It is Imperative for the State to Regularly Fulfill its Financial Obligations Towards Small and Medium-sized Businesses in the ICT and Other Business Sectors, in Order to Maintain Companies’ Sustainability

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According to the Government of Croatia’s national program (2008-2011), one of the fundamental objectives for the government was to develop a knowledge-based society, making education available to everyone under equal conditions and maximizing the use of modern computer-communications technology. Also, the use of technology is one of the main instruments needed to realize other fundamental objectives of the same program. In Croatia, through the use of IT technology, electronic means of doing business opens new possibilities for more than 83,500 companies of which 99.43% are small and medium-sized businesses.

Companies that develop and implement technology are traditionally small and medium-sized entrepreneurship. Studies show that 2,800 companies with approximately 30,000 employees are in the ICT sector – the average size of the company not exceeding 4-6 employees. Based upon size, these companies are especially sensitive to fluctuations to economic conditions and are not able to significantly finance their business operations through existing sustainability mechanisms that are available to larger companies and are naturally available in other economic sectors.

Economic knowledge, which is a combination of entrepreneurship and education, has an additional advantage in Croatia, because it engages the younger generation. Therefore, this significantly relieves the necessity for the creation of new jobs and also creates new products, which is the basis for achieving results for most companies that base their businesses on ICT technology.

During recent economic activities (recession), entrepreneurship sectors are especially hit by the situation, which are generally connected to the areas of implementation, future development and solvency, as the fundamental elements of sustainability for small and medium-sized businesses. In the first quarter of 2009, a significant increase in illiquidity has been evidenced in the society, which is negatively affecting the sustainability of companies in the ICT sector. A significant portion of this illiquidity is perpetuated by the state's prolonging of payments up to over 120 days.

Therefore, the implementation measures for achieving the objective of establishing a knowledge-based and technologically-informed society are significantly slowed and limited, while the above-mentioned entrepreneurs are placed in an unenviable position. In a knowledge intensive business sector, their solvency is absolutely dependent upon the prompt fulfillment of financial obligation by all involved in the process. We believe that the economic model for growth based
upon the development of knowledge is still a priority, because such a model unites entrepreneurship and education, which is the connection of science and innovation; in Croatia, these elements have the largest potential for development and are fundamental to the Government’s national program. However, in order to qualitatively develop a knowledge-based society, it is essential to encourage the prompt fulfillment of financial obligations of all parties involved in the realization of such projects, including the involved state administrations and state-owned companies that are involved in the completion of these projects.

It is understood that the Croatian Government is not responsible for the delinquencies caused in the private sector. However, every national government, including the Croatian Government, have institutional mechanisms at its disposal to influence the private sector to fulfill their legally binding business and financial obligations. A more proactive fair and transparent regulatory involvement by the Croatian Government would be beneficial to the Croatian economy.