

Development of small and medium enterprises in tourism and impact on the optimization of the tax system

Ján Dobrovič*

University of Prešov in Prešov

Department of Management

Konštantínova ul. 5, 080 01 Prešov, Slovakia

jan.dobrovic@unipo.sk

Peter Kyjovský

Jozef Polomský

agrofarmamedzany@gmail.com

polomsky@prompt.sk

* corresponding author

Abstract: The paper deals with aspects of regional development in Slovakia and is targeted on SMEs and their development in the Presov region with focus on tourism. The paper analyses the dominant characteristics of regional environment in relation to the EU and Slovakia (such as demographics, economics, market environment, education, technology, resources, etc.). In conclusion, recommendations for further development of SMEs are presented in accordance with the analyzed conditions on the optimization of the tax system.

Keywords: SME development, region, employment, tourism, tax, optimization of the tax system

Summary: This paper deals with aspects of regional environment based on an example from Slovakia and their focus on SMEs development and Presov region mainly focused on tourism. There are analyzed characteristic features of region environment related to EU and Slovakia (demography, economy, market conditions, education, technology, technique, resources, etc.). Conclusion of this paper presents suggestions of SMEs development According to analyzed aspects.

Keywords: SMEs development, region, employment, tourism

1. INTRODUCTION

Small and medium-sized enterprises (SMEs) form an integral part of every developed market economy and their contribution to achieving macroeconomic outcomes as well as the share of employment indicates the quality and stability of the sector. SMEs today form the most extensive area of developed economies. Their importance lies within their flexibility, lower capital intensity, innovation opportunities and covering increasingly more differentiated market segments. According to the source - The European Observatory for SMEs - in the EU, the micro (1-9 employees) and small enterprises (10-49 employees) form 99% of all enterprises, medium-sized companies (50-249 employees) form 1% and large enterprises (250 and more employees) represent less than 1% of all enterprises. According to the Statistical Office of the Slovak Republic, micro and small enterprises accounted for 91.0% of all enterprises in Slovakia in 2010, medium-sized enterprises for 5.0% and large enterprises for 1.1% of the total number of organizations.

The favoritization of the SMEs in developed countries in EU became a subject of structural policy already in the 80s when it was found that SMEs were the most dynamic factor of economic growth, a source of job creation and regional development. SMEs have thus among other things, a significant impact on employment and growth in the various regions.

Developments in the individual regions of Slovakia in the 1990's was significantly determined by the process of transformation of the Slovak economy to market economy standards. The conditions which were formed in the process of transformation of the Slovak economy from a centrally planned to a market, continued to deepen the regional disparity. By (Bucek, M. - Tvrdon, J. - Ivanicková, B., 2014), current regional disparities are reflected in particular in:

regional share in GDP,

unemployment rate,

- level of foreign investment in individual regions
- level of income population
- progress in the establishment and development of small and medium-sized enterprises
- level of use of comparative advantages of individual regions,
- the level of infrastructure in the regions,
- share of investments in the public sector and others.

Of the many factors that determine the regional differences for the Slovak Republic these are especially important:

- Foreign investment in developing regions,
- Export in regions
- The development of small and medium enterprises, start-ups in the regions.
- Innovation potential qualification.

2. CHARACTERISTICS OF THE REGION

Local environment in the Presov Region Program is affected by the economic and social development of the region, which design the steps of the implementation of development plans. In the past, the region was perceived primarily as an agricultural area for sheep, cattle and forestry. At the beginning of the 20th century it began intensive development of industrial production, which started to change the region into an agro - industrial area. Recently, tourism is having a lot of success which also utilises the attractive attributes of the region. The fact that the region also shares borders with other country now gives the possibility to develop cross-border cooperation.

The region is spread on 8 998 km² which is about 18% of the territory of the Slovak Republic. The region is administratively divided into 13 districts. It consists of 666 municipalities, out of which 23 are cities and two are military districts. The average population density is 88 inhabitants per km². Out of this, 54.3% of the population live in cities (regional capital Presov occupies 92,720 inhabitants). In the Presov region, there are layers of these industrial minerals: bentonite and zeolite, limestone and cement raw materials, building materials - andesites and their raw materials. Also important are the deposits of rock salt in the localities Solivar - Presov, which has brine mining of national importance. The local mining of opal gem also has the distinction of being the only one in Europe, with other locations in Australia only.

The region has a significant importance in terms of international transportation on the north - south axis but also on the east - west axis. It includes the important main (north) corridor Bratislava - Zilina Poprad - Presov - Kosice and north-south direction passes through eastern corridor Kindom - Bardejov - Svidnik - Presov - Kosice - Michalany. There is however a problem with the connection of the region to the European transportation network. International railway lines of international or of national importance include the line Plavec - Presov - Kosice. The international airport in Poprad is also located within the region.

The statistical register of business entities 68,722 enterprises by the end of 2014 including organizations and entrepreneurs. The largest part comprised of entrepreneurs - physical persons, unincorporated (almost 77.6%).

The region is typical for its developed industry, with a significant stakes in the processing industry. The share in revenues from own services and products of the Slovak Republic in the industry in 2014 amounted to 6.2%. Industrial production is concentrated mainly in the districts of Presov, Poprad, Humenne, Bardejov. From a sectorial perspective, there prevails the production of food and beverages, machinery and equipment, textiles and clothing, chemical and electrical industries. Flying car prototype manufacturing. The agriculture in the region is focused mainly on plant production.

The unemployment rate of the region is among the highest in Slovakia. The environment in the region within the standards of Slovakia is fairly well-kept. The region has 2,079 schools and school facilities. The Presov University is located here with nine faculties. The network of healthcare facilities of the region consists of 12 hospitals. The social sphere is a complex of activities of various civic activities, through cultural and sporting activities, to social services for people in difficult situation. The results of a comprehensive analysis environment in the region are shown in Table 1.

The analysis shows these global strategic objectives:

A. Stop the economic and social backwardness of the region as soon as possible line-up such a way economic and social development that points to a permanent reduction of disparities between the Presov region, other regions of Slovakia and Slovak as a whole in economic performance, social dynamics of the ecological balance and overall quality of life with the use of tourism.

B. Mobilize internal resources of the region and promoted inter regional resources as additional, but necessary because of Presov region is the source undersized.

3. SELECTED ASPECTS OF THE REGION'S DEVELOPMENT - SWOT ANALYSIS

- **Technical infrastructure** is in comparison with other regions and the real needs of our region is inadequate and needs to complete it mainly in roads and highways, telecommunications, utilities. Completion of infrastructure is an opportunity for the further development of business to an influx of investment and also works on improving the quality of life of the population.
- **Tourism, culture and external relations** are an area that can be considered as the strengths and opportunities of the region and it is therefore necessary to develop a tourism industry with a focus on increasing competitiveness with an emphasis on service quality and image building of the region.
- **Supporting and developing business area** it is dominated by a lack of financial resources for the development of a low degree of finalization of production. It is necessary to create a favourable environment for business,

hence the production of competitive and within the EU. Focus on the finalization of the light industry and utilize the features of the region to develop services.

- **Agriculture, forestry and rural development** are extremely sensitive development. While agriculture is permanently financially underfunded, forestry in the current mining volumes also has low finalised production. Countryside shows a steady decline in population due to migration for work.
- **Social Affairs and Health** is in need to develop institutionally, to prepare workers for it and to find a sustainable financing model.
- **Environment** must aim to ensure access for all to drinking water sources, waste reduction and environmentally friendly waste management, the protection of soil, air and biodiversity, rational use of natural resources and landscape, environmental education and partnership building institutions.
- **Training, education and science** is one of the basic conditions of human resources and needs to create a flexible system flexibly responding to the demands of the labour market with the necessary financial security.

Table 1 SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • The position of the region within the Baltic – south eastern Europe • Nature and culture and historical potential • High quality of education • Highly qualified and flexible workforce • Good potential for tourism • Diversified structure of industry • Sources of quality drinking and mineral water sources 	<ul style="list-style-type: none"> • Insufficient infrastructure and technical infrastructure of cities • Insufficient financial resources • Low quality of basic and advances services • Insufficient access to health care required by the specific needs of locals • Weak base for research institutions • Waste management

Opportunities	Threats
<ul style="list-style-type: none"> • Completing the infrastructure which will improve the attractiveness of the region for investors, transporters and visitors • Opportunity to utilise the potential of the natural resources and the country and ecostabilisation of the needs of the renewable resources of energy and better waste management • Widening of the market after entering EU market and creation of incentives for investors • Effective utilisation of EU funding in order to optimise the supply and demand on the work market and when building a working infrastructure • Utilising the potential for tourism and targeted regionalism • IT research • Integration of marginalised groups into the work market and making them accept responsibility for their life 	<ul style="list-style-type: none"> • Failing to build infrastructure which can cause further slowdown of the region and burden on the ecological system of the region • Devastation of the ecological system • Insufficient flood risk management • Inability to adjust to the EU job market and dealing with the brain drain • Further horizontal and vertical disintegration • Failing to coordinate the subjects in tourism can lead further fragmentation and its demise • Ineffective use of funding targeted for growth of job market which may lead to more people being reliant on social benefits

The amount of funding for development is limited by economic performance as well as contributions from EU funds.

The basic priority is the economic growth of the economy of the region, increase regional economic capacity and competitiveness of economic entities, while respecting the principles of sustainable development focusing primarily on tourism.

Ensure the implementation of the program of development of the region is determined by the provisions of the National Development Plan and Act no. 503/2001 Coll. on regional development support. According to the criteria of the EU (Regulation 99/1260 / EC) is one of the most important principles for successful regional policy partnership principle, which is applied in the constitution of, and activities of monitoring committees. Act 503/2001 Coll. defines the lowest monitoring committee at the regional level, i.e. NUTS II - in our case the NUTS II - Eastern Slovakia (Presov and Kosice SK).

4. CREDIT PROGRAMS TO SUPPORT THE DEVELOPMENT OF SMES

- **Micro-loan program** - the objective micro-loan program is to support small businesses in selected regions of Slovakia, accessing capital to small start-ups. The program is intended for small enterprises employing less than 49 (inclusive), whose business activities are based on the needs of the region.

Lending Programme II to support SMEs with EU support - the loan can finance long-term investments, except:

- Financing projects started earlier than six months before the date of application to SZRB of implementing a bank (financing ex-post)
- substitutes other financing (debt restructuring)
- projects of primary agricultural production and mining,
- projects related to gaming, real estate, banking, insurance or financial negotiation and weapons.

Lending Programme II to support SMEs with EU support - the loan can finance long-term investments, except:

- Financing projects started earlier than six months before the date of application to SZRB of implementing a bank (financing ex-post)
- substitutes other financing (debt restructuring)
- primary agricultural production and mining.

Loan program "Support" - the loan can be used to:

- acquisition of tangible fixed assets (land, buildings, structures, machinery and equipment, tools, etc.).
- acquisition of intangible assets (licenses, valuable rights, etc.).
- investment costs that have demonstrably been initiated earlier than six months before delivery
- loan application

5. RECOMMENDATIONS AND CONCLUSION

The starting point for small and medium enterprises in the region is analysed, inter alia, to organize themselves. In particular, the provision of logistics and distribution services for SMEs is prohibitively expensive. The road to efficiency and rationality in building logistics and distribution centres (LDCs). LDC are systems that provide most distribution activities and services for the customer. They represent a link between manufacturers, carriers, shippers and customers extending beyond the enterprise systems. LDC provides the following activities:

- transport and its coordination,
- Storage,
- taking orders,
- management of contracts
- Cost for labelling goods

- special packaging,
- an additional check on the quantity and quality of goods,
- information and coordination services.
- Consulting services,
- and others.

LDC are viewed as an integrated system with the organizational centralization of services with distinctive geographical features, ie. LDC that small business has a regional significance. LDC can be organized large scale enterprise which works with a large number of small businesses and the establishment of an autonomous business unit providing in particular for regular suppliers and co-operators logistics and distribution services. In understanding the managers of large enterprises, small businesses that are not "servants" large enterprises, but partners who can contribute to its higher efficiency, thus organized LDC can be a convenient form of organization. A suitable solution are also strategic alliances which mostly take the form inter-firm cooperation or joint venture. Under contracts respectively. Legal agreements are in force in the alliance defined areas, times and ways of cooperation between the partners in the alliance. Thus LCD can be organized either as separate businesses of the "joint ventures" or a device as small business associations. Tradesmen said chamber or professional association. In the world of work and also the LDCs that are part of the Science and Technology Park at colleges and universities.

The contribution is the result of VEGA Project No. 1/0255/2016 The research on the possibility of optimization of process-oriented models of the financial administration management with a focus on transfer pricing and tax harmonization in the terms of EU.”

REFERENCES

1. BUČEK, M. - TVRDOŇ, J. - IVANČIKOVÁ, B., 2014, Regionálny rozvoj SR - Národný plán regionálneho rozvoja. Špeciálny prípravný program pre štrukturálne fondy v Slovenskej republike (Manuál).
2. DOBROVIČ, J., 2004, Regionálne malé a stredné podnikanie v oblasti spracovania dreva. Dzertačná práca. Zvolen : TU Zvolen.
3. MAIER, G. - TÖDTLING, F., 1997, Regionálna a urbanistická ekonomika – Teória lokalizácie a priestorová štruktúra. Bratislava.
4. MAIER, G. - TÖDTLING, F., 1998, Regionálna a urbanistická ekonomika 2 – Regionálny rozvoj a regionálna politika. Bratislava.
5. NEMEC, V., 1995, Organizace výrobních živností a malých podniku, Praha : Victoria Publishing.
6. Program hospodárskeho a sociálneho rozvoja prešovského samosprávneho kraja. Materiál PSK. Prešov, 2009. (nepublikované)
7. Správa o stave a rozvoji malého a stredného podnikania a jeho podpore v Slovenskej republike v roku 2000. Bratislava : MH SR.
8. SUJOVÁ, A., 2013, Business Process Performance Management - A Modern Approach to Corporate Business Management. In: Liberec Economic Forum 2013: zborník vedeckých prác. Liberec: TU Liberec, ČR, 2013. s. 542-550. ISBN 978-80-7372-953-0.
9. SUJOVÁ, A., RAJNOHA, R., 2012, The Management Model of Strategic Change Based on Process Principles. In: Procedia-Social and Behavioral Journal, vol. 62 /2012, Elsevier Ltd., p.1286 - 1292. ISSN 1877-0428
10. ŠTEFKO, R., FRANKOVSKÝ, M., BAČÍK, R., 2007, Regional university marketing in under-developed regions. In Contemporary economics, 3 ISSN 1897-9284. p. 71-82.