the macroeconomic policies, the fiscal policy and the budgetary policy particularly, might take into consideration the ease the fiscal pressure – as an element which may loosen the total financial pressure on the business environment – thus stimulating the economic activities. The lower revenues to the budget (from direct and indirect taxes) will be compensated by higher economic flows, as the market activities grow, whose early noticeable effects might be a higher consumption, demand and production.

6. Conclusions

The importance of ensuring a state of financial stability at the national macroeconomic level, particularly within the context of the running process of European economic integration, results from the following aspects:

- The financial stability is one of the defining qualitative aspects for the equilibrium of a macroeconomic system;
- The financial stability is an indicator for the option of investments and placements for the particular macroeconomic area;
- Exceeding the limit of acceptable volatility of the mobile financial assets is an indicator of the financial risk which, within the configuration of the European economic relations, may produce effects transmitted through the channels specific to the process of economic integration;
- The relation between financial stability and monetary stability is given both by the objective of preserving the macroeconomic equilibrium and by the functional relation between the macroeconomic administrative system and the real economy;
- The distortion of the financial stability may also be a result of the distorted monetary stability;
- The two types of stability result from the state of macroeconomic stability;
- Regarding the factors of influence of the two types of stability, both are multivariable functions, some of the variables being commune to the two functions;
- Regarding the administrative action towards ensuring the two types of stability, it is multidisciplinary, multi-institutional and submitted to the process of regional economic integration;
- Regarding the quantification, the level of stability must be seen as belonging to an interval with limits set as acceptable in terms of the risk factor;
- Institutionally, the activities of ensuring the states of financial and monetary stability are included in the macroeconomic administrative system and they are connected to the process of institutional and technical-methodological construction in Europe.

The monitoring of financial instruments utilization, the macroprudential analysis included, must focus on the whole financial system, this type of monitoring being of utmost importance to identify the potential sources of instability, to limit the risks and to avoid the high costs of solving the potential situations of major risk. Therefore, it is necessary that these surveillance methods, the combination of the monitoring and regulatory activities, must be relevant for the particular conjuncture and in agreement with the targets, reliable, easy to implement and to standardise. The accounting standardization is important for the easy implementation of such surveillance activity; the periodical systemic stress tests being important for the analysis of the potential adverse macroeconomic impact of the shocks within different economic conditions and with different responses of monetary policy.

The market infrastructure is central because the financial stability is very much influenced by the environment in which the financial intermediaries operate. Just like there are cultural differences, there also are structural differences between the countries. The nations have a diversity of political and economic systems, of legal frameworks and taxation structures, which play a central role in the development of their financial systems. These national influences can certainly interact and distort the practices and procedures on the regional financial markets.

Some risks of financial instability are susceptible of appearing now and then and therefore, the formulation of a properly articulated strategy against the potential financial imbalances should be a priority on the agenda of the central banks and of the surveillance authorities.

Such strategies should cover the following areas: consistent political framework at the macroeconomic administrative level which to enable the implementation of a coherent framework of macroeconomic policies – which is essential for the maintenance of the financial and monetary stability. The framework should be thorough in attaining the macroeconomic goals and should avoid the accumulation of imbalances which may lead to financial instability. The supply of market orientations to the participants regarding the way in which the policy works facilitates the decision-making process at the microeconomic level. Furthermore, the flexibility to react to the shocks which often affect the economy helps attenuating the risks of financial crisis generation.

At the regional level, in close connection with the mentioned conditions, the adoption of common standards which to boost the levels of adherence and convergence to the quality standards and practice standards is one of the key-elements for the efficient allocation and use of the economic resources, which is expected to decrease the capital costs and the reduce the use of the house of arbitrage for regulation. The increasing globalization and interdependence of the world economy force the financial intermediaries to operate on a much wider field, which is important to take into consideration both regarding the potential of increasing risks and regarding the necessity of applying in due time specific regional and cooperation programs which should reduce the imminence of such risks, under the conditions in which the regional markets had been functioning for many years and developed faster than the administrative activities which should have associated to them (Socol, A.G., 2011).

These strategies should also encourage the development of efficient and prudent internal risk management systems, their proper monitoring and administration in agreement with the requirements of regulation of the risk management practices and with higher risk transparency.

The market discipline, another essential and indispensable element of the financial stability, must be promoted by a prudential and surveillance regulation which to allow and impose the performance of the specific market activities in a framework associated to the necessity fort financial stability.

As final conclusion, the correlation of the fiscal pressure with the market potential is defining for the macroeconomic stability; the central problem of this analysis is the macroeconomic stability – as necessary condition for the economic evolution within the current circumstance – condition which also includes the general problem of the correlation between the elements of macroeconomic strategy and the market potential.

The central idea of the analysis is the correlation of the fiscality level with the economic agents' capacity of absorption of the fiscal pressure in general, and of the SMEs in particular, capacity of absorption which pertains to the general capacity of the economic market to absorb the economic shocks, being one of the essential elements of the macroeconomic stability.

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* all the refrences souces were used, in the present paper, just for having a minimmum orientation role.