

# The contribution of small businesses in the uk's economy essay sample



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Small and medium sized enterprises form the foundation of the United Kingdom's economy by generating more income and creating notable and important contributions to the economy, its main performance and the productivity. The Small and medium sized enterprises are the main backbone of Britain's economy. It is said that Napoleon once noted that the British is a nation composed of mainly shopkeepers (Konosuke and Minoru 1999). This is said to be right because Britain is a nation composed of small and medium sized enterprises.

Perhaps the most dominant characteristic of small businesses in the United Kingdom is the numerical dominance of businesses thereby absorbing more employees. It accounts for over 4 million extra jobs that are created by new small businesses that start in the United Kingdom (Williamson and McKemmish 2002).

The department for Business in United Kingdom, Enterprise & Regulatory Reform's Enterprise Directorate Analytical Unit, in 2007, released its finding on the United Kingdom's economy that revealed that 99% of business ventures are small and medium sized enterprises. This implies that out of a total of 4. m United Kingdom's businesses, less than 1% are large corporations by the year 2007. United Kingdom's Small and medium sized enterprises is believed to employ a single person or more, employed about 14. 23m people out of a working citizens that hits nearly 30 million by the same year 2007(Cadens, 2009).

Julian Rowe in 2007, states that the United Kingdom's turnover and Gross Domestic Product (GDP) United Kingdom's Small and medium sized

enterprises account for 1.48 trillion sterling Pounds. Despite significant contribution of small and medium enterprises, large United Kingdom's Corporations dominate the skyline, its news and its economy.

By the same year, 2007, daily business bulletins used to be full of stories regarding British Petroleum, Barclays, British Gas, and the United Kingdom's Government. There was and still is a very strong political focus on the United Kingdom's Public sector with responsibility of up to 1/3rd of United Kingdom's economy (Cadens, 2009: 185). Unfortunately, UK's Small and medium sized enterprises sector is overlooked and considered fragmented and quite often neglected yet it is this sector that provides the vital and fertile environment from where the following day's large corporations will finally emerge.

Among Small and medium sized enterprises, it is often believed that a thin straight narrow incision of this sector is the one that performs better than all the other sectors of the economy which includes the massive United Kingdom's corporations. In reference to BERR statistics for 2007, this sector, Small and medium sized enterprises, employs about 4.4% yet it contributes about 5.6% of total United Kingdom's GDP showing a great and impressive productivity (Cadens, 2009).

It is believed that majority of the school leavers who can't find white collar jobs will either enter in small businesses as proprietors or as employees. Many of the immigrants to the United Kingdom especially from Africa are employed in the small businesses like the Hotels, Restaurants, manufacturing farms, among other sections entered into by small business

people (Steve 1997). However, it is ironical that some small and medium business owners try to project and expand an idea that they could be bigger than they really are thereby trying to deny that they are small businesses or ventures.

In as much as many people might say that bigger is not any better, other people's attitudes and actions always determine as to whether we really are as we believe or not. This explains why most immigrants to the United Kingdom deny to their people back in their home countries that they are working in small businesses or ventures (Williamson and McKemmish 2002). Even then, they contribute a great deal in the development of the countries both the United Kingdom and their home countries of origin as they send money back home as support or as investment, while UK economy gaining foreign exchange transaction commissions and charges.

Better still, there are small and medium sized enterprises with 20 and 49 employees which form a greater workforce of the employed accounting to 6.3% and hence a greater incentive to the United Kingdom's economy and still is able to produce a thrilling 8% of UK GDP (Steve 1997). In fact, all Small and medium sized enterprises outperform the large United Kingdom's Corporations in terms of productivity despite having very minimal resources. In as much as this essay solely outlines the strengths of Small and medium sized enterprises, it does not undervalue the role of large United Kingdom's corporations.

Instead, it is necessary to highlight the magnificent contribution of the small and medium sized enterprises (Williamson and McKemmish 2002) to the

United Kingdom's economy without much resource as those of large corporation. There are a number of contributions and advantages of small enterprises in any economy. In light of the United Kingdom's economy, the small businesses have among others, the following advantages. First, small businesses are usually better and have a lot of substance and content.

This content is about the wide range of products that are preferred by the customers and those that sale more and fast. Greatly, the SMEs business owners prove to be more responsive to customers needs in the sense that they provide their clients with more personalized services. This is because the business people are always in contact with their customers hence providing individual attention to each one of them. The customers require tender care and treatment because they are the assets of any business that has any intentions of expanding or sustaining themselves in the market.

Steve (1997) note that small and medium sized enterprises can easily prosper because the can easily specialize within a smaller market niches which would be impractical for a bigger companies. This mainly because these business people can easily stick to a single product thus specialising in it or some products thereby ensuring that their customers are able to get what they like or rather ensure that products that are availed into a given market are those that meet each and every customer.

In addition, with small businesses, efficiency is not optional to achieve. To waste resources can very easily ruin a small business. Therefore efficiency is very necessary and by being efficient, small businesses will quite often tend to be more productive. Efficiency can range from ensuring that the business

incurs less expenses as opposed to its revenue or ensuring that some processes that can be done at the same time are carried out simultaneously thereby saving time and money that go into catering for them (Konosuke and Minoru 1999).

Individualized attention will always lead the business people to understand the best procedures to their customers thereby doing away with wastages hence ensuring more efficiency. The advantages are very many in the sense that they provide larger employment opportunities to the people in the United Kingdom as compared to other sector of the economy. It is argued that majority of the employees accounting to about 70% in the United Kingdom are employees in small businesses while some of them are self employed in their small and medium sized businesses.

It has been said that the small businesses together with the medium sized companies contributes an impressive 8% to the United Kingdom's total GDP (Chittenden, 2007). This mainly because it is this sector that has or rather enjoys majority of currency circulation within the economy, thus empowering economically large UK population segment. In addition, indirectly, by providing employment opportunities to the people in the United Kingdom by the small businesses, more development is ensured and wide spread. This is because it is assumed that many people are naturally inclined towards saving and investing in other sectors of the economy.

Therefore, as they earn their salaries, a larger proportion of the employees will invest part of their earnings in other sectors or in small businesses thereby ensuring that the money is evenly distributed in the whole economy.

On the other hand, the United Kingdom's government receive a substantial amount of tax in form of Pay As You Earn and from other indirect and direct taxes from vast SMEs and the respective participants. For instance, the government earns revenue from taxing products in form of Value Added tax and other taxes that are always included in many consumer products.

According to Steve Chittenden (2007), small businesses also do implement methods that increase their efficiency and productivity in general. He argues that advances in many areas such as small and efficient manufacturing, automation, communication, modular tooling and work cells, and information technology help them to level the playing field for many small businesses. Collaboration can be accomplished more with video conferencing and the Internet at a low cost. This collaboration is aimed at improving the business output through modification of the business processes according in line with the other related businesses.

Communication between businesses enhances the flow of ideas and therefore puts the collaborators at an advantage of gaining or acquiring ideas that they do not have which better their businesses. However, with all the aforesaid advantages of small businesses and in spite of all the challenges and the opportunities for small business, they have never been any better. There are a number of challenges to the businesses. For instance, the largest proportion of business people (16.2 per cent) cites competition as the greatest obstacle to the success of the business (Cadens, 2009).

This competition originated from other bigger companies that are well established and operates on large scale production thereby ensuring that

they reap back larger economies of scale in their operations. Another source of competition is other small businesses that are desperate to sale at a lower price as long as they don't sale at a loss. This is as a result of many small businesses that may stretch the market. This is followed by government regulations which are cited as 14.5% of businesses (Cadens, 2009). Other challenge that follows is the economy and the economic associated breakdowns which are cited as accounting to up to 12%.

Around 10% of the business people, views cash flow as the greatest obstacle while a similar proportion cites taxation as an added challenge which needs to be addressed. Another group of business people that represents a small proportion sees staff recruitment as the greatest obstacle accounting to about 6.4% of the problems facing small business people followed about 4.1 per cent saying that availability or cost of premises is a problem. A small section cites transport issues while others cite shortage of managerial expertise and lack of broadband access (Cadens, 2009).

In conclusion, there is large evidence that the United Kingdom's economy is supported by small and medium sized enterprises performance and that improving their performance will have more substantially a positive effect on entire United Kingdom's economy. Chittenden (2007) calls on the United Kingdom Government to work closely with the small and medium sized enterprises and most importantly with independent business advisors allied to small businesses and practitioners who work at the tirelessly in their daily toil to deliver important and strategic support to small and medium sized enterprises.



To small and medium sized enterprise owners and senior business managers, the advice is that, in order to better the performance in the continuous changing and challenging marketplace one need people close to him/her, inspiring him/her, guiding him/her, empowering him/her, and supporting him/her to build a more consistent, reliable, stable and viable days to come.

This people that are needed includes the government and all its agencies to recognize and identify the small and medium sized enterprises' enormous contribution to the economy of the country in general and to individuals themselves are reward them accordingly or give them the best attention that it deserves.

Cadens (2009) quoted that the readily prospering start-ups that sole traders or proprietors and many small business owners have at their disposal or give to the society and the economy in general are providing a much-needed shot and help in the arm for the United Kingdom's economy and most importantly, they are proving that starting one's own business is becoming a viable career and option for school leavers, single mothers, city bankers, immigrants and retired couples in the United Kingdom's economy.

This is a group of citizens that strain the economy because they are spending and yet they are not earning. This causes an economic problem which forces the government to provide more services to these people while denying the other sectors the attention that they require.