

## SMALL BUSINESSES. RISKS AND OPPORTUNITIES

### ÎNTRINDERILE MICI ȘI MIJLOCII. OPORTUNITĂȚI ȘI RISCURI

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**Abstract.** *To become big, all businesses once started out small. Big businesses and even big government projects depend on small businesses as subcontractors. That's exactly why we need to spread awareness about the risks and opportunities of small businesses. Small and large companies have different advantages and drawbacks with innovation, but small businesses provide the most conducive environment for entrepreneurship and innovation that are not necessarily sustained by the know-how and resources characteristic of large-scale production, but require commitment and close cooperation between company members. This research highlights the major obstacles that slow down the growth of small businesses and negatively impact their evolution. It also provides viable solutions that will improve the dynamic of small business in Moldova and will contribute to creating a transparent and comfortable economical system adapted to the needs of small companies.*

**Key words:** *small business, start-up, economical barriers, entrepreneurship, innovations*

#### JEL CLASSIFICATION: D20

#### INTRODUCTION

This research reflects a huge amount of clear and concise set of data that indicates the main problems that interfere in the development of small businesses. Some of the objectives include : spreading awareness about the barriers that affect the access of small businesses at basic economical facilities, listing several sustainable solutions for these problems and proving the importance of small business in the global economic environment.

It is of crucial importance to analyze under which institutional framework entrepreneurs will direct their efforts toward productive, rather than unproductive and destructive entrepreneurship. This research examines the impact of different variables related to entrepreneurs, namely the administrative processes they need to overcome and the factors which sabotage their intentions to grow and expand. The start-ups presented in this research should be interpreted as an opportunity for small businesses to receive more support, since this form of business is much more advantageous.

#### SMALL BUSINESSES ROLE

In recent decades, the small and medium-sized enterprise sector in many countries has become one of the most important sectors of the economy. According to numerous statistics, SMEs are the most important source of economic growth in both developed and developing countries. These economic entities are the main force for development and the largest sector of enterprises in any developing country's economy. Today, the share of MSMEs in the GDP of developed countries is around 60%. Thus, in the European Union, the USA and Japan, they account for 55-60% of GDP. The share of SMEs in the European Union in 2016 was 99.8% of the total number of enterprises, in which 90 million people were employed, which represents 67% of the total number of people in employment. On average, there are 5 SMEs per square kilometre in the EU.[2]

This study aimed to analyze the entrepreneurship environment in order to comprehend the challenges that startups, incubators, and entrepreneurs encounter while attempting to evaluate

innovative technological advancements for the purpose of building a prosperous society. The necessity to expedite and maintain economic growth primarily relies on the national system of innovation. Furthermore, extant research has indicated that businesses can acquire external knowledge via three means of acquisition, namely, through flows of local knowledge or information disseminated via social contacts or market linkages, through creating partnerships to engage in deliberate sharing of ideas, and through knowledge obtained from other external sources such as exportation.

While most larger companies have enough cash flow to keep up with payroll and keep the lights on, small businesses are often in a less stable situation. If one big client fails to make a payment, a small business may not be able to cover its bills, therefore one of the major barriers that stops small business to develop and grow is the lack of funding and the financial unpredictability related to it.

By fostering entrepreneurship and innovation, small businesses sustain local economies that are healthy and vibrant. Many small businesses frequently lack funding to sustain and expand their operations, relying on local investors to acquire the capital they need to grow. Investing in small businesses offers potential returns, diversification, and an opportunity to participate in the success of the global economy. Successful small businesses invest back into their local community through paychecks and taxes, which can support the creation of new small businesses and improve local public services.

Regardless of how small it commences, whether with one, two, five, or ten employees, small business creation generates new economies where once there was none. Small businesses represent the portal through which many people enter the economic mainstream. According to the Small Business Administration, US small companies created 8,7 million jobs between March 2020 and March 2021.[5]

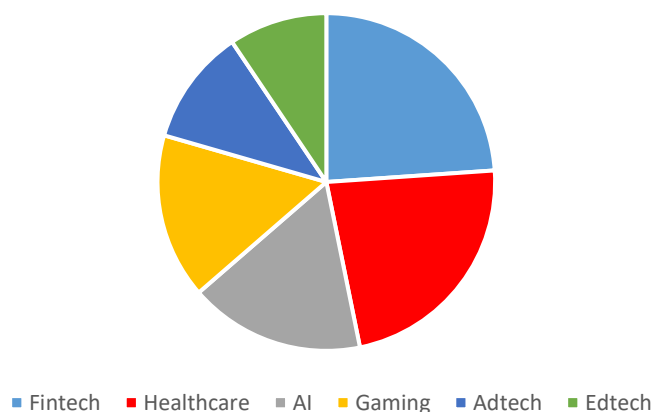
The research findings underscore that in order to create a firm foundation for economic development, the government needs to increase its investment and provide robust support for the development of the private sector, particularly for small and medium enterprises and startups, as well as endorsing programs and initiatives in the field of entrepreneurship and innovation. The need for enhancement and capacity building within the framework of the innovation infrastructure is evident. Public and private institutions are consistently working towards developing the fundamental infrastructure for conducting and promoting technology, start-up culture, and innovation activities. Small-business owners play an integral role in the fabric of the global economy, generating millions of jobs and providing identity to the communities they serve.

One of the biggest fears that people who start their own businesses have is the risk of failure. And it's not an unrealistic fear. As a matter of fact, the latest statistics show that more than 20 percent of small enterprises fail in the very first year, and nearly 50 percent of small startups fail within the first five years (Bureau of Labor Statistics, 2021). The primary reason that new businesses fail is because of a lack of cash. In fact, 38 percent of small businesses fail because they either run out of cash or are unable to drum up more financial support (CB Insights, 2021). Other main causes for the failure of startups include getting outcompeted by rivals, having a flawed business model, and facing regulatory or legal challenges. Pricing issues, having a mismatched team, and mistimed product launches are also some of the main reasons new businesses fail. [5]

The future of small businesses is tempting, but challenging, start ups are becoming more and more frequent. That is due to the fact that the new generation of entrepreneurs is more likely to create startups. In fact, Millennials and Gen Zers are 188 % more likely to have the aim of creating a side business, compared to Baby Boomers or traditionalists.[5]

In order to keep up with the economic trends that are evolving with the same pace as technology does, entrepreneurs will need to focus all their efforts on applying innovation in order to optimise as much as possible their internal processes. Startups may even become a global tendency. Data collected in 2022 reflects that 7.1% of the startups in the world operate in the Fintech industry. Followed by Life sciences and healthcare with 6.8%, Artificial intelligence with 5.0%, Gaming with

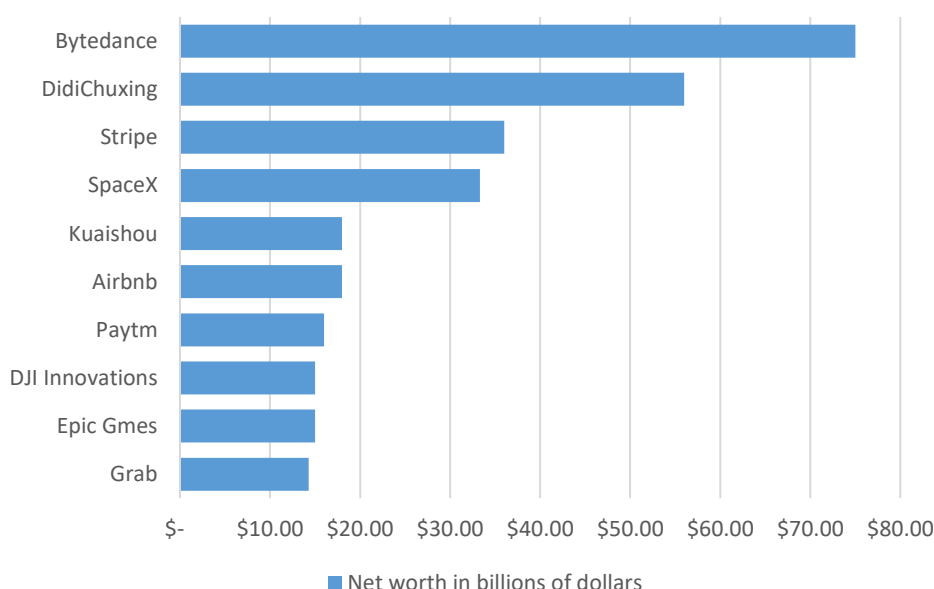
4.7%, Adtech with 3.3%, and Edtech with 2.8%. Even though there isn't completely accurate data about industry distribution, it's clear that modern startups gravitate towards the internet and digital technologies.(fig.1)[3]



**Fig.1 Industry distribution of startups**  
Elaborated by the author based on source [3]

The highest-valued private startup in the world is Bytedance (Toutiao), from China, worth around \$75 billion, proving that privately owned startups can grow to be extremely high value when managed successfully (fig.2).[3]

Most users know the company only by its hit short-video app TikTok, which has been downloaded over 3 billion times globally, a feat only exceeded by Meta and its family of apps. But ByteDance has churned out one wildly successful product after another — among them its initial hit, Toutiao, the most popular news app in China, which today has 320 million monthly active users, and Douyin, a short-video app that preceded TikTok. Respectively, Toutiao and Douyin account for 20% and 60% of the company's total advertising revenues.[4]



**Fig.2 Highest-valued private startups globally**  
Elaborated by the author based on source [3]

Another perfect example of a startup that has showed incredible potential is Netflix. The company started as a personalized web-based movie recommendation and rental system, transforming

over the years into a streaming video giant. The management's commitment to digital content has enabled Netflix to emerge as the biggest name in the streaming video industry, and more importantly, to stay at the top of its game as it expands globally. All these stories highlight the importance of small business since they are undoubtedly the backbone of any thriving economy.

## CONCLUSIONS

Startups have garnered increased attention from both the scientific and business communities, as they emerge as creators of new business models in the 21st century. Their development provides numerous advantages for the economy at regional, national, and global levels. The rise in the number of micro-enterprises and patents stimulates economic growth, resulting in an increase in GDP per capita, as demonstrated by statistical analysis, which revealed a robust correlation between the above mentioned values.

Startups generate employment opportunities, particularly for young individuals, which leads to a rise in household incomes. Additionally, by investing in human capital, startups indirectly contribute to the appreciation of competencies, skills, and self-development. They stimulate creativity, especially in young people who witness the success of others and decide to pursue various projects. Startups ensure technological development, shape the creation of modern economies, and make innovative technologies available to society.[1]

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