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THE ROLE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE DEVELOPMENT OF THE REGIONAL SOCIAL INFRASTRUCTURE IN THE REPUBLIC OF MOLDOVA

A B S T R A C T

The purpose of the research is to analyze the role of SMEs in the improvement and consolidation of social infrastructure in the regions of the Republic of Moldova.

The methodology of the research - în the research, the comparative method, the scientific abstraction, etc., were used. Also, the inductive method was used, with the help of which concrete facts were generalized, analyzed, synthesized and conclusions were formulated on the researched problem.

The results of the research - the contribution of SMEs to the economic growth and regional development of the Republic of Moldova is evaluated, to the generation of jobs, the stimulation of economic activities in different regions of the Republic of Moldova, the problems and trends of small business development in the Republic of Moldova are identified.

The practical importance of the research - to identify effective tools to support small and medium-sized enterprises in order to develop the regional social infrastructure in the Republic of Moldova. The importance of supporting SMEs is argued as essential for increasing the quality of life and reducing inequalities in the country.

The originality and scientific novelty of the research - consists in approaching an important topic for the social and economic development of the Republic of Moldova, with an emphasis on the contribution of small and medium enterprises (SMEs) to the regional social infrastructure.

Keywords: social infrastructure, small and medium enterprises, regional development, Gross Domestic Product (GDP).

INTRODUCTION

Small and medium-sized enterprises (SMEs) are the backbone of many economies around the world, contributing significantly to job creation, innovation and economic growth. However, their role in the development of regional-social infrastructure is often underestimated or overlooked.

In the European Union, SMEs are an essential part of the European economy and have a

significant impact on economic growth, innovation and job creation in the EU. SMEs represent an overwhelming proportion of all businesses in the European Union (EU). According to 2021 data, SMEs make up around 99% of all businesses in the EU [11]. They provide around two thirds of jobs in the EU, with SMEs being a key factor in maintaining employment levels and reducing unemployment in the EU. SMEs have a significant impact on economic growth, in 2021 they contributed about 57% to the total GDP of the European Union. Therefore, more than half of the total value of goods and services produced in the EU comes from small and medium-sized enterprises.

In the Republic of Moldova, small and medium-sized enterprises have emerged as engines of change, making significant contributions to economic development, creating jobs, stimulating competitiveness, increasing exports, promoting innovations and modern technologies. According to the Ministry of Economic Development and Digitalization of the Republic of Moldova, SMEs constitute more than 98% of all enterprises in the country, employing a significant part of the workforce (2021) [9]. The contribution of SMEs to the GDP of the Republic of Moldova is approximately 30%, a modest contribution compared to that of SMEs in the European Union.

SMEs are of major importance to almost all world economies, but their importance is even greater for developing countries. These countries must make considerable efforts to increase SMEs, at least for two reasons: (a) the development of SMEs is an effective means of combating poverty; (b) SME development is the cornerstone of innovation and sustainable growth. These objectives are interdependent, and must be viewed in a unitary way, thus, the development of SMEs contributes to economic growth, it also contributes to the reduction of poverty.

The Republic of Moldova is a developing country and is among the countries with the highest level of poverty in Europe. Although it is the poorest country in Europe, it records economic growth of an average of 5% annually, driven by consumption and fueled by remittances. The latter represent a quarter of GDP, among the largest shares in the world [13].

Beyond their contribution to economic growth, the SME sector also has an essential impact on the development of the regional social infrastructure. From providing employment opportunities to fostering community engagement, SMEs are catalysts for social progress at the local level, encouraging economic growth and improving the well-being of communities.

Materials and methods of research.

The research employed various methods, including literature analysis specific to the field under investigation, the comparative approach, scientific abstraction, and others. Additionally, the inductive method played a significant role in generalizing concrete facts, conducting analysis and synthesis, and formulating conclusions related to the research problem.

As a theoretical-scientific support, the results of the studies and investigations of domestic and foreign scholars and researchers, such as: David B. Audretsch, David M. Hart, Rudenco L.G., Gutium T. and others served.

The informational support of the research was the reports and publications of the National Bureau of Statistics of the Republic of Moldova, the Ministry of Economy and Infrastructure of

the Republic of Moldova, the data published by Eurostat, the Organization for European Economic Cooperation (OEEC), the World Bank and other information resources.

Results and considerations

Research on the role of small and medium-sized enterprises (SMEs) in the development of social infrastructure is particularly relevant in the field of economics and community development. SMEs play an important role in shaping and supporting the regional social infrastructure.

Several researchers have addressed social infrastructure [1,7,8] and emphasized its importance in the shaping and functioning of societies. Research in this area explores how social infrastructure influences aspects such as quality of life, social cohesion and economic development.

Social infrastructure represents the set of institutions, services, facilities and networks that support and contribute to the well-being, quality of life and development of communities and societies [4]. This includes the essential elements for the proper functioning of a society and for improving the quality of life of individuals. Social infrastructure varies by region and specific community needs, but includes the same aspects: education, health, social services, culture and arts, sports and recreation, transportation and urban infrastructure, housing, and more.

These components of social infrastructure have a significant impact on people's lives and contribute to the development of communities and societies as a whole. They provide the necessary support to meet essential needs, promote education, health care, economic and cultural development and ensure a healthy and fair living environment.

The contributions of SMEs to the development of the regional social infrastructure are manifested in several aspects [1]. One of the main contributions of SMEs is the generation of jobs at the regional level. Small and medium-sized enterprises are known for their ability to create jobs at a faster rate than large enterprises. By setting up businesses in local communities, SMEs provide opportunities for individuals to gain employment, improve their skills and improve their socio-economic status. This, in turn, leads to a reduction in the unemployment rate, a reduction in poverty and an increase in social stability in the region. According to the OECD, SMEs account for approximately 90% of all businesses globally and employ more than 50% of the workforce [10].

SMEs stimulate local economic growth by injecting capital into the regional economy. Unlike large enterprises that often concentrate their activities in urban centers, SMEs tend to operate in smaller towns and rural areas. Through their business operations, SMEs contribute to the development of local supply chains, create demand for goods and services and attract investment to the region. This economic growth translates into improved social infrastructure, including health facilities, education systems, transport networks and better public facilities.

SMEs are often deeply rooted in their local communities, contributing to their development in various ways. They sponsor local events, support charities and engage in community projects, creating a sense of belonging and solidarity. SMEs tend to have stronger ties to their customers and are more attuned to local needs and preferences. This localized approach enables SMEs to address societal challenges more effectively, such as supporting local initiatives, promoting sustainable practices and sponsoring community events. Their

close connection with the community increases social cohesion, strengthens social bonds and encourages collective action for positive change.

Access to quality healthcare is a fundamental aspect of social infrastructure. SMEs in the health sector such as local clinics, pharmacies are vital to ensure that healthcare services are available and accessible to the community [5]. The International Finance Corporation study found that SMEs are a significant part of healthcare providers in many regions and contribute to filling gaps in healthcare delivery.

Education is a cornerstone of a society's development. SMEs in the education sector, including private schools, tutoring centers and ed-tech startups contribute to improving access to education. According to UNESCO, SMEs are recognized as key factors in expanding access to education in disadvantaged areas.

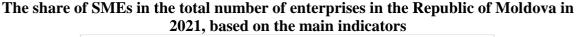
SMEs are often at the forefront of innovation and entrepreneurship. Their agility and flexibility allow them to quickly adapt to changing market demands and technological advances. Through innovation, SMEs introduce new products, services and business models that can drive societal progress. By promoting a culture of entrepreneurship, SMEs inspire and motivate individuals to pursue their own businesses, leading to increased economic activity, job creation and social empowerment. This entrepreneurial spirit also encourages knowledge sharing, collaboration and the development of local networks, further enriching the social fabric of the region. SMEs are often better integrated into local communities and have a direct interest in their prosperity. Therefore, they may be more motivated to develop initiatives that bring benefits to communities.

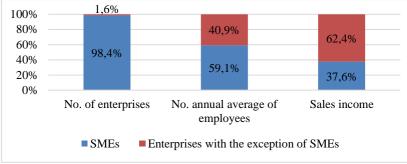
Many SMEs display a strong sense of social responsibility and support ethical business practices. Due to their local presence, SMEs often feel a stronger obligation to give back to the community and minimize negative impacts on society and the environment. They prioritize sustainable practices, support fair trade and are committed to responsible sourcing. SMEs also tend to support diversity and inclusion, providing opportunities for marginalized groups and encouraging social equity. Acting as responsible corporate citizens, SMEs contribute to the development of a more inclusive, compassionate and sustainable regional social infrastructure.

The SME sector is of particular importance for the development of the Republic of Moldova. During the last three decades, the SME sector in the Republic of Moldova has grown both qualitatively and quantitatively. In 2021, the number of small and medium-sized enterprises (SMEs) constituted 59.4 thousand enterprises and represents about 98.4% of the total number of enterprises, of which the majority are micro enterprises (85% of the total enterprises) [2]. The average number of employees in SMEs in the reference period was 314.9 thousand, holding 59.1% of the total average number of employees of enterprises, which indicates that 6 out of 10 jobs are generated by SMEs.

With less production capacity compared to large enterprises, SMEs account for around 38% of total sales revenue in the economy. The average annual sales revenue of SMEs is about 3.1 million lei/enterprise, or 109 times lower than the average annual income recorded by large enterprises (338 million lei/enterprise).

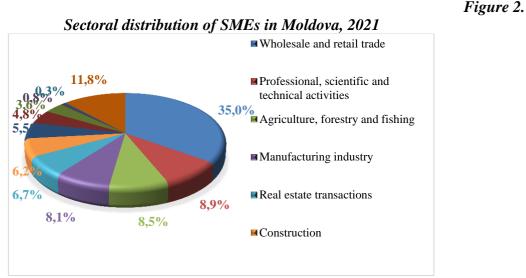
Figure 1.





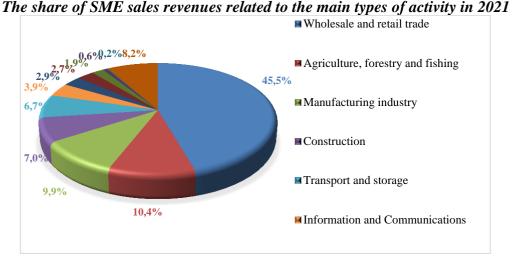
Source: Developed by the author based on the source [2]

SMEs in the Republic of Moldova tend to be concentrated in sectors with low added value, such as: commercial, professional, scientific and technical, industrial activities. In 2021, more than 76% of SMEs operate in trade and services, compared to large enterprises (62%). Thus, most of the SMEs carry out their activity in the field of wholesale and retail trade, in 2021 their number constituting 20.7 thousand enterprises or 35.0% of the total SMEs. In agriculture, forestry and fishing, 5.0 thousand SMEs or 8.5% of the total SMEs were active, in the manufacturing industry 4.8 thousand SMEs or 8.1% of the total SMEs were active.



Source: Developed by the author based on the source [3]

SMEs generate 37.6% of the sales revenue of the total sales revenue generated by enterprises. In the structure of SME sales revenues, in 2021, the largest share is held by SMEs from: commerce - 47.2% of the total, followed by the manufacturing industry - 10.8%, agriculture, forestry and fishing - 8, 4%, construction – 8.0%, transport and storage – 6.8%.



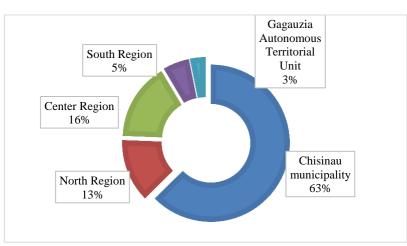
Source: Developed by the author based on the source [2]

From a regional point of view, SMEs in 2021 were concentrated in the Chisinau region, followed by the Center region, the North Region, the South Region and the Gagauzia Autonomous Territorial Unit. The municipalities of Chisinau and Balti hold the priority according to the number of enterprises, the volume of sales obtained and the number of employees working in the SME sector. This is explained by the fact that the municipalities of Chisinau and Balti have, to a greater extent than other localities of the country, production factors and infrastructure elements necessary for the development of the sector.

Thus, in terms of territorial profile, SMEs were distributed as follows: Chisinau municipality - 24.0 thousand (or 62.6% of the total number of SMEs), Center development region 6.1 thousand (15.9%), North Region – 5.0 thousand (13.0%), Southern Region – 2.0 thousand (5.4%), and Gagauzia Autonomous Territorial Unit – 1.2 thousand (3.1%).

Figure 4.

Figure 3.



Demography of enterprises by development regions in the Republic of Moldova, 2021

Source: Developed by the author based on the source [3]

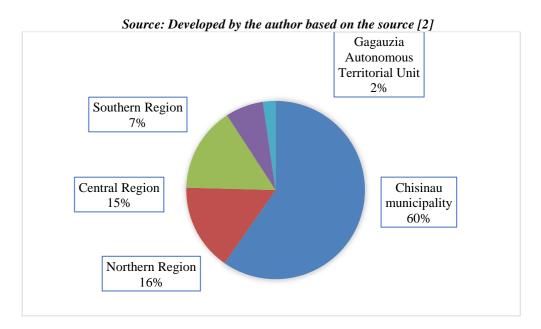
The majority of jobs created by SMEs are in the city of Chisinau (59.5%), followed by the North (18.3%) and Center (18%), South (8.5%) and Gagauzia Autonomous Territorial Unit (4.2%). The regional distribution of the revenues generated by SMEs shows as follows: the municipality of Chisinau (62%), followed by the Center (15%), North (14%), South (6%) and Gagauzia Autonomous Territorial Unit (3%).

Despite the economic growth recorded in the last two decades in the Republic of Moldova, significant regional disparities still persist that inhibit the balanced socio-economic development of the entire country. Significant gaps persist, first of all, in the municipality of Chisinau and the rest of the country, but the gaps between the regions and localities of the country are becoming more and more evident. As a result, in regions where there are fewer SMEs, the unemployment rate is higher, local public authorities collect less taxes and fees, the standard of living of the population is lower than in other regions of the country.

According to statistical data, the municipality of Chisinau absolutely dominates in most development indicators of the Republic of Moldova, thus the share of the municipality of Chisinau in GDP in 2021 was 60% compared to 45% at the beginning of the 2000s. For the Northern Region of the country, the share in GDP of represented 15.8%, the Central Region - 15%, the Southern Region - 6.9% and the Gagauzia Autonomous Territorial Unit - 2.3%.

Figure 5.

Contribution of development regions to GDP formation, %



The municipality of Chisinau concentrates about 68% of the volume of capital investments; about 62% of all economic agents in the country and over 72% of the total turnover; about 69% of the construction volume, including over 60% of new housing construction; about 50% of the total number of existing jobs in the formal economy. The relatively weak contribution of SMEs to the GDP of the Republic of Moldova, as well as their uneven development in the country's regions, demonstrate that the given sector is still weak,

with low productivity.

Small and medium-sized enterprises have a huge potential for the development of the economy and society as a whole. But at the same time, it is the most vulnerable compared to large enterprises. This determines the need for state support of small and medium enterprises.

The conditions for the development of the SME sector in the Republic of Moldova, especially for the most important types of activities are unsatisfactory. In particular, the taxation system (the same tax rates for different types of activity), lending (high interest rates for loans, repayment period, etc.) do not contribute to the development of SMEs in the regions and to the economic development of the country.

One of the most important areas of state policy for supporting SMEs is reducing the tax burden. A high tax burden can stop the activity of small or medium enterprises. In order to reduce the fiscal pressure, it is recommended to differentiate the income tax rates, in particular, for small production enterprises, as well as for SMEs operating in priority branches. At the same time, the reduction of the tax burden for those companies that export their own production, and for the residents of the free entrepreneurship areas that are oriented predominantly towards export, the taxes should be purely symbolic [6].

In order to maximize the contributions of SMEs to the development of social infrastructure in the Republic of Moldova, the government must adopt a series of measures to support the development of this important sector, such as:

- Granting tax incentives for SMEs that invest in the development of social infrastructure, such as tax exemptions or tax deductions for expenses related to social projects.

- Facilitating access to financing for SMEs developing projects in the social infrastructure. This may involve the granting of low-interest loans or the guarantee of loans by the state for such projects, the development of financial institutions specialized in the financing of SMEs.

- Launch of specific grant programs for SMEs implementing projects in the field of social infrastructure, these grants can cover part of the project costs.

- The implementation of training and skills development programs for SMEs in the field of social infrastructure can increase the quality and efficiency of projects. Providing technical consultancy and technical assistance to SMEs in the planning, implementation and management of social infrastructure projects.

- Promoting public-private partnerships for the development of social infrastructure can bring additional resources and experience in project implementation.

- Simplifying and facilitating SME access to public procurement contracts would stimulate investments in social infrastructure. The government can allocate a percentage of public procurement for SMEs.

At the same time, the state must intensify support for those small and medium-sized enterprises that are engaged in the most requested types of activities provided by the development strategy of the country and of each region [12].

These policies and measures can contribute to stimulating SME investments in the development of social infrastructure in the Republic of Moldova, thus improving the quality of life of communities and contributing to the sustainable development of the country. It is essential that the government works closely with the private sector and non-governmental organizations to effectively implement these measures.

Finally, the development of the SME sector is not only an economic objective, but also a social one, as it can contribute to reducing poverty and increasing the quality of life for the citizens of the Republic of Moldova.

CONCLUSIONS

Small and medium enterprises have an important role in the economy of the Republic of Moldova, contributing to economic growth, regional development, job creation and innovation. Through job generation, local economic growth, community involvement, innovation and social responsibility, SMEs become engines of progress, uplift communities and improve the quality of life for residents.

The Republic of Moldova faces many challenges in terms of social infrastructure, including in areas such as health, education and social services. SMEs can play a significant role in providing solutions and supporting the social development of the country, through job creation, investment in social projects, innovation and social responsibility. By collaborating with the public sector and engaging in the development of local communities, these enterprises can contribute to a significant improvement in the quality of life in the country.

The promotion of public-private partnerships for the development of social infrastructure is an essential strategy for improving the quality of life and for sustainable development in the Republic of Moldova. These partnerships involve collaboration between the public and private sectors to plan, finance, build, manage and maintain social infrastructure. With proper planning and management, public-private partnerships can represent a valuable tool for achieving the social and economic objectives of the Republic of Moldova.

In conclusion, SMEs have an essential role in the development of social infrastructure in the Republic of Moldova, and can become a driving force in addressing issues related to health, education, housing and social assistance. With appropriate support from the government and other interested organizations, they can significantly contribute to improving the quality of life for all residents of the Republic of Moldova.

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РОЛЬ МАЛЫХ И СРЕДНИХ ПРЕДПРИЯТИЙ В РАЗВИТИИ РЕГИОНАЛЬНОЙ СОЦИАЛЬНОЙ ИНФРАСТРУКТУРЫ В РЕСПУБЛИКЕ МОЛДОВА

РЕЗЮМЕ

Цель исследования – проанализировать роль МСП в улучшении и укреплении социальной инфраструктуры в регионах Республики Молдова.

Методология исследования – в исследовании использовались метод сравнительного анализа, научная абстракция и т.д. Также использовался индуктивный метод, с помощью которого были обобщены, проанализированы, синтезированы конкретные факты и были сформулированы выводы по исследуемой проблеме.

Результаты исследования – оценён вклад МСП в экономический рост и региональное развитие Республики Молдова, в создание рабочих мест, стимулирование экономической деятельности в различных регионах Республики Молдова, проблемы и тенденции развития малого бизнеса в Республике Молдова.

Практическая значимость исследования – были выявлены эффективные инструменты поддержки малого и среднего предпринимательства в целях развития региональной социальной инфраструктуры в Республике Молдова. Для повышения качества жизни и сокращения неравенства в стране необходима поддержка малого и среднего бизнеса.

Оригинальность и научная новизна исследования заключается в подходе к важной для социально-экономического развития Республики Молдова теме с акцентом на вкладе малого и среднего бизнеса (МСП) в региональную социальную инфраструктуру.

Ключевые слова: социальная инфраструктура, малый и средний бизнес, региональное развитие, Валовой Внутренний Продукт (ВВП).

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