

THE ROLE OF HUMAN CAPITAL FOR THE DEVELOPMENT OF SMALL BUSINESS

Radostina Emilova Yuleva¹

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Abstract

Human capital, as an element of intellectual assets, is intrinsically impervious to quantification, but with the advent of the information society and the knowledge - based economy, it has an increasing share of company assets, making its knowledge even more necessary. For the existence of modern small and medium-sized enterprises, the "quality" of human capital is important, as it plays a major role in the development of the company and the realization of future potential innovations. The main purpose of this report is to look at and analyze the nature of human capital, broken through the lens of small business. The main research methods used in the development are content analysis, method of analysis and synthesis, intuitive and systematic approach.

Keywords: *human capital, enterprise, development, small business*

JEL Codes: *L29, M29, D29*

1. Introduction

In recent decades, the phrase "human capital" has become increasingly popular. One of the challenges facing management in the 21st century is the new understanding of human resources in the enterprise as human capital. By "capital", whatever its form, is meant any resource resulting from the operation of which, over time, provides an increase in value, in income, i.e. accumulation. Traditionally, from an economic point of view, capital is seen as a category related to the acquisition as a result of investing tangible, intangible or financial assets that over time generate revenue. Investing is, in principle, a process of investing in order to return an increased amount or benefit to the depositor in the future. For example, when an enterprise invests money by buying production assets, it expects to increase its profits. When it invests in the quality of the workforce, the goal

¹ Radostina Emilova Yuleva, PhD student in department "Management and Marketing", South-West University "Neofit Rilski", Blagoevgrad, Ivan Mihaylov, 66, email: r.yuleva@gmail.com

again is the same - to provide more growth, but this time through investment in people. This means that the development of people's professional skills and abilities for work, their development and their use in the labor process is investment oriented.

2. Theoretical Aspects of Human Capital

The initial human capital is formed when a person, alone or with the help of his parents, invests in himself, paying for education and for acquiring a profession or specialty. After entering work, this investment is paid over time in the form of higher salaries or the possibility to carry out work that gives greater satisfaction. From this point of view, the following general definition of human capital can be given: human capital is the value of lucrative potential embodied in individuals, including both innate abilities and talents, and education and acquired Qualification. One of the main reasons for the emergence of the phenomenon of capital is the human property of creating more products than is necessary for its own existence. People have long established this property and have pledged it in their wisdom and striving for economic rationality.

In a market environment, capital is manifested in many different forms, and in addition there are possibilities for different approaches in its definition and classification. Capital can be expressed as a certain value, and its increase is through a financial monetary assessment. Marx points out that the value becomes self-moving value and as such – capital. It enters from the area of the salutation, begins to multiply in it, comes out of it enlarged and always begins the same circular turn. P-P', this is money that has more money... – reads the description of capital in the mouth of his first interpreters – the mercantilists. (Marks, 1968, p.166-167) According to Adam Smith, Capital is a stock that brings income to its owner. (Smith, 2006, p.258-259) David Ricardo notes that capital is that part of the wealth of the country that is used in production and consists of food, clothing, tools, raw materials, machinery, and more needed to set in motion labor. (Petty, 1994, p.450) A. Marshall mentions that all economic goods that bring income are capital. As parts of the capital are considered all items, except the land, which bear income. (Marshall, 1993, p.140) At the heart of the concept of human capital, as a theory of economic analysis, there are some basic stages:

- Firstly, the person on whom targeted intellectual and professional effects have been carried out has a more productive workforce, which is a testament to the human resource acquired.

- Secondly, the formation of human capital is defined quantitatively and qualitatively, is accompanied by innovations.

- Thirdly, activities related to human capital formation are very diverse and include initiatives and self-initiatives at different levels.

- Fourthly, the basic situation in human capital theory is the requirement of conformity between qualification and technology used.

- Fifth, income from paid employment and self-employment are a function of investments in human capital and of the relevant educational and vocational qualification level.
- Sixth, the human capital possesses some of the universal characteristics of capital in general, but at the same time it is inherent and peculiar in its own way, the lower is connected with the living human person.

According to the opinion of Yammukova, the quantity and quality of human capital to the greatest extent determine the long-term potential for development of the individual, company or country in a global economy. The development of human capital is part of a comprehensive system of knowledge economy, which is subject to the operation of market factors beyond the control of the government. The knowledge economy needs to be adaptation in clear priorities. (Yammukova, p.3)

3. The Role of Human Capital in the Development of Small Businesses.

Micro, small and medium-sized enterprises play a significant role in the development of the market in the country. They are a source of entrepreneurial skills, innovation and manpower. Defining small business is a fundamental issue that has so far not found an unambiguous solution in practice and economic theories. There are many opinions, concepts, models and definitions, of different authors, of international and national institutions. In 1996, the European Commission drew up recommended criteria for distinguishing companies by individual types according to employment and annual turnover. The classification included in the definition of 'small business' appears as follows:

- Micro Enterprises-10 people in the working process turnover not more than 3 900 000 BGN.

- Small enterprises-up to 49 employees, up to 19 500 000 BGN.

- Medium-sized enterprises-from 50 to 249 people, up to 97 500 000 BGN.

Small business has a number of advantages in terms of:

- ✓ Small Business is very flexible, which is expressed in rapid adaptation to market stables, i.e. the abrupt changes of the company's external environment, new competitors, etc.

- ✓ The produced and offered products and services are of high quality and contemporary design due to the customization to potential customers.

- ✓ Has a simplified management and business scheme, due to which it is easily managed.

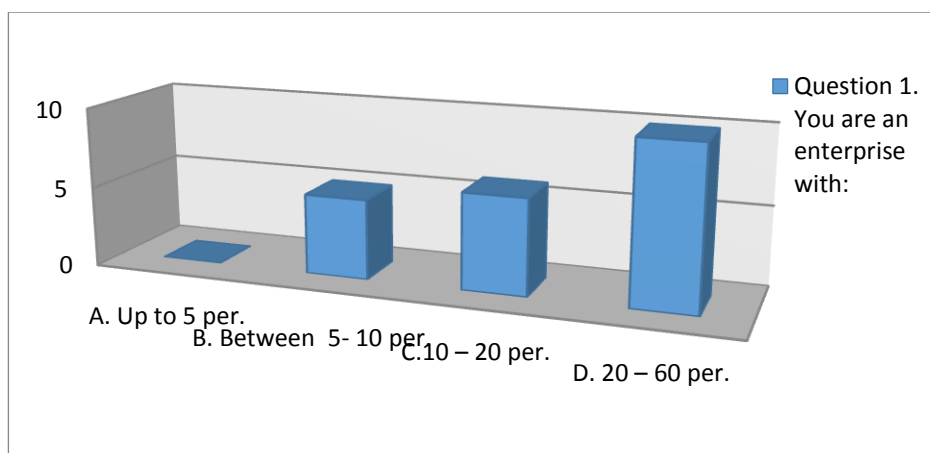
- ✓ It does not always require great creation and development, and this is a convenience for entrepreneurs because the risk they bear is minimal.

✓ To pay enough attention to its personnel, which is particularly important for the development of the company in a future period of time.

As is popular, small and medium-sized enterprises are the engine of the economic sector in Bulgaria. They have the potential to develop innovations, but in order to carry out new ideas in the working process, close cooperation between companies, government, and most importantly, human capital is necessary. Education, computer literacy, healthcare, training lectures are an extremely important form of capital. Human capital can increase the profits of an enterprise multiple times only if it is properly selected, "used" and motivated.

In order to identify the role of human capital for small and medium-sized enterprises, the company conducted a survey of 21 companies in the field of tourism services and trade. The poll consists of 10 questions, and a software PRODUCT – Microsoft Word is used to create a database and process the information. The results of the survey are illustrated and analyzed in the next few graphs.

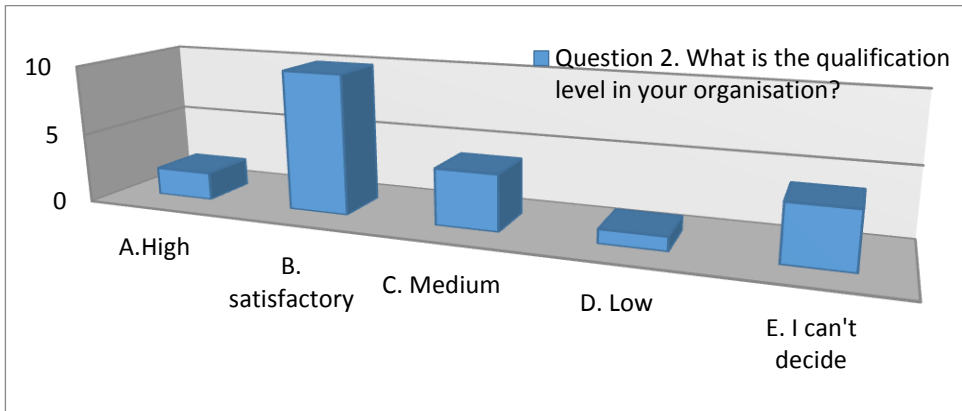
Graph No. 1. Question of the number of companies employed in the respondents



Source: Own research.

Figure 1 presents the answers to the question about the number of employees in the company. From the data presented in the graph it is evident that the highest percentage of the surveyed companies had personnel between 20 and 60 people, i.e. around 50%, and 30% were companies with about 10 – 20 people and 20% were staffed around 5 – 10 people. It is clear from the surveyed companies that companies with more employees are dominated, i.e. the human resource is larger.

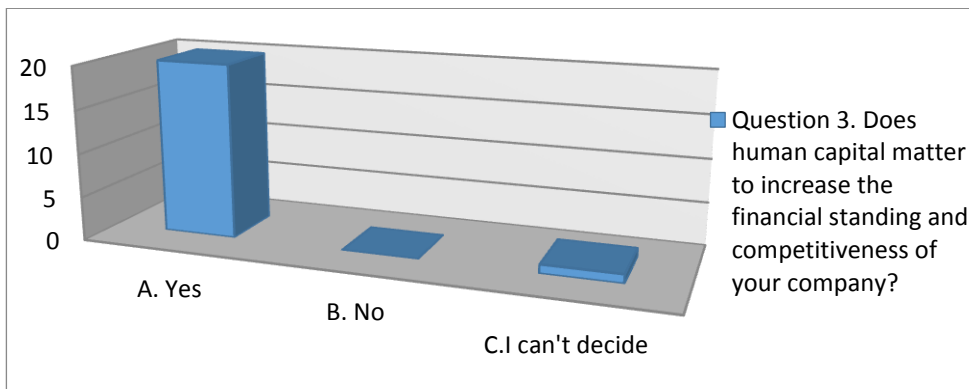
Graph No. 2. Opinion of the respondents about the qualification level in the organization.



Source: Own research.

The 2nd graph illustrates the answers on the question about the qualification level of the employees in the companies. It is evident from the results presented that 50% of the enterprises considered that the qualification level was satisfactory, about 30% gave an answer "average" and "I can't decide", and the smallest percentage chose "High" and "low". From the recorded data it can be concluded that the qualification level is satisfactory in the enterprises, which is a prerequisite for the search for employees with a better qualification level.

Graph No. 3. Opinion on the importance of human capital to increase the financial position and competitiveness of the enterprise.

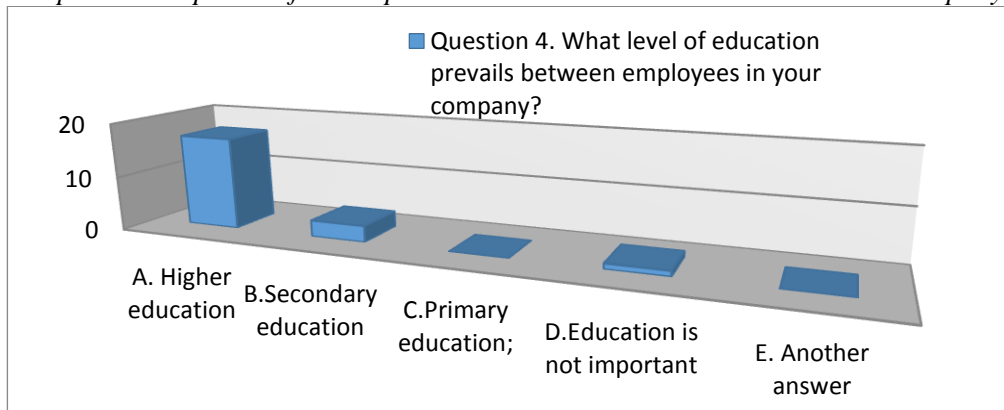


Source: Own research.

From the data presented in graph No. 3 on the question of the importance of human capital to increase the financial position and competitiveness of the company, it is evident that 99% of the participants gave their positive response and only 1% chose the answer "I

cannot To judge. " Here the analysis of the recorded results can be done as, according to a large part of the managers of small and medium enterprises consider that human capital is a decisive role for the well-being of the company, i.e. when a good selection of human capital, the Enterprise There is a real chance to increase the cash flow, and in case of improper selection it will lead to its decline.

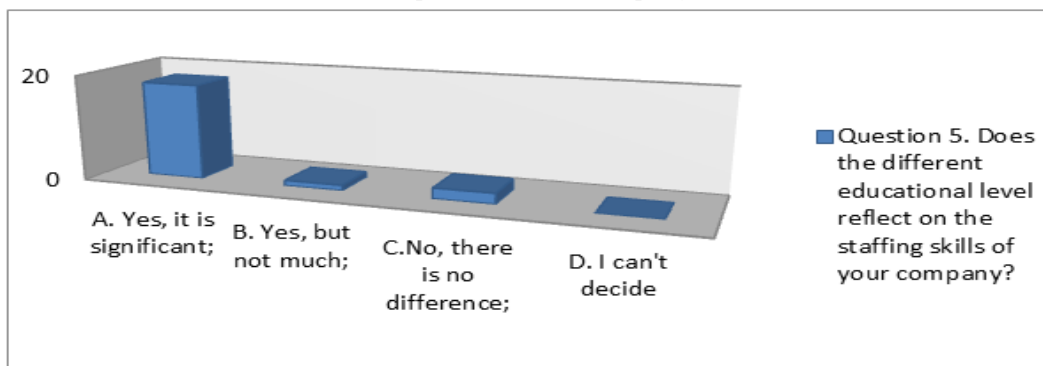
Graph No. 4. Opinion of the respondents about the educational level in the company.



Source: Own research.

Graph 4 presents the responses of respondents to the study on the issue of educational attainment, predominantly among premises employees. From the data reported in the graph, it is evident that 90% of respondents confirmed that staff has higher education, 9% of secondary education prevails and 1% chose the answer "education is irrelevant". According to these figures, it is clear that companies prefer higher education staff, as this implies that they have more knowledge, competence, more skills and opportunities.

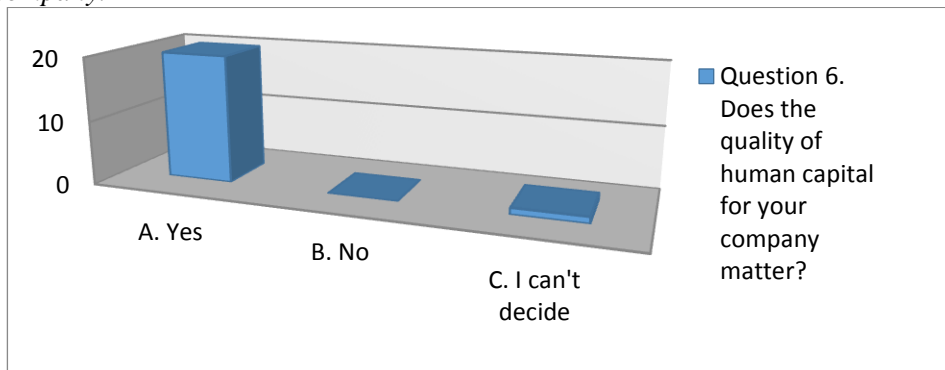
Graph No 5. Opinion on the issue of different educational level and its impact on the work process in the company.



Source: Own research.

From the data presented in graph 5, it is evident that 90% of respondents believe that the educational level is highly influenced by the skills of work. 9% think that different education does not affect the work process and the capacity of employees and 1% has chosen an answer that there is no difference in education. In summary, it is evident from the results recorded on this subject that there is a difference in the work of people from different levels of education in enterprises.

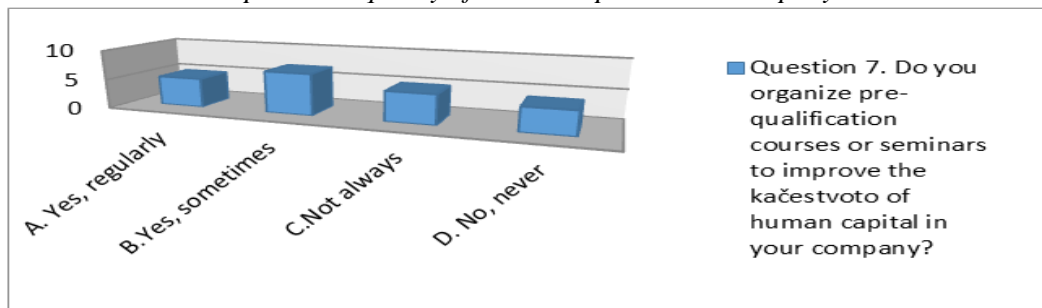
Graph No 6. Opinion of the survey on the quality of human capital and its importance in the company.



Source: Own research.

Figure 6 presents the answers to the question of the importance of the quality of human capital for companies. From the data collected during the analysis it was found that 99% had given their positive response, and only 1%-I can't decide. As there are no other recorded results, it can be summed up that in every small and medium-sized enterprise the quality of human capital is of great importance for the work process and the company's condition from the inside.

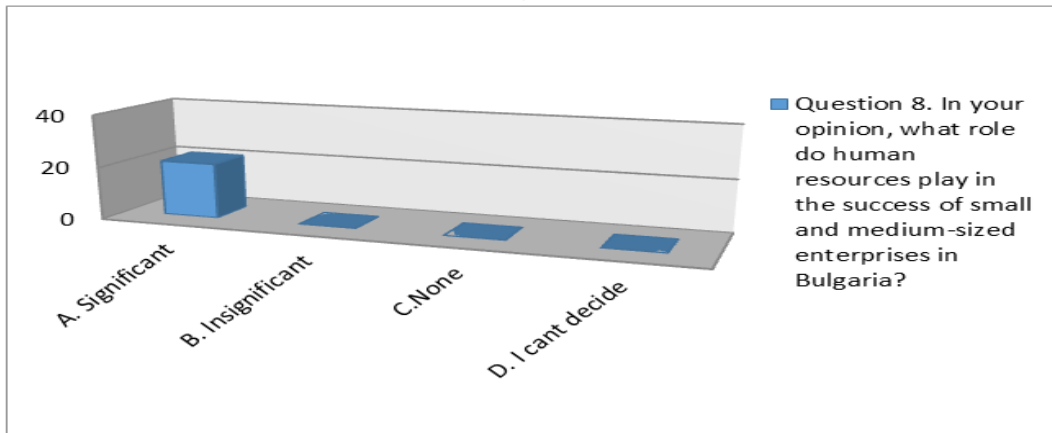
Graph No. 7. Opinion of the respondents on the issue of organizing conversion courses to improve the quality of human capital in the company.



Source: Own research.

From the data presented in graph No7, on the issue of organizing requalification events or seminars to improve the quality of human capital in the company, the answers are as follows: 50% organize courses regularly, 20% not always, 10% never have not organized and do not consider it necessary to organize. It is systematized that a majority of SME enterprises prefer to organize courses to improve staff quality, as this will lead to employee satisfaction and gradual improvement of the competitiveness of Enterprise.

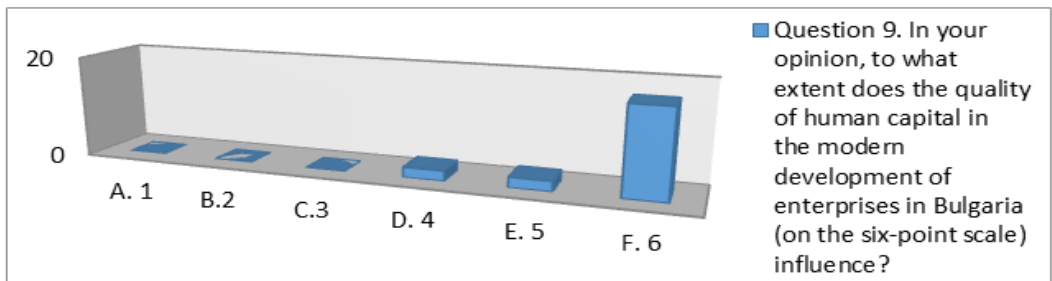
Graph No. 8. Respondents' opinion on the role of employees in the success of SME's in Bulgaria



Source: Own research.

Chart 8 presents the answers of the respondents to the question about the role that human resources play in the success of SME's in the country. Here the data presented in the graph shows that 100% of the respondents answered that the role is significant. There are no other registered data in this questionnaire, which leads to the conclusion that the role of employees in each small or medium-sized enterprise is large and determines the future of the company.

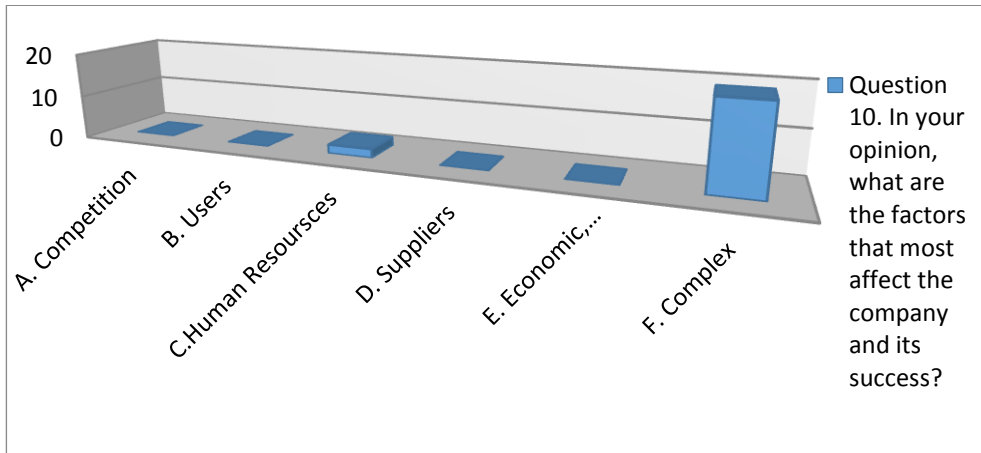
Graph No 9. Opinion of the respondents on the issue of the degree of influence of the quality of human capital on the development of the enterprises in Bulgaria



Source: Own research.

From the data illustrated in graph No. 9 It is understood that 90% of respondents believe that the impact of human capital in the modern development of enterprises in Bulgaria is high, 5% chose scale 5 and the remaining 5% gave a response – 4. In today's small business, the role of human capital for the development of enterprises in general is important.

Graph No. 10. Opinion on the issue of factors influencing the company and its success.



Source: Own research.

The last Graph No 10 shows the participants ' answers on the question of which factors affect the company most – and its success. 95% have chosen a "company" response, i.e. the success of a firm influence indicates competition, consumers, human potential, suppliers, all external environmental factors, etc. The remaining 5% believe that the most influence has the human Resources and potential.

4. Conclusion

On the basis of the results of the submitted research, several main conclusions can be drawn:

1. For every business, the role of human capital is decisive for its growth and financial advancement. When in an enterprise the human capital is properly selected and subsequently stimulated, the interior of the company is balanced, and this is a prerequisite for the realization of innovative activity and acquisition of competitive advantages of the company in front of its Competitors.

2. Personnel holding human capital shall combine materials and raw materials, capital, technology and information into a finished product or service. Human capital is the most valuable capital of the organization. The organization is in its right to increase

the quality of human capital when necessary, applying different methods of qualification, trainings, retraining courses, employee's traineeship, etc.

3. Human capital is a major topic not only in individual enterprises, but also in general in all SME's in Bulgaria. The most important is the role of the employees and for this reason the companies are doing everything possible to improve the conditions, the re-qualification and the stimulation of the employees.

4. As a conclusion of the survey and in particular from the questions No. 6, 8 and 9, it can be said that the influence and the role of human capital is large and plays a huge role for the enterprise as a standalone system and as a system of all SME's in Bulgaria.

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