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ELEMENTS FOR THE ACTUAL EVOLUTION OF THE SMALL AND MIDDLE ENTERPRISES

Theoretical Article

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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.

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. 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.

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.

Current problems of the SMEs

Generically speaking, the current problems of the SMEs stem from the new state of things which developed after the accession of Romania to the European Union, which implicitly brought in a new posture for the Romanian economic actors, i.e. their participation on the single European market.

Unlike the precedent situation, participation on the domestic economic market – when the foreign trade was an option only for the companies which were considered to have the capacity to withstand the competition and rules of the foreign markets – in the current situation, when Romania is EU member state, the participation of the Romanian companies on the single European market is no longer an option. The problem that arises from here is both the high level of competition, and the stricter market rules that confront the Romanian companies – the bulk of this difficulty falling on the SMEs.

This problem is accompanied by a set of problems which are specific to the Romanian domestic economic market and to the national macroeconomic system – problems among which the increasing fiscality of the recent years is a further pressure, particularly under the conditions in which competing European companies of the same level have to deal with lower fiscality levels, which is a competitional disadvantage on the single European market for the Romanian companies, induced by the problems affecting the system of national macroeconomic policies.

For instance, the level of fiscality is much higher in Romania that in other EU member states, as shown in the table 1 acoording to the Annex.:

The analysis of the evolution of the number of active SMEs in Romania shows a gradual decrease of their number after 2008, after the accession of Romania to the European Union, which is evidence of the problems confronting the Romanian SMEs on the single European market (tables 2 and 3 mentioned in the Annex).

Consequently, one of the main problems currently confronting the SMEs is created by the new conditions of the European market. This seems to be a problem common to all member states and, because it affects the economic systems of these states, it impacts on the European economy as a whole. Hence, legislative and administrative measures have been adopted in Europe, as follows:

- *The Lisbon Strategy and the preparation of the European states to adopt the Small Business Act*: one of the first key documents of small and medium enterprises (SME) policy, the European Small Business Act, was adopted by the EU member states in June 2000, during the General Business Council, as a consequence of acknowledging the importance of the small enterprises for the European economy; the Act has been adopted by the European Council of Feira, of June 19-20, 2000, being considered a key-document for the business policy, part of the European acquis in this field. It stipulates ten directions of action to stimulate the development of the small enterprises. During 2001-2005 interval, the European Commission presented annually during the meetings of the European Council, a report on the progresses of the member states and of the candidate countries in terms of the directions of action stipulated by the Act. As of 2006, the European Commission replaced the report with the annual exercise of the exchange of good practices identified within the member states.

The first really decisive step taken for the improvement of the framework of activity of the small and medium enterprises in Europe was the Lisbon Strategy (LS), adopted in March 2000 by the heads of government and state reunited at the Lisbon European Council. Its aim was to transform the European Union by 2010 in the “most dynamic and competitive economy worldwide, based on knowledge, able of sustainable economic growth, creating new and better jobs and characterized by a higher social cohesion”. The principles of the Lisbon Strategy are the basis for the efforts to reduce, in Europe, the administrative barriers and to develop a much “friendlier” economic and investment environment, able to allow reaching the main goals of the document, i.e. 3% annual economic growth and creation of 20 million jobs by 2010. The Lisbon Agenda also stipulated several specific objectives in fields such innovation, enterprises, liberalization of different markets and environmental protection. In the fall of 2008, the report on the implementation of the Lisbon Strategy, drawn up by a group of experts led by the former Dutch Premier Wim Kok, noticed that the “Agenda is too loaded, there is lack of coordination, and there are conflicting priorities”, which show the lack of political will of the member states, and the result was the production of poor results. Following this report, the European Commission considered necessary to relaunch, in 2005, the Lisbon Strategy (rebranded as the Lisbon Strategy for growth and jobs), focusing this time rather on measures that had to be applied, than on goals to be reached. The European Commission and the member states decided that the new strategy, structured in three-year cycles, must rely on a tight partnership between the member states, while its implementation should rely on the Lisbon Community Program (launched in June 2005), which involves national reform programs updated annually. Thus, in the first annual report, presented in January 2006, the Commission defined four basic areas that needed much action: higher investments in education and research, more support to the small and medium enterprises, job creation and a common energy policy. According to the second report, of December 2006, the European Commission ensured 75% of the measures which it considered as belonging to the Lisbon Strategy, among which the adoption of the Directive on services, the approval of the Framework Program 7, as well as the progresses in terms of financial services. Again, the Commission identified and sets four priority areas of action: investments in knowledge and innovation, lower administrative pressure for the SMEs, modernization of the labour market, energy and climate changes. Three years after the start of the Lisbon Strategy, the strategic report of the European Commission, presented during the spring Council of 13-14 March 2008, concluded that the policies defined by the Lisbon Strategy yielded good results, but mentioned that “not all member states implemented reforms with the same determination” and that the reforms in some areas, such as opening the energy and services markets had been implemented at a slower rate. The report considered that for the next three-year cycle, the implementation of reforms must go on both at the national, and at the community level. The document also set several new initiatives in the four priority areas (European Commission, 2007):

- In the field of investments in people and modernization of the labour market, the report invited the member states to draw up plans of action and to set objectives in order to reduce significantly the early school dropout and to improve the rate of literacy as basic skill.
- In the field of business, the report demands an integrated political approach, in the form of a European law for the small enterprises, which to promote the development and growth of the millions of SMEs which create nine of every ten new jobs.
- In the field of knowledge (education, research-development and innovation), the report proposes measures for the “fifth freedom”, the free circulation of knowledge, by the establishment of an authentic European research area and of an integrated law of the patents, with a single accessible patent. The member states are invited to draw up national strategies for broad band and to set national objectives for the use of high speed internet; these measures are intended to help reaching the goal of 30% of the EU population and 100% European schools connected to the internet by 2010.
- In terms of energy and the climate changes, the report highlights the importance of finishing the establishment of the internal energy market and invited the member states to set compulsory goals for the reduction of electric power consumption in the public administration buildings, and to set the energy efficiency as criterion for the assignment of contracts for public procurement.

This context highlights clearly the imperative need for the establishment, in the shortest period possible, of a new framework of internal policies for the small and middle enterprises from the European Union.

The *Small Business Act*, *a natural step forwards for the establishment of premises for a higher competitiveness of the small and medium economic* *actors*: this framework appeared on June 25, 2008, less than four months after the release of the report, through communication COM(2008) 394, which adopted the Small Business Act for Europe (SBA) (COM(2008) 394). This document reflects obviously the political will of the European Commission for the acknowledgement of the central role of the small and medium enterprises in the European economy. The preparation of the document had started in 2007, when the European Commission decided to establish a new framework of policies for the small and medium enterprises, whose objective was an improved general approach of the entrepreneurship by applying the principle „Think small first" in public policies, at all levels of the European Union, and providing constant support for the development and competitiveness of the SMEs. The unanimous agreement of the member states governments on the content, principles and measures stipulated in the Small Business Act was expressed during the meetings of the Council for Competitiveness organised in 2008, the document being approved by the Council for Competitiveness during the meeting of 1 December 2008. Immediately after, the European Council of 11-12 December 2008, expressed its full support for the implementation of the Plan of action adopted by the Council for Competitiveness. The European Parliament had also approved, by the resolution from 10 March 2009, the content of the document and recommended the European Commission and the member states governments to start the process of implementation of the measures stipulated by the Small Business Act. The Plan of action annexed to the conclusions of the Council for Competitiveness from December 2008 had set short and medium-term measures in three areas of action which were identified as priorities: access to financing, improved regulatory framework and higher access on the market. These priorities are part of the European Commission's reaction to counterbalance the adverse impact of the financial and economic crisis on the small and medium enterprises. The initiative of the European Commission aims to intensify the efforts, within the European Union, supporting the development and competitiveness of the small and medium enterprises, by the establishment of a comprehensive and coherent framework of policies, assuming the instruments of policy exiting in the field of the SMEs – the "European Charter for Small Enterprises" adopted by the Feira European Council in 2000, and the "Implementing the Community Lisbon Program. Modern SME Policy for Growth and Employment, 2005", adopted by the Commission Communication from 11 November 2005. The evaluation of the measures implemented within the context of the "European Charter for Small Enterprises", as well as the manner of applying the conclusions of the European Council of 2006, showed the progresses achieved by the member states in improving the support framework for SMEs development. Complementary, the strategy for a better regulation contributes essentially to the establishment of a favourable environment for the SMEs, by simplifying the legislation and by a 25% reduction of the administrative burden by 2012. Despite these progresses, the conclusions of the study evaluating SBA impact SEC(2008)2101, showed that significant efforts are further needed to unlock the economic potential of the SMEs from the EU. The main objectives of the Small Business Act aim the improvement of the general approach on entrepreneurship, the irreversible inclusion of the "Think small first" principle in the development of policies, from regulations to public services, and supporting SMEs development by directed assistance to overcome the difficulties confronting them.

With the view to implement the political agenda for the SMEs, the Commission proposed a real political partnership between the European Union and the member states, while observing the principles of subsidiarity and proportionality. The symbolic name of "Act" given to the document highlights the political will of the European Commission to implement, for the first time, a general framework of policies focusing on 10 principles, which to be the basis for the formulation and implementation of future policies regarding the SMEs within the European Union. The "Small Business Act" includes a package of measures which cover all the areas of SMEs policies, including five policy measures aiming to transpose the principles in actual actions.

Thus, European Commission communication COM(2008) 394, 25.6.2008 on the Small Business Act, sets a set of 10 principles and 92 associated measures, among which 5 policy measures, subsequently adopted or in progress of adoption. The Small Business Act aims an easier access of the small and medium enterprises to financing, a better regulation and a lower administrative burden on the business, access on the internal EU market and on the external markets, promotion of innovation, entrepreneurship and business education. The principles stipulated by the Small Business Act for Europe aim:

I Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded

II Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance

III Design rules according to the "Think Small First" principle

IV Make public administrations responsive to SMEs' needs

V Adapt public policy tools to SME needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs
VI Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions
VII Help SMEs to benefit more from the opportunities offered by the Single Market
VIII Promote the upgrading of skills in SMEs and all forms of innovation
IX Enable SMEs to turn environmental challenges into opportunities
X Encourage and support SMEs to benefit from the growth of markets

A second problem currently confronting the SMEs is the fiscality. If the fiscal burden exceeds the bearable limit in terms of a proper functioning of an emerging economy, it may transform into one more pressure, contrary to the adoption of measures aiming to enhance the competitiveness on the European market, which presumes financial and managerial efforts to upgrade the microeconomic system of the enterprise. The main pillars of such action are: technological, marketing and management – focusing on the objectives associated to the concepts of quality, market and profitability. The level of fiscality adds pressure on SMEs functionality, disadvantaging the SMEs from a particular area in Europe to the advantage of their competitors from another area. This aspect is analysed in direct connection with the central idea of the two European documents aiming to develop the business environment within the EU, to create a level playing field for SMEs and improve the legal and administrative environment throughout the EU; once fulfilled, these objectives will leave room for the free competition to regulate the presence of actors on the economic market.

Reverting to the two pillars of the fiscal policy, the difference between the fiscal conditions within Europe is given by the direct taxation component. Thus, the financial position with which the enterprises from different member states enter the competition on the single European market differs very much, and one of the factors which generate this difference is the fiscality from the countries of origin (according to the dictionary, the financial position of an organisation is represented by the level of assets and liabilities and by the state of interrelations between them, as shown in the accounting documents; the financial position of an organisation is also named financial condition).

Hence, fiscality bears an impact on the market evolution of the company by influencing the developmental capacities of the company and by influencing the purchasing power of the company's clients.

Before discussing about the impact mechanisms of fiscality on companies' activity, we must highlight that a properly developed and applied fiscal policy has macroeconomic objectives (converging with those of the other macroeconomic policies). The strategies thus directed induce an impact on the activity of all the market actors from the area submitted to the particular fiscal policy, because these companies are the effectors of economic activities – the sum of these activities being one of the pillars configuring the macroeconomic system. At the same time, market actors also are the receivers of all the elements of discontinuity of the market conditions, of the economic shocks.

Generally, fiscality impact on the activity of companies through the following mechanisms:

- 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

Given these characteristics and the following definitions currently accepted worldwide:

- "The category of the Small and Medium Enterprises (SMEs) consists of enterprises with a staff of less than 250 people and with an annual net turnover up to 50 million Euro and/or total assets up to 43 million Euro" (Fragment of Article 2 from the appendix to Recommendation2003/361/CE1);
- The national Bank of Romania (2011 presentation at BNR Dolj Branch), defines the financial stability as follows: the concept of financial stability has no established definition

yet, or a standardized pattern or analytical framework for evaluation; the financial stability is noticeable in the situations when there is no systemic crisis in action; a financial system is stable when it is able the allocate efficiently the economic resources (spatially and temporally), to evaluate and administrate adequately the financial risks and to autocorrect when it is affected by exogenous shocks; in other words, the financial system is stable when it becomes able the exercise the function of intermediation, thus facilitating the performance of an economy an to absorb the shocks by correcting the imbalances due to adverse evolutions, to the above list of characteristics we may add the following functional aspect of both microeconomic and macroeconomic importance: the concern of the macroeconomic policies for the SMEs sector is important both for the macroeconomic stability and for the establishment of the infrastructure required by the implementation of the macroeconomic policy programs because the weight and importance of this type of economic organisation are determined, economically, by the proper performance of the economy, the small and medium enterprises employing 10-249 workers being the drive of the European economy, creating jobs and pushing the economy forward.

In 2011, 7% of the 22 million non-financial enterprises across the European Union were SMEs, employing 38% of the total number of employees; in all EU member states, in 2011, most non-financial enterprises were small businesses (93%) and just 0.2% were large companies. The highest proportion of SMEs was in Germany (18%), Romania and Luxembourg (both with 13%) and Austria (12%), while the lowest proportions were in Czechia and Slovakia (both with 4%); in most EU member states, the bulk of employed people were working in SMEs: Lithuania and Latvia (both with 51%), Estonia and Luxembourg (both with 49%), Bulgaria (45.5%), Germany and Romania (both with 44%). In six member states, the bulk of the employed people were working in small enterprises, particularly in Italy (46%) and Portugal (42%), while in the United Kingdom (46%) and France (37%), the bulk of the employed people were working in large companies.

Elements of fiscality impact on SMEs activity

There are several segments of interest and analysis regarding the impact of the macroeconomic policies on the economic market which allow identifying the optimal correlation between the proposed objectives and the necessity of implementing efficient strategies; among these segments there is the issue of fiscality impact in 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:

- 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
- 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.

This shows that the need to consider the presence of the SMEs within the economic market, when coordinating the macroeconomic policies, is not a purpose per se, but it derives from the importance of the existence and economic stability of the SMEs sector at the macroeconomic level.

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:

- 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
- 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:

- 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;
o Optimal utilization of the managerial strategies to enhance the efficiency of the internal processes with the view to:
▪ Reduce the operational risks;
▪ Cost optimization;
- Influence of other factors of impact:
o Other macroeconomic policies
o 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.

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
- 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:
- In the case of competition, the SMEs are disadvantaged because:
o They have a more frail financial balance;
o 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;
- Commercial cooperation:
o Distribution;
o Sales;
o Other.
- Cooperation in the field of services:
o Marketing;
o Service activities;
o 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:

$$VN = VB – C – I$$

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.

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.

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.

The reference to SMEs, as target of the analysed issues, is important both in terms of their proportion on the economic market, and in terms of the interest of the large companies to externalise some internal activities which, at the microeconomic level, are cost centres, thus enhancing the efficiency of the internal activity, while creating, at the macroeconomic level, a niche specific to SMEs development within the framework of stable and functional market relations with real capacities of development.

Outcomes of implementing the recommended solutions

We may notice first, as it should implicitly be considered, that the macroeconomic and microeconomic strategic objectives are convergent, the optimal modality for acquiring efficiency and efficacy of implementing strategies in the economic market being the collaboration of the macroeconomic and microeconomic levels and the correlation of the implemented measures.

Thus, due to the role and macroeconomic and microeconomic importance of the SMEs in particular, and of the business environment, in general, the reduction of any kind of economic pressure, the financial pressure being the most important and the fiscal pressure its instrument of regulation, contributes to the reduction of the risks to the economic stability.

The risks of macroeconomic instability may be divided in:

- Risks due to internal factors;
- Risks due to external factors.

The fiscal pressure above the level which stimulates the economic activities, as it has been shown in this analysis, becomes a risk element depending on internal macroeconomic factors which should be, and must be, correlated as size with the macroeconomic objectives supporting the economic evolution.

Thus, the higher stability of the economic market – as basic element of implementing the macroeconomic policies – the efficiency of implementing the macroeconomic programs can be improved so as to support the macroeconomic sustainability, as basic strategic objective.

Another aspect of the emerging benefits is the participation in foreign economic relations, at the macroeconomic and microeconomic levels, and this shows the necessity to look comparatively at the two situations, i.e. the national macroeconomic stability and the macroeconomic stability of the correspondent entities. The increase of the general economic efficiency – the macroeconomic stability of the market being part of it – is a necessary element for the development of the international economic relations.

The capacity of receiving and macroeconomic absorption of the shocks – due to the participation in international economic relations and to the internal microeconomic evolutions – also is of major importance. The capacity of receiving the shocks is directly proportional to the reduction of the risks of economic instability of the domestic market.

Within such international circumstances, the situations of macroeconomic imbalance are an almost general problem. More than that, the trends and the increasingly serious adverse macroeconomic problems only worsen the situations of imbalance. Under such conditions, the possible balancing of an imbalanced foreign payment balance is no longer a priority for the system of macroeconomic policies, first of all because the implementation of macroeconomic programs aiming to alleviate the imbalance situation is now primordial. Also, the implementation of complex macroeconomic policy measures to balance again the foreign payment balance is necessary, but secondary as importance to the solution of the general macroeconomic situation, subsequently becoming the premises of later macroeconomic achievements. More over, within such international conjuncture there is an imminent risk of worsening the situation of the foreign payment balance, particularly if the access on the foreign markets becomes limited as it depends on imports. The only solution, for such cases, may be to facilitate the access of the local products and services on the domestic market, thus replacing at least part of the imports, which will eventually limit the imbalance of the foreign payment balance.

In terms of perspective, the general strategic objective is the sustainability, which presumes the efficient and performing administration of the situation of macroeconomic balance. For instance, during a long term period situations of macroeconomic imbalance may appear on the background of the sought sustainability; the occurrence of such periods, within an international conjuncture as the current one, is inherent. The emergence of imbalances means the manifestation of shocks, at least theoretically. Practically, however, such situations, depending on their duration and intensity, may still remain within the trend of sustainability, provided they are monitored by the macroeconomic administrative system. The imbalance of the foreign payment balance can be included in this category of macroeconomic phenomena. In such situation, the main macroeconomic administrative problems are:

- Limiting the extensive and intensive development of the shock;
- Monitoring the phenomenon so as to identify the opportunities and limits;
- Use such management of opportunities, so as to:
    - Facilitate the use of the lower pressure on particular areas of the macroeconomic policies to redirect these measures towards other macroeconomic objectives;
    - Amplify the opportunities so that their utilization:
        - Counteracts the shock;
        - Contributes to the accomplishment of other macroeconomic objectives;
- Administer the phenomenon so as to identify and use the optimal moment to implement measures which to stop the shock.

As mechanism of intervention by the administrative system of the macroeconomic policies, the emergence of such a phenomenon within a national economy focuses the attention on the administration of the shock as shown above. This is the administrative situation of the occurrence and evolution of a phenomenon generating macroeconomic shocks. The variants of this situation can be distinguished depending on the number of generated shocks. The importance of putting this problem forward is defining for the activity and particularly for the results of the macroeconomic administration, under the conditions of targeting the proposed objectives. The higher are the number, variety and complexity of the shocks, the higher is the number of macroeconomic limits, while the possibility of a correspondingly high number of possibilities becomes increasingly uncertain. Solving such situations requires the activation of a correspondingly high number of macroeconomic policies and measures, this being a concrete example for the promotion of the idea of functionality of such a macroeconomic system according to the pattern proposed above. A particular case of this generic situation is the sequential appearance and action of the shock-generating phenomena, when there is an interval associated to the action of the shocks; the longer is this interval, the higher is the risk of meeting the strategic goal of sustainability. Under these circumstances, the pattern of the macroeconomic policy actions must be amended towards the reduction of removal of some shocks, first of all those which have several limits and fewer opportunities associated to them and on which there are lower possibilities of monitoring and administration.

One of the potential international macroeconomic risks – risks which define the current period from the point of view of the economic stability, is the volatility of the financial resources. It can be the result both of the phenomenon of economic globalization – seen phenomenologically through the prism of the phenomena of regional economic polarization, and of the processes of economic integration which, during the early stages of establishing an economic union, are associated phenomenologically and motivationally, to the phenomena of economic polarization occurring within the process of globalization, overlapping them and acting against the regional economic integration.

Having in mind the definition proposed for the concept of financial stability, the evolution of the phenomena of regional economic polarization may induce financial instability due to the higher volatility of the financial assets amplified by the actions on the financial market.

The increase of the regional financial instability, as shown by this phenomenological pattern, in the areas undergoing economic polarization may generate:

- The trend of polarization of the regional financial resources, corresponding to the economic polarization;

which determines:

- Wider gaps between the conditions of the economic market in the different areas of the region

This entails risks in several directions:

- Trend of widening the gaps between the levels of economic development of the areas composing a region, which also increases the risk of shocks within the regional economic relations;
- Higher risk of evolution of phenomena opposing the objectives of economic integration

Given the model of the European Union, and the current stage of the process of European integration, there are two phenomenological and active forms that overlap:

- Process of European integration;
- Phenomenon of economic polarization associated to the phenomenon of globalization.

The relation of the two phenomenological forms with the financial stability consists in the fact that as the phenomenon of regional economic polarization develops, this is expected to cause an expansion of the areas with economic polarity due to the gradual inference in the segments of the regional market, the expected outcome being fainter differences in the market conditions among the areas of the region.

Given this economic pattern and the current stage of evolution of the process of European integration, with early stages of the phenomenon of economic polarization, it is important to keep in mind, for the purpose of this analysis, that the phenomenon of economic polarization is associated to the phenomenon of financial assets volatilization in the areas undergoing economic polarization. This occurs mainly through the associated phenomenon of financial polarization which, associated to the options generated by the movement of funds on the financial markets, leads to the imbalance of the financial stability. This form of imbalance is most probably rather short, until a new state of financial balance is reached, at lower levels compared to the previous state of stability however, temporally located before the onset of the regional financial polarization.

Consequently, the evolution of the phenomena of economic and financial polarization triggers a chain of events of financial stability unbalancing whose outcome is a substantial difference between the levels of financial stability of the different areas of the region, which opposes the interest of the project of economic integration, hindering its evolution.

The further evolution, according to the mentioned economic pattern, may lead, if no risky phenomena occur within the region, to fainter economic differences between the regional areas following the expansion of the economically and financially polarized areas; the levels of financial stability in the different regional areas resettle and it may even be possible to have financial stability as one of the objectives of the process of European integration.

This potential economic pattern of the onset and evolution of the state of financial instability comes in gradually starting from an outflow of resources for the economic growth – maybe on the background of the principle of globalization and establishment of areas of economic polarity – which generate macroeconomic frailty, thus creating conditions for the further development of the phenomena of financial instability, mainly as:

- Imbalances of the relation between the demand and offer specific to the financial market due to:
  - The lower number of actors on the financial market;
  - The lower correspondence between the offer of the financial market and the GDP, due to the trends of decreasing GDP;
- Higher macroeconomic frailty due to the lower potential for economic growth, starting from the same misbalancing of the demand-offer relation with its effects, which further increase the risk of adverse macroeconomic shocks and phenomena on the background of macroeconomic imbalances which also generate further effects.

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.

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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Tables

Table 1. General fiscality levels in European countries

	Country	**General fiscality level (taxes + dues) (% of the profit)**
1.	Romania	42.9%
2.	Bulgaria	27.7%
3.	Poland	41.6%
4.	Denmark	27%
5.	United Kingdom	34%
6.	Germany	49.4%
7.	France	64.7%

(*Source: personal documentation from several sources – BNR, World Bank, Ministry of Public Finances*)

Table 2. Number of taxes and dues paid by the companies in various European states

	Country	Number of taxes and dues
1.	Romania	39
2.	Denmark	10
3.	France	7
4.	Norway	4
5.	Sweden	4

(*Source: personal documentation from several sources – BNR, World Bank, Ministry of Public Finances*)

Table 3 Evolution of the number of active enterprises in Romania, 2002 - 2012

Year	2002	2003	2004	2005	2006
SMEs number	328,445	363,086	410,495	450,202	480,323

Year	2007	2008	2009	2010	2011	2012
SMEs number	520,032	554,967	541,696	491,805	452,010	472,187

(Source: National Institute for Statistics)

Table 4 Evolution of the number of active SMEs in Romania, 2002 - 2010

Year	2003	2004	2005	2006	2007	2008	2009	2010
SMEs number	325,425	362,443	396,158	427,578	461,355	485,417	459,857	423,236

(Source: National Institute of Statistics and National Commission for Prognosis)