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**THE CONTRIBUTION OF THE SMALL AND
MEDIUM ENTERPRISES FROM THE TOURISM
INDUSTRY IN THE ECONOMIC DEVELOPMENT²²**

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ABSTRACT

The tourism as a phenomenon in the world's economy is especially emphasized in the second half of the 20th century. For example, the number of tourists in 1950 was 25 million, that number in the sixties was around 70 million tourists, and in 2010 it reached the figure of 940 million tourists. The continuous growth of tourism is due to the free movement of capital, goods and people, as well as the increased international exchange. Tourism occupies a more important place in the economy of many countries. Tourism is in fact an exporting activity that allows inflow of foreign funds in the recipient country of foreign tourists.

The small and medium enterprises are predominant in the hospitality industry.

They have an impact on the gross domestic product, the employment, and investment.

Starting from this point, the participation of the small and medium enterprises in the development of the economy will be elaborated in this paper.

Data from the surveys of OECD and Turist link, of the impact of the small and medium enterprises, from hotels, travel agencies, and restaurants on the development of the economy, will be used.

Key words: tourism, small and medium enterprises, development, economy

²² Review article

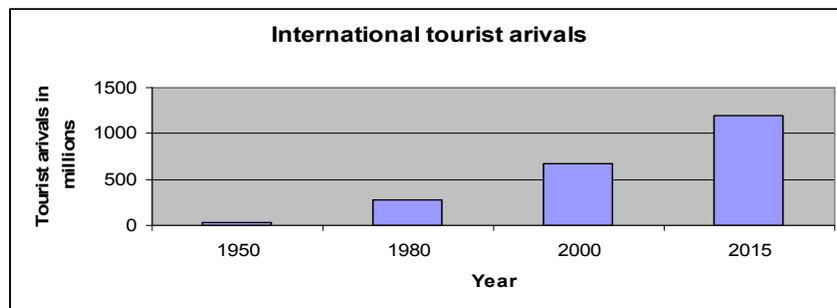
INTRODUCTION

The emergence of tourism dates back to ancient times. There was a necessity for creation of certain socio economic assumptions for its appearance. First of all, it is necessary the people having free time and free financial resources.

Tourism is not a separate activity, so to say it should be seen as an activity that is closely related to other activities in a country's economy, such as: agriculture, food industry, banking, transport, security, utilities etc.

Tourism as a phenomenon in the world economy is emphasized in the second half of the XX-th century. According to the research by UNWTO, the number of international tourist arrivals are increasing steadily.

Chart No.1: International tourist arivals



Source: UNWTO, Annual Report 2015

The data in the chart shows that in 1950 there were 25 million international tourist arrivals, and since then that number had risen constantly in the coming periods. In 1980, a figure of 278 million is reached, and in 2000 the number of international tourists was 674 million.

According to the statements of UNWTO, in 2015 the arrivals of international tourists reached the number of 1.2 billion. In 2015, 50 million more foreign tourists are recorded than in 2014 (UNWTO, Annual Report 2015, 15). According to the projections, the international tourism will be in a constant growth, and in 2020 the figure of 1.6 billion will be reached, and for 2030, the expected number of international tourist arrivals is 1.8 billion.

Chart No.2:Dispersion of international tourist arivals in 2015 by regions



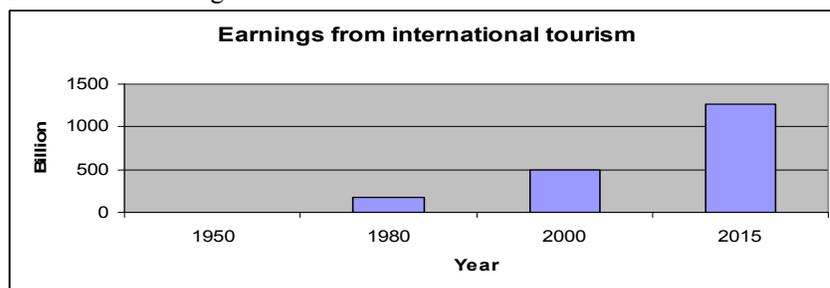
Source: UNWTO, Annual Report 2015

According to the data presented in the graph, in correlation with the regions of the world, the international tourist arrivals in 2015 are disposed as follows:

- Europe – 609 million
- Asia and Pacific – 278 million
- America – 191 million
- Middle East – 54 million
- Africa – 53 million

From the data given, it can be concluded that Europe has the largest share in the international tourist arrivals, with 51% of the total number, followed by Asia and the Pacific with 23%, America with 16% and the Middle East and Africa with 5% each.

Chart No.3: Earnings from international tourism



Source: UNWTO, Annual Report 2015

On the other hand, the earning figures from international tourism in 1950 were 2 billion US dollars (USD), and in 1980, it reached a number of 180 billion USD, whereas in 2000, it reached a number of 495 billion USD. The earnings from international tourism continued its upward trend, and in 2015 it reached an amount of 1260 billion USD.

According to the data presented by UNWTO, the international tourism represents 7% of the total export of goods and services worldwide.

Considering the above given data, it is concluded that tourism represents an important industry in the world, increasing the foreign exchange inflows in the recipient countries of foreign tourists, and therefore its positive impact on the balance of payments in those countries where the incoming tourism has a larger effect than the outgoing tourism.

DETERMINATION OF THE CONCEPT OF SMALL AND MEDIUM ENTERPRISES IN TOURISM

The definition of small and medium enterprises is important from several aspects, such as, creating policies and measures for their support, providing tax incentives to stimulate their development and so on.

Different criteria are used when defining SMEs, such as:

- number of employees
- realized total income
- value of total assets (assets on the balance sheet)

If we take into account the number of employees as a criterion, then the classification in different countries is different:

Table No.1: Small and medium enterprises by number of employees in different countries

Country	Small and Medium Enterprises	Small and Medium Enterprises			Large
		Micro	Small	Medium	
European Union	1-249	1-9	10-49	50-249	more than 250
Turkey	1-249	1-19	20-49	50-249	more than 250
Australia	0-199	0-9	10-49	50-199	more than 200
Canada	0-499	0-9	10-49	50-499	more than 500
USA	1-499	1-9	10-99	100-499	more than 500

Source: OECD Studies on SME and Entrepreneurship, 2010
www.oecd.org/publishing/corrigenda

The data in the table shows that in the European Union and in Turkey those enterprises with 1-249 employees are considered as small and medium enterprises, in Australia the small and medium enterprises are up to 199 employees, whereas in the United States and Canada that number is up to 499 employees.

Within the scope of small and medium enterprises there is one more distinction, i.e., micro, small and medium enterprises; and this distinction is made in order to allow a creation of favorable policies and business environment for their functioning.

In the USA certain qualitative criteria are used for classification of enterprises (Shuklev, 2006, 30):

- market share - is not so great so it could significantly affect the prices or the overall offer
- independence of management - the owner himself controls the operation of the small company, and makes all the business decisions
- ownership of capital - the capital is owned by an individual or a group, and the company is financed by the owner's funds

Besides the above mentioned criteria for classification of enterprises in the USA, also there are also criteria depending on the type of industry in which the business belongs. According to the criteria of the Administration for small businesses in the USA, the upper generated revenue in the small

businesses in certain sectors in the services of accommodation and food is as follows:

- hotels (except Casino Hotels) - up to \$ 30 million
- Casino Hotel - up to \$ 30 million
- restaurants with full service - up to \$ 7 million
- limited service restaurants - up to \$ 10 million
- service “Bed-and-Breakfast” up to \$ 7 million
- cafeterias, buffets and barbecue buffets - up to \$ 25.5 million, and so on.

In the Republic of Macedonia the classification of small, medium and large traders is made with the Companies Act. In addition, we enclose a comparative review of the classification of small, medium and large enterprises in the European Union and the Republic of Macedonia:

Table No.2: Comparison of the classification of micro, small, medium and large

enterprises in the EU and in Macedonia

	European Union	Republic of Macedonia
Micro	up to 10 employees	up to 10 employees
	Annual turnover \leq € 2 million	Gross revenue acquired from any source $<$ € 50.000, in denars
	Value of total assets \leq € 2 million	
Small	up to 50 employees	up to 50 employees
	Annual turnover \leq € 10 million	Annual income $<$ € 2 million, in denars
	Value of total assets \leq € 10 million	Average value (at the beginning and end of the accounting year) of the total assets (in assets) $<$ € 2 million, in denars
Medium	up to 250 employees	up to 250 employees
	Annual turnover \leq € 50 million	Annual income $<$ € 10 million in denars
	Value of total assets \leq € 43 million	Average value (at the beginning and end of the accounting year) of the total assets (in assets) $<$ € 11 million, in denars
Large	All of the others that do not fall in the above classification	The traders who are not classified as small and medium traders acquire the status of large retailers

Source:

-http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm;

-Law on Trade Companies in RM (Official Gazette of RM 28/04,.....,88/15)

From the given comparison of the classification of small and medium enterprises in the EU and in Macedonia it can be noticed that the classification differs in terms of annual turnover and the value of total assets, which may put in correlation with the level of economic development.

The same criteria listed in Table 2 apply if we want to define the small and medium enterprises in the tourism in Macedonia.

The performance of tourism business includes various legal entities, which are clearly legally defined in each country.

Its structure consists of entities that perform small, medium or large business, and that business is closely connected and mutually conditioned (Simoncheska, 2010, 282):

- the small business is performed by sole traders and limited liability companies in the field of hotel-type accommodation, facilities for food and entertainment, individual catering shops, rent - a - car companies, shops for specific products (souvenirs, tourist paraphernalia, etc.), travel agencies and agents

- the medium business is run by different types of companies in all areas of the tourism industry - hotel, restaurant, tourism mediation and transport

- the large business is characteristic for the integrative forms of tourism. These are travel companies of national and international character, arranged in horizontal and vertical integration of enterprises from the tourism industry, transport, banking and trade. The chains of hotels and restaurants, tour operators, business systems of airlines to travel agencies or hotel complexes and others are just some of the examples.

PRESENCE AND ROLE OF SMALL AND MEDIUM ENTERPRISES IN THE ECONOMY

The small and medium enterprises play a significant role in the economy of the countries. They create jobs, and according to that, they have a positive impact on reducing the unemployment, contribute to the formation of the gross domestic product, affect the improvement of the living standards of the population, contribute to increasing of competitiveness of the national economy.

The importance of small and medium enterprises to the economy of the member states of the European Union, the EU - 27, can be seen from the fact that the estimates show that in 2012 they totaled 99.8% of the total businesses in the EU (European Commission, 2012 15). Out of these, according to their size, the situation is as follows:

- 92,2% micro enterprises
- 6,5% small enterprises
- 1,1% medium enterprises
- 0,2% large enterprises

If we take the number of employees as a criterion, then:

- 29,6% are employed in the micro enterprises
- 20,6% in the small enterprises
- 17,2% in the medium enterprises

These data suggest that 67.4% of the total employment in the EU - 27 are employed in the sector of small and medium enterprises.

The commitment of the EU to support the development of the sector of small and medium enterprises arises from these data. To this end, the EU adopted the European Charter for Small Enterprises in June 2002, in order to provide certain benefits to these enterprises, which will strongly support their development.

Also, a special importance to small and medium enterprises is given in the USA; so in 1953 the U.S. Small Business Administration is founded that offers the following services to the small businesses: counseling on starting a business, counseling on management of a business; loans; grants; training in the area of marketing, legislation, import, export, how to work with the state, and so on.

Small and medium enterprises also have a special importance in the economy of Macedonia. They participate in the total number of enterprises with 99,8% (European Commission, 2012, 1).

According to the State Statistical Office of Macedonia, there are 70,139 active business entities in 2015. According to the criterion - number of employees, 99.7% belong to the group of small and medium enterprises (State Statistical Office, 2016, 537).

Their importance to the economy of Macedonia among others is reflected by the fact that they absorb about 44% of the total employment, from which:

- 20% are employed in the micro enterprises
- 12,5% in the small enterprises
- 11,5% in the medium enterprises

THE ROLE OF TOURISM ENTERPRISES IN THE ECONOMY

The tourism sector is continually evolving. Tourism enterprises have a positive impact on the economy of a country. According to numerous surveys, they have a significant role, on one hand by contributing in respect of employment and on the other hand by contributing to the formation of the gross domestic product.

Among other things, they contribute to:

- balanced regional development,
- increase of employment,
- development of less developed regions, particularly through the development of specific forms of tourism (eg. wine, gastronomic, cultural, religious, rural tourism, etc.).

The small and medium enterprises are predominant in the hospitality industry. In the sector of hotels, restaurants and travel agencies, the small and medium enterprises are behind for at least 60% of the employment in almost all OECD countries for which data for the enterprises by size are available. The travel agencies in the UK that absorb most of the employees are exception from this. (OECD, 2010, 39).

If we make analysis by looking at certain tourist activities, then depending on the countries analyzed we can come to different conclusions.

For example, in certain countries small hotels that have less than ten employees are predominating, such as in Italy, Poland, France and Austria, where they represent more than a third of the employment in hotels.

Unlike them, in Greece they represent more than a half of the employment in hotels (OECD, 2010, 39).

On the other hand, the average hotel enterprises absorb more employees in Ireland, Denmark, Norway, Portugal, Czech Republic and Spain. However, in Spain, and especially in the UK a significant part of employment belongs to the large enterprises (OECD, 2010, 39).

According to researches conducted by the OECD, in terms of restaurants, the micro enterprises with fewer than ten employees are still prevailing.

If we analyze the data from the research conducted by Tourism Link (Project Funded by the European Commission) about the representation of small and medium enterprises in tourism to the European economy, then the following indicators arises: (TourismLink Consortium, 2012, pg.3 - 28):

- 1.8 million enterprises are working in tourism in the EU
- 5.2% of the total employment is in the tourism enterprises
- activities for serving food and drinks, are micro enterprises by definition

- 99.8% of the active companies in the field of hotels and organizers of trips are small and medium enterprises, and only 0.2% are large enterprises
- the large companies employ 20% of the European workforce, and acquire 30% of the turnover in this industry
- the micro enterprises (1-9 employees) were represented with 83% in the hotel industry of the European Union in 2009. In the UK, Ireland and Denmark they were represented with 70%, while in Greece, France, the Czech Republic and Poland they were represented with 90%.
- the medium enterprises (950-249 employees) and the large enterprises (over 250 employees) in the accommodation sector in Greece, France, Italy and the Netherlands, are almost not represented at all. In contrast, in the UK, Denmark, Cyprus and Ireland, they account for between 8% and 16.5% of the total capacity.
- in Europe, the accommodation facilities with more than 50 employees absorb 42.2% of the total employment, and account for 46.9% of the turnover
- in countries like the Netherlands, Finland, Spain and Hungary, the large enterprises absorb 25% of the total employment and turnover
- unlike Europe, the US market is dominated by large branded hotels that represent 70% of the accommodation facilities
 - in Europe, 20% of hotel rooms are owned by hotel chains (in Norway, Finland, Sweden, UK)
- in the scope of travel agencies and tour operators, the micro and small enterprises occupied 99% of the companies working in this field in 2009, while the medium and large companies represent 1%.
- The medium and large enterprises are represented in the UK and Ireland, and in these countries they occupy around 4% - 5% of the total number.
- on the European Union level, with 27 member states, the travel agencies and tour operators belonging to the medium and large enterprises are employing 45% of the labor force, and acquire 57% of the turnover.

In the Republic of Macedonia, regarding the representation of the small and medium enterprises in the tourism industry, the analyzes show that they are dominant in this field.

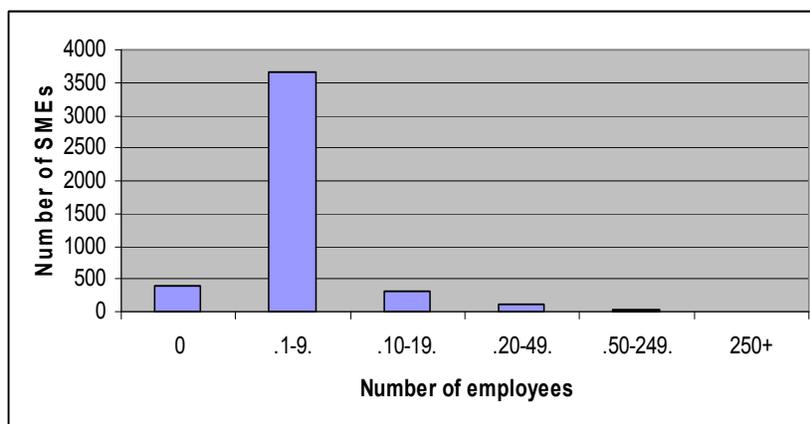


Chart No.4: SMEs in the sector of Accommodation Facilities and food service activities in the Republic of Macedonia

Source: State Statistical Office of the RM, *Statistical Yearbook of the Republic of Macedonia*, Skopje, 2016, pg.537

In the Republic of Macedonia, according to the State Statistical Office, there are 70,139 active business entities, of which in the sector Accommodation and food service activities there are 4,535 enterprises, or 6.5%.

Their division, taking into account the factor of number of employees, according to the size is as follows:

- business entities without employees and business entities with an unspecified number of employees - 408 enterprises
- business entities with 1-9 employees – 3.665 enterprises
- business entities with 10-19 employees – 313 enterprises
- business entities with 20-49 employees – 120 enterprises
- business entities with 50-249 employees – 28 enterprises
- business entities with 250+ employees – 1 enterprise

The presented data show that in this sector almost 100% of the active business entities belong to the small and medium enterprises, or:

- micro enterprises (0-9 employees, including those businesses entities without employees and business entities with an unspecified number of employees) - 89.8%
- small enterprises (10 – 49 employees) -6,9%
- medium enterprises (50 – 249 employees) – 0,6%
- large enterprises (250+ employees) – 0,02%

The tourism enterprises have their positive effect also on employment. The number of employees in the sector Accommodation and food service activities in the period 2013 - 2015, according to the State Statistical Office shows a positive trend, as follows :

Table No.3: Number of employees in the sector Accommodation and Service food activities

Sector	Number of employees 2013	Number of employees 2014	Number of employees 2015
Accommodation and food service activities	18.225	20.076	21.468

Source: State Statistical Office of the RM, *Statistical Yearbook of the Republic of Macedonia*, Skopje, 2016, pg 277

The total number of employees in the active business entities in Macedonia in 2015 was 519,031, which means that the number of employees in the sector Accommodation and food service activities in relation to the total number of employees in the active business entities in Macedonia is 4.1%.

The tourism in Macedonia contributes with 5.2% to the national GDP, of which 2.3% direct participation and 2.9% indirect participation (Kohl & Partner, 2016, 36). Considering that nearly 100% of the active business entities in the tourism sector in Macedonia are small and medium enterprises, it means that the total contribution of tourism to GDP goes to them.

CONCLUSION

In the sector of tourism, the small and medium enterprises are dominant at their presence. In the OECD countries in the sector of hotels, restaurants and travel agencies, they contribute with at least 60% of the employment.

In some EU countries the hotels with less than 10 employees are predominant (Italy, Poland, France, Austria), while the medium-sized enterprises are more prevalent in Ireland, Denmark, Norway, Portugal, Czech Republic. In the European Union, 1.8 million enterprises are managed in the field of tourism, which represents 99.8% of the total in this sector.

In Macedonia, almost 100% of the active business entities in the tourism industry are small and medium enterprises, and they have significant contribution to the economy of the country.

Taking into consideration the representation of the small and medium enterprises in tourism, their contribution to the national economy, a continuous monitoring and surveying of the situation in this sphere is a necessity. This should lead to a continuous improvement of the business environment in which they operate; to constantly create conditions for their continuous development, such as:

- tax benefits and incentives
- easier and simplified access to the sources of funding
- access to guarantee funds, which will aim to facilitate the access to the credit lines
- support and maintenance of a network of centers for support of the small and medium enterprise
- support of the concept of lifelong learning in the tourism enterprises

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