

## ASSESSMENT OF THE STATE ADMINISTRATION EFFECTIVENESS IN THE FIELD OF SMALL BUSINESS CONTROL IN SLOVAKIA

Eleonóra Marišová, Zuzana Ilková, Pavol Schwarcz, Tomáš Malatinec,  
Eva Lázárová

**Received: April 11, 2013**

### Abstract

MARIŠOVÁ ELEONÓRA, ILKOVÁ ZUZANA, SCHWARCZ PAVOL, MALATINEC TOMÁŠ, LÁZÁROVÁ EVA: *Assessment of the state administration effectiveness in the field of small business control in Slovakia*. Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis, 2013, LXI, No. 7, pp. 2483–2489

The agenda of small business in Slovakia is administered by state administration - district offices which registry and also control the entrepreneurs. The control units in the period 2008–2011 and its evaluation in terms of efficiency were the objects of the research. A comparative analysis was focused on the number of inspections carried out by inspectors at registered enterprises and the number of fines imposed by law established methods (penalties in block proceedings and fines on the basis of a decision to impose fine). Comparison was made to the NUTS 3 level, and in different regions of Slovakia. The assessment was based on the number of inspections and fines imposed on the incumbent entrepreneur in the respective region and the number of controls per 1 inspector. The result of the research is to evaluate the effectiveness of control activities of units within the NUTS 3. The average proportion of registered enterprises inspections in 2012 was 3.98% (SR). The base index of the average share of inspected enterprises in the period between the year 2008 and 2012 shows a value 0.75, which indicates a decrease in the proportion of subjects controlled by 25%. The results of the research show that the control units should increase the proportion of screened subjects, revise the amount of the fines imposed and the ability to enforce compliance with the obligations under the Act on small business No. 455/1991 Coll. (Small business law) and special rules. To achieve the increase of effectiveness of inspectors, its recommended to innovate their temporal and territorial flexibility.

state administration, small business, district offices, control, effectiveness

At present, the small business agenda is ensured within the state administration in Slovakia (SR) by district offices, of which the number is 50 in the whole territory of SR. District office carries out the powers of small business office, ie. there is 1 small business office in every district. Department of business registration and department of business control are established within each small business office. In the assessment of performance of small business administration, we aim at the departments of business controls and their performance (50). Each small business office performs the control of observance of obligations for businessmen

that imply from the Act on small business no. 455/1991 Coll. as amended (Small business law) and obligations implied from special regulations if they are related to small business. Within the meaning of the above mentioned act, § 63, natural or legal person, which operates the business without business license that is subject of free trade, is charged up to 1659 euro by small business office, in the case of craft trade or bound trade the person could be charged up to 3319 euro by small business office. Other sanctions, up to 1659 euro, are cases when the businessman

- a) does not establish responsible representative in cases when he is obliged to do so,
- b) does not announce the establishment of workplace to small business office,
- c) does not observe the general conditions for business established by law.

The purpose of the control is not to impose penalties but mainly to impact on businessman to respect the small business law and properly fulfil his obligations. Therefore the small business office can impose measures to remove deficiencies found by controllers during the small business operation, serious violations of obligations implied from the small business law are sanctioned within the meaning of the § 61 and following of the Small business law, either by the form of block fines or by the form of a decision on imposing the penalty. Block fines can be charged up to 165 euro in cases prescribed by Small business law [§ 17 section 7, § 30 section 1, § 65a section 1 b) and section 2 c), d) and e)]. When imposing fines, small business office take into account severity, time duration or consequences of unlawful acts. It is not possible to appeal against block fines. When the law violation cannot be solved by imposing block fine, small business office starts administrative proceeding against businessman which ends with issuing the decision on imposing the penalty (in case of proving the violation of obligations prescribed by Small business law). Decision of small business office is within the meaning of the § 47 of Administrative code reviewable (ordinary and extraordinary remedies are allowed).

Evaluation of data about small business control points out the current status of its performance. Comparison and analysis of results of control department's actions, within regions of SR on the NUTS 3 level, directs towards finding the comparative facts identified in control process that is evaluated in this paper.

## METHODS AND RESOURCES

The objective of this paper is to analyze the control activity in the sector of small business in the period after 2007, when regional offices in this sector were cancelled and their competencies in the field of small business were transferred to the district offices in the seat of respective regions. We draw on opinions of authors (Tej, J., 2007; Marišová, E. *et.al*, 2012; Balážová, E. *et.al.*, 2012), analyzing the effort of the current Slovak government to create and open, effective and just public administration. The paper uses the results of research project VEGA 1/0514/11 that was focused on effectiveness of administrative proceedings of state administration bodies in the sector of small business. The subject of the research was comparison of control results in regions in the territory of Slovakia on the NUTS 3 level. The focus of this analysis was to find whether imposing sanctions when performing the control is

both sufficiently repressive and preventive one. We defined following hypotheses:

1. Effectiveness of control activity in observed period is increasing,
2. Number of controls assigned to one controller in regions of SR on the NUTS 3 level does not reach the same level.

Material of the paper is created from data about activity of small business offices within years 2008, 2009, 2010, 2011 and 2012:

- number of employees in small business control department,
- number of control actions made,
- number of fines imposed in the form of block fine and decision on imposing of fine,
- amount of imposed fines.

Descriptive statistics and interannual comparison of results achieved were used to their assessment. Dynamic change of small business control was captured by means of the value of the basic index.

## RESULTS AND DISCUSSION

Slovak Republic within the meaning of the act No. 221/1996 Coll. on territorial and administrative division of the state, is divided into 50 districts in which there are established district offices (Fig.1) fulfilling tasks of the general state administration. Sector of small business administration belongs to managed sectors falling within the competence of district offices. Activity of state administration in the area of small business consists of tasks of registering the business entities, consulting and **control activity**. Research was oriented on assessment of control activity in the small business sector within SR.

Control unit has got an important role in ensuring the effective administration in the section of small business from the position of authority to control the performance of business activities. At the same time it controls the adherence of the conditions of performance of small business, which is imposed by law. Results of control activity ensured by small business offices are irreplaceable source of feedback within the businessman – state – society relation. Effective and good performance of control activity guarantees violations of Small business law provisions detection, their remedy and it also leads to prevention of violations.

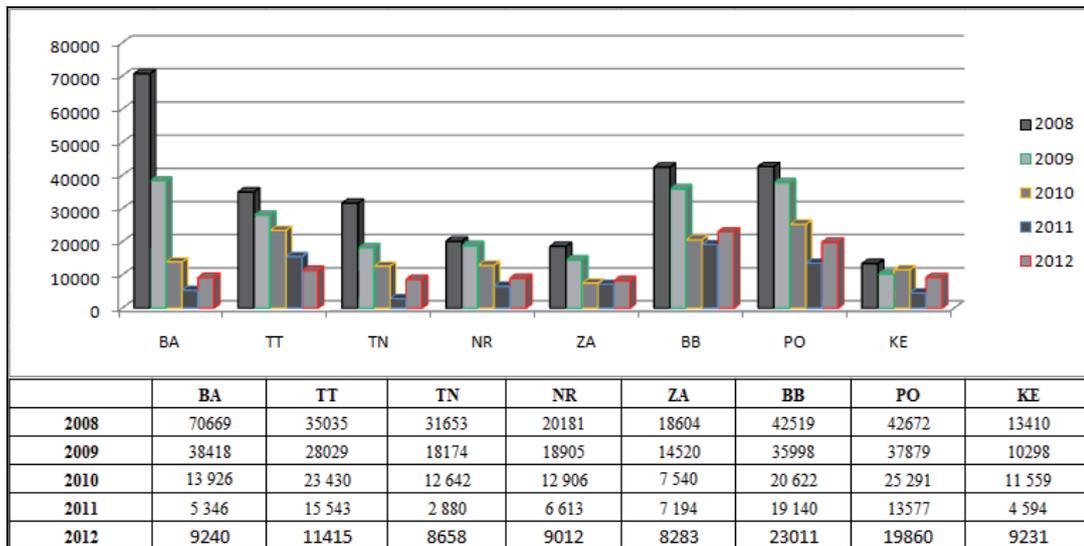
Within the criteria of conception of rational organization efficiency, it is possible to evaluate the efficiency of control of small business offices units in terms of their inputs and outputs. Dates are evaluated summarily according to individual regions of SR.

Tab. I contains the number of imposed fines within the block procedure and by means of decision on imposing fines. The following analysis points on the amount of imposed fines within performed control actions. For comparison, we mention analysis within years 2008, 2009, 2010, 2011 and 2012.

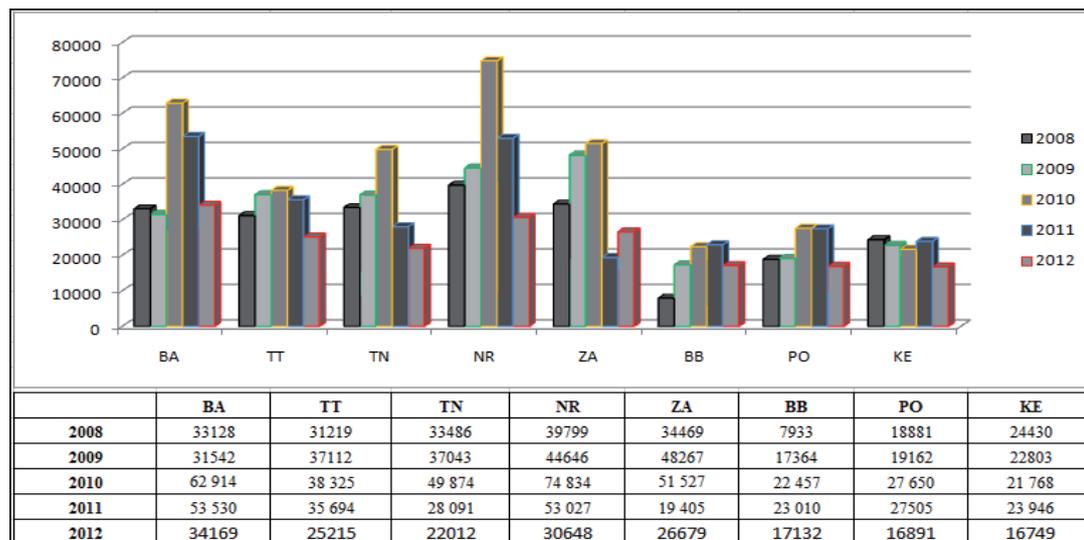
I: Number of imposed fines in 2012

Slovak regions	Bratislava (BA)	Trnava (TT)	Trenčín (TN)	Nitra (NR)	Žilina (ZA)	Banská Bystrica (BB)	Prešov (PO)	Košice (KE)
Number of imposed fines in block procedure (2011)	131	429	86	173	197	527	312	128
Number of decisions on imposing fines (2011)	466	329	519	534	347	566	585	381
Number of imposed fines in block procedure (2012)	204	330	217	224	224	587	506	261
Number of decisions on imposing fines (2012)	280	320	318	417	328	417	256	237

Source: own processing



1: Overview of the amount of imposed fines in block procedure /€/ - regions of SR  
Source: own processing



2: Overview of amount of imposed fines by decision /€/ - regions of SR  
Source: own processing

Rapid decrease of imposed fines in block procedure was recorded in observed period. The largest decrease was recorded in region of

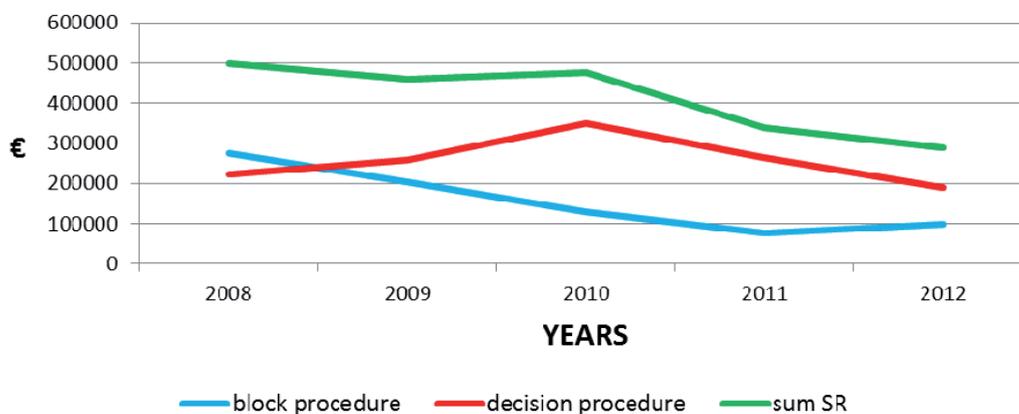
Bratislava (BA). Amount of imposed fines by means of decision (Fig. 2) in observed period also reached various values, but significant decrease was not

## II: Amount of imposed fines in SR

	2008	2009	2010	2011	2012
<b>BA</b>	103 797	69 960	76 840	58 876	43 409
<b>TT</b>	66 254	65 141	61 755	51 237	36 630
<b>TN</b>	65 139	55 217	62 516	30 971	30 670
<b>NR</b>	59 980	63 551	87 740	59 640	39 660
<b>ZA</b>	53 073	62 787	59 067	26 599	34 962
<b>BB</b>	50 452	53 362	43 079	42 150	40 143
<b>PO</b>	61 553	57 041	52 941	41 082	36 751
<b>KE</b>	37 840	33 101	33 327	28 540	25 980
sum SR	498 088	460 160	477 265	339 095	288 205

Source: own processing

### Changes of the amount of imposed fines according to the form of imposing fines



3: Changes of the amount of imposed fines according to the form of imposing fines  
Source: own processing

registered. In regions of Banská Bystrica (BB), Prešov (PO) and Košice (KE), there were recorded increase of imposed fines by decisions in 2011 (compared with previous year), but decrease in 2012 (except Žilina (ZA) region).

The amount of imposed fines reflects both the status of business environment (compliance or non-compliance) and performance of control activity (smaller amount of imposed fines – less issued decisions – less procedures), but with constant number of control employees in years 2008–2009 – 2010. As follows from the graphic representation (graph 2), rising tendency of the amount of imposed fines by decision was recorded up to year 2010, decrease in the following year is expression of various facts, one of which is decreasing the number of employees in section of state administration of small business in 2011. Changes of the total amount of imposed fines and changes of fines amounts according to the form of imposing the fines is shown in Fig. 3.

After the assessment of change indices between individual observed periods, we can state that the amount of imposed fines decreased between years 2008 and 2012 by 42%. This fact within the

conception of effectivity of rational organization can be attributed to the decrease of effectiveness of small business control unit employees considering the number of performed control procedures and % of controlled bodies. The decrease of the amount of fines can be interpreted as an insufficient detection of obligations violation. On the other hand, the fact of perception of control activity that changed its character to preventive with the objective to advice to businessmen, orientate them and highlight the possible shortcomings, could contribute to the results which arise. Thus this fact should create a business environment where the prevention of obligations violation gets to the forefront.

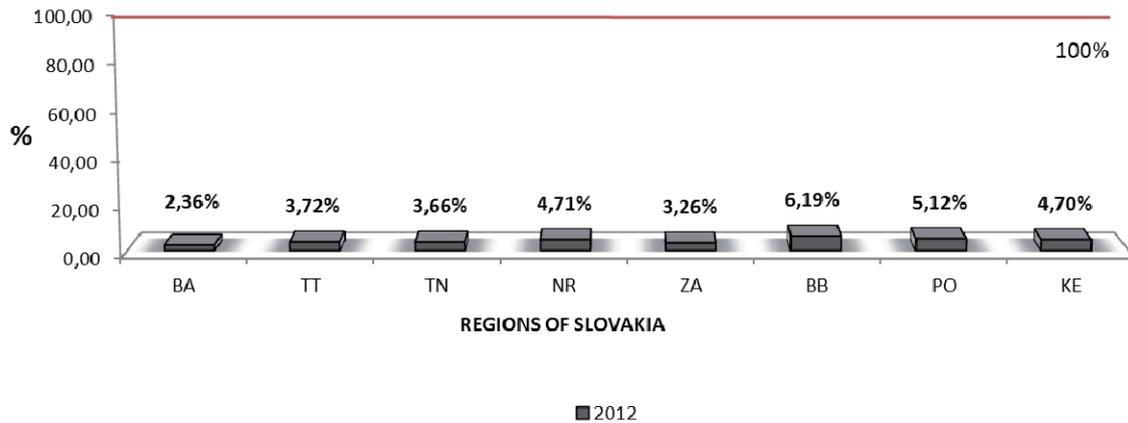
The following part of the paper shows the % share of the controlled bodies out of their total amount in 2012. The Graf No. 4 indicates the imaginary boundary 100% of controlled bodies. The ideal situation in the area of control is to check as many as possible businessmen. The results can again point to a lack of effective power of control units since inspected businessmen represent a low proportion of their total number. Only 3.98% of all registered businessmen in SR in 2012 was controlled in the frame of the Small business act.

III: Indices of changes imposed fines amount in particular forms of imposing fines in observed period

	Index 2009/2008	Index 2010/2009	Index 2011/2010	Index 2012/2011	Base index 2012/2008
block procedure	26%	-37%	-41%	+31%	-64%
decision procedure	15%	35%	-24%	-28%	-15%
sum	-8%	3,7%	-29%	-15%	-42%

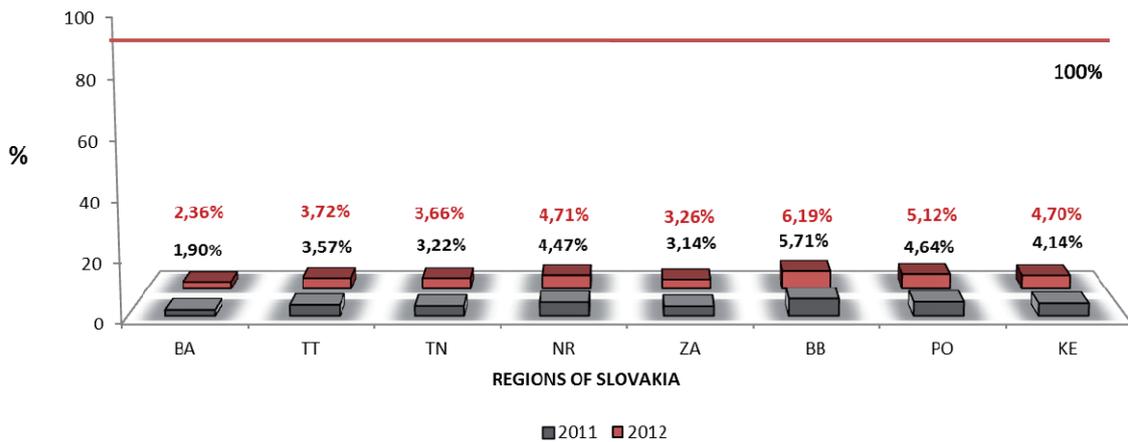
Source: own processing

**Percentage of controlled businessmen out of their total number in 2012**



4: Percentage of controlled businessmen out of their total number in 2012  
Source: own processing

**Percentage of controlled businessmen out of their total number in 2011 and 2012**



5: Percentage of controlled businessmen out of their total number in 2011 and 2012  
Source: own processing

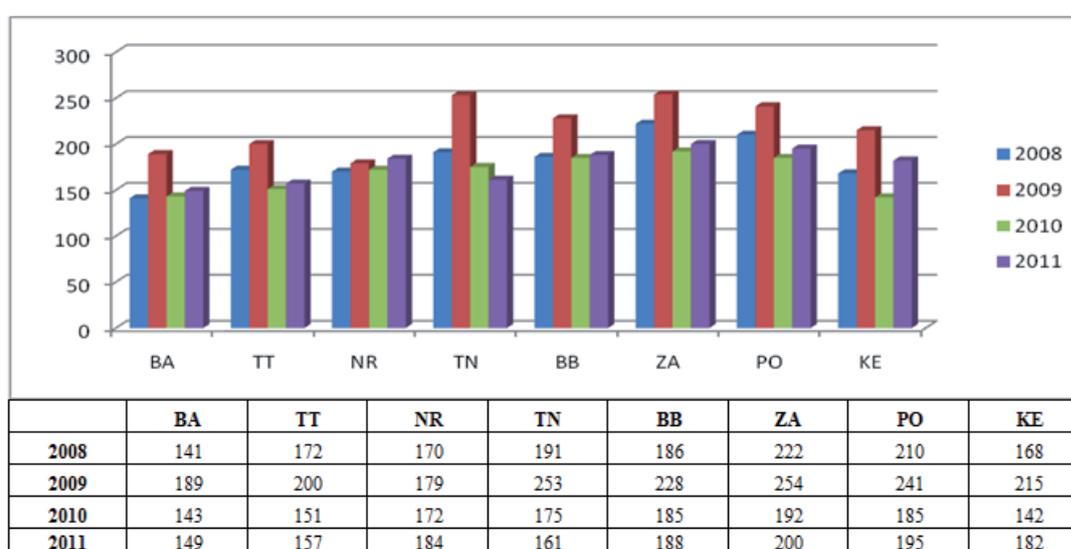
Tab. IV shows the share of controlled bodies within interannual comparison in particular regions of SR (NUTS 3). The base index shows the dynamic change within the development of the share of total controlled businessmen.

The results shows a decrease in the amount of imposed fines and also a very low proportion of controlled businessmen. The fact is that the lowest number of controlled businessmen is in the Bratislava region, where the largest number of

## IV: Share of entrepreneurs under the control and the base index between 2008 and 2012

	2008	2009	2010	2011	2012	Base index
<b>BA</b>	3.04%	3.89%	2.83%	1.90%	2.36%	-22%
<b>TT</b>	5.71%	6.45%	4.80%	3.57%	3.72%	-35%
<b>NR</b>	5.79%	5.92%	5.59%	4.47%	4.71%	-19%
<b>TN</b>	5.43%	7.09%	4.86%	3.22%	3.66%	-33%
<b>BB</b>	5.96%	7.20%	5.75%	5.71%	6.19%	3%
<b>ZA</b>	4.95%	5.53%	4.11%	3.14%	3.26%	-34%
<b>PO</b>	5.82%	6.59%	5.00%	4.64%	5.12%	-12%
<b>KE</b>	5.82%	7.34%	4.78%	4.14%	4.70%	-19%
average SR	5.32%	6.26%	4.72%	3.85%	3.98%	-25%

Source: own processing



6: Number of controls per one employee of control units per districts in particular regions of SR

Source: own processing

entrepreneurs run their business but at the same time there is the largest number of employees of control units in the four districts in Bratislava region recorded. It is necessary to adopt measures to increase the efficiency of control units. Next, the analysis in graph 6 shows the number of control actions per one incumbent employee of control unit. The results show a great diversity of incumbent control actions as well as turbulence in their number.

We analyzed also the time required for control actions. To carry out the control and record its

results, time is classified from 90–180 minutes, the preparation of the control requires 10–30 minutes, transport to controlled businessmen 15–45 minutes, return back 15–45 minutes and the elaboration of the decision on imposing a fine 60–120 min. Total number of hours needed to conduct together with the procedural steps can be estimated by an average of 5 hours and 30 min. The result may be confronted with a number of controllers and controlled bodies in working days in accordance with the evaluation of the effectiveness of the concept of the organization as a natural system.

## SUMMARY

At present, the small business agenda is ensured within the state administration in Slovakia by district offices. District offices are a part of the so called „general“ state administration and in each of 50 district in the Slovak territory, 1 small business office is established. Units of registration and units of control of each small business office execute their powers and tasks according to the Act on small business No. 455/1991 Coll.

In the evaluation of the effectiveness of small business offices, we focused on the control unit operation. In our opinion, the effective control performance contributes to the growth of the quality of the business environment, protects consumers and regulates the business activities in accordance

with the relevant legislation. The evaluation of the performance of control units, concluded: 3.98% of controlled businessmen in 2012 indicates insufficiently effective performance of the business control. Priority should be in the future to increase the proportion of controlled businessmen. In case a violation of the law is found out, controllers may impose a penalty in the form of a block or a decision and impose a fine. The total amount of the fines imposed in the period (2008–2012) fell by up to 42%. The result may be confronted with a decreasing share of controlled bodies in the same reporting period (2008–2011) up to 28%. In 2011, on average 177 single control actions fell on 1 controller (in 2008 it was 183 of control actions). The average time required to perform one control action, is calculated for 5 h and 30 min. In 2012, in total 5126 fines had been imposed, fines imposed in the decision procedure were the same like in block procedure.

In the evaluation of control activities in 2012 in the regions of Slovakia at the NUTS 3 level Banská Bystrica and Prešov regions could be highlighted regions since, controllers in these regions reached the highest proportion of controlled businessmen. Žilina and Prešov regions achieved the highest proportion of control actions per a single controller. However, the amount of the fines imposed in these regions were among the lowest ones. In contrast, the Bratislava region in 2011 showed the lowest number of controlled businessmen, but together with Nitra region with the highest level of the fines imposed recorded. We can predict that, despite the low number of controlled bodies in the Bratislava region, the quality of the controls was high and unveiled the violations of business legislation.

The supposed increase of the productivity of business controls during the reported period (hypothesis No. 1) was not confirmed. All monitored parameters in the last two years, show a declining tendency. One positive sign is partial, slightly increasing number of control actions falling to a single controller. However, different number of control actions falling to one controller in the SR regions at NUTS level 3 is observed (hypothesis NO. 2 confirmed). The biggest difference was up to 51 control actions. We assume that this situation may be due to a different way of performance of controls, respectively due to the different quality of the control actions. The above results indicate a necessity of more strategic decisions of state authorities to improve the performance and conceptual framework of controls in the future.

#### Acknowledgement

The paper was prepared within the scientific project VEGA 1/0514/11 – Effectiveness of administrative procedure of state authorities in the field of small business.

#### REFERENCES

- ADAMASCHEK, B., 2000: *Efektivita vo verejnej správe*, Bratislava: VBS, 103 p. ISBN 80-968308-3-X.
- ILKOVÁ, Z., MALATINEC, T., 2012: Hodnotenie kontrolnej činnosti živnostenských úradov v SR z pohľadu časovej, odbornej náročnosti a súčinnosti s kontrolovanými subjektmi, In: *Podnikanie v Európskej Únii, zborník príspevkov z medzinárodnej vedeckej konferencie*. Nitra, SPU v Nitre 110 p. ISBN 978-80-552-0819-0.
- MALATINEC, T. a kol., 2012: Porovnávací analýza platnej i účinnej slovenskej a českej živnostenskej legislatívy, In: *Podnikania v SR a v EÚ, zborník príspevkov z medzinárodnej vedeckej konferencie*. Nitra, SPU v Nitre, 110 p. ISBN 978-80-552-0929-6.
- MARIŠOVÁ, E. et al., 2011: Efficiency of single contact points services for entrepreneurs: case of Slovakia, In: *Gazdaság & Társadalom*. Sopron: WHU, Sopron, p. 65–84. ISSN 0865-7823.
- MARIŠOVÁ, E. et al., 2012: Assessment of public administration in the field of small business: empirical analysis of points of single contact efficiency in Slovakia, *Acta regionalia et environmentalica*, 9, 1: 1–7. ISSN 1336-5452.
- TEJ, J., 2007: The Reform of the Public Administration in Slovakia. In: *Socialnoekonomični doslidžennja v perehidnyj period. Rehionalna polityka v Ukrajini: súčasni formy ta metody realizaciji*, 19, 2: 204–217. ISSN 1727-589X.
- VOZÁR, I., 2011: Ako majú úrady postupovať? Available online [http://www.viaiuris.sk/stranka\\_data/subory/publikacie/ako-maju-urady-postupovat.pdf/](http://www.viaiuris.sk/stranka_data/subory/publikacie/ako-maju-urady-postupovat.pdf/).
- ŠEVČÍK, M., 2009: *Správne právo procesné*. Bratislava: Eurounion, 415 p. ISBN 978-80-89374-05-2.
- ŠKULTÉTY, P., 2008: *Verejná správa a správne právo*. Bratislava: VEDA, 204 p. ISBN 978-80-224-1023-6. Legislation Act No. 455/1991 Coll. on small bussiness as amended.

#### Address

doc. JUDr. Eleonóra Marišová, PhD., Department of Law, Slovak University of Agriculture in Nitra, 949 76 Nitra, Slovak Republic, e-mail: [eleonora.marisova@uniag.sk](mailto:eleonora.marisova@uniag.sk)