

## SMALL BUSINESSES IN SOUTH AND WESTERN HUNGARY IN THE NINETIES - RESULTS OF A SOCIOLOGICAL SURVEY

Ernő KOVÁCS, Zsuzsanna BACSI

### ABSTRACT

The objectives of the research are to analyse the main features of small businesses of South and West Hungary, to identify the main tendencies of their operation and development and to determine the main motivating factors in their business management processes. The area under examination covers rural county Zala, rural county Somogy, and the settlements located by the Western shore of lake Balaton. The main findings: the fast increase in the number of the small and medium size enterprises is due to the loss of the employment possibilities, the inclination and resources of vocationally trained workers to establish their own businesses including family traditions, the desire to achieve tax reduction and income maximisation, and higher incomes. Difficulties are caused by the lack of available capital. Enterprises not turning back part of their gains into the business cannot provide sufficient income for the family.

**KEYWORDS:** small enterprise, capital resource, human resource, South-West Hungary

E. Kovács's E-mail: h12725kov@ella.hu , Z. Bacsi's E-mail: h5519bac@ella.hu

Department of Social Sciences, Georgikon Faculty of Agriculture, University of Veszprém, Deák F. u. 16, 8360-KESZTHELY, HUNGARY

Phone: +36-38-312-330, Fax: +36-83-315-105

manuscript received January 15, 2000

Accepted for publication February 18, 2000

### **DETAILED ABSTRACT**

The objectives of the research are to analyse the main features of small businesses working in South and West Hungary, to identify the main tendencies of their operation and development being either similar to, or different from the national averages in Hungary, and to determine the main motivating factors in their business management processes. The area under examination covers three areas: rural county Zala, rural county Somogy, and the settlements located by the Western shore of lake Balaton, within which, the two towns Keszthely and Héviz were analysed separately from the other villages.

The fast increase in the past decade in the number of the small and medium size enterprises may be the overall result of several factors. The first contributing factor is the loss of the employment possibilities provided by the state, the growing uncertainty about jobs. On the other hand, formerly employed workers with various vocations, having solid professional experience, sufficient financial resources, marketable knowledge and skills, ready to make initiatives and take risks, decided to establish their own businesses and became private entrepreneurs. The second reason may be the desire to achieve tax reduction and income maximisation legally possible within an enterprise. The third factor is the desire to maintain or increase the former living standards. An enterprise may offer wider opportunities for higher or additional incomes, and it is often the only available income source. The enterprises capable of providing sufficient income for the entrepreneur for a decent standard of living are those, which turn back part of their gains into the business itself. The majority of the private entrepreneurs using up their business savings in the household - for consumer goods or home equipment - cannot rely entirely on the enterprise as the only income source. The resulting living standard is the highest for the entrepreneurs separating their business and household finances.

## 1. INTRODUCTION

The objectives of the research are to analyse the main features of small businesses working in the small towns and villages of South and West Hungary, to identify the main tendencies of their operation and development being either similar to, or different from the national averages in Hungary, and to determine the main motivating factors in their business management processes. Similar research results were published in the early 1990's (*Czakó et al., 1995; Czakó, 1997; Gábor, 1994*). The present study focuses on the main features and tendencies of the situation at the end of the 90's in West and South Hungary. The area under examination comprises three sub-regions: rural county Zala, rural county Somogy, and the settlements located by the lake shore, in the Western basin of lake Balaton. Within the latter, the two towns Keszthely and Hévíz were analysed separately from the other villages.

## 2. MATERIALS AND METHODS

The remarkable increase in the number of the small and medium size enterprises is considered an important feature of the Hungarian social and economic transformation process, by the social scientists and economists. (Within the Hungarian national economic accounts the expression "sole proprietorship" is used for retail shops, small scale manufacturers, private intellectuals, professionals who are self employed. Partnerships are - in agreement with the international usage - the small business organisations having legal entity. When small and medium size enterprises are mentioned in this paper, the term refers to the sole proprietorships and the partnerships working with not more than 50 employees.)

In the second half of the 90's the number of the small and medium size enterprises in Hungary was approximately 1 million. Their structure is uneven, disproportionate, the majority of them are micro-businesses, that is, family enterprises of 2-3 persons. Some researchers (*Kovách, 1995; Szelényi, 1990*) say, that to establish a market economy in Hungary the increase in the number of private businesses and the enlargement of the so-called middle class is necessary. According to the above researchers the future members of this middle class would be the present private entrepreneurs and small business owners. Others question the above statements, and relying on the fast increase in the number of the enterprises, and on their social stratification, doubt that they are all really entrepreneurs in the true economic meaning of the word.

In the present research approximately 300 entrepreneurs living in the researched area were surveyed about the main characteristics of their business and life style. The survey was focused on the process already researched in the early 90's, but more clearly visible since the relatively long time that had elapsed since the beginning of the social and economic transition of the country. The main research problems the entrepreneurs were questioned about are the following:

What is the main aim of their businesses? Is it the efficient operation of the capital and the generation of profits, or the subsistence of their families and the maintenance of the consumption level they wish to achieve? How can they achieve their aims? Do they sell their working capabilities, or do they utilise it themselves in a family enterprise?

The main issue may be summarised in the following way: are the owners of the small and medium size businesses, as economic agents, considered to be entrepreneurs, small scale producers, or self employed persons finding no other possible way to earn their living?

*The following questions were asked in the questionnaire:*

- Who are the entrepreneurs and why do they manage an enterprise?
- What are their ages and school background?
- What material, human, personal and professional resources do they have?
- What fields of activities are their businesses involved in?
- Is the enterprise a main, or a secondary (additional) source of income?
- Are the family traditions important in starting one's own business?
- Are there differences within the generations, and according to the ages of the entrepreneurs?
- What are the main reasons for the fast increase in the number of the enterprises?

*General features of the researched area*

The research was focused on counties Zala and Somogy, and within them two towns in Zala, and several small villages of the counties were analysed. Within Zala the two towns Keszthely and Héviz were analysed separately from the villages, and another separate group was formed from the villages located around lake Balaton (in the tables and figures these villages are referred to under the heading "Balaton"). The other villages in Zala and in Somogy are grouped under the respective names "Zala" and "Somogy". County Zala, being the centre of the researched area, has the following characteristics:

- the population density is lower, and the mortality rate is higher than the national average;
- the decrease of the population is smaller, and the proportion of the 18-39 year old inhabitants is higher than the national average;
- the proportion of the industrial employees is less than the average, the proportion of the employees working in the service sector is the same as in Budapest, the capital;
- less than average unemployment rate, especially for the long time unemployed;
- the paid personal income tax per inhabitant is less than the national average;
- high number of the registered enterprises;
- above average proportion of the industrial factories closed down since 1990;
- high number of shops and catering businesses.

*(Csizse, 2000)*

The area has a stable population, developed entrepreneurial mentality and outstanding capacities for tourism. The larger part of the population lives in above average financial and material conditions. A seemingly contradictory fact may be the less than average level of personal income tax paid, and the less than average level of income per person. However, there are strong indications that a large part of the incomes generated by the tourism industry is never mentioned in the taxation accounts (the tax accounts register mainly the incomes of employees, and a significant proportion of the incomes generated by private activities is actually hidden from the taxation authorities). The importance of tourism is indicated by the fact that in 1997 Keszthely had 30 catering businesses, restaurants, pubs, bars, while the neighbouring Hévíz had 18, 4 travel agencies operated in Keszthely, and 2 in Hévíz, 36 hotels and guest houses offered accommodation for the tourists in Keszthely and 52 in Hévíz, and these numbers have not decreased since. The majority of the accommodation is run by families as private enterprises, who had had rooms to let even before 1990, when they offered accommodation mainly for German and Austrian tourists.

It is clear from the earlier research results that a significant proportion of the small scale entrepreneurs is a so-called "forced entrepreneur" (*Matolcsy, Diczházi, 1998*) and these people would immediately give up their enterprises if they found a job with secure earnings. Their enterprises can generate only a moderate level of income and the main reason for starting the enterprise was the lack of other means for the survival of the person and the family.

The research by *Czakó et al. (1995)*, aimed at describing the typical characteristics of the small businesses in 1993 stated, that though officially 790 000 enterprises with less than 50 employees are registered in Hungary (agricultural enterprises not included), not all of them actually operated. According to their estimations the number of the real running businesses was approximately 20 % less than the number of registered businesses. Since then important steps were made by the authorities to close down the non-existing "phantom" enterprises, so their proportion has been probably decreased, also due to the changed legislation about the social security charges to be paid by enterprises. Another finding of the mentioned research was that 4 - 5 % of the interviewed businesses said to have had no income in 1992 at all.

The social structure of the group of entrepreneurs has undergone significant changes since 1988. In the 80's the notion of being an entrepreneur had become increasingly attractive, but due to economic and political reasons the possibilities for becoming a private entrepreneur were rather restricted, and a strong selection mechanism was visible. To become an entrepreneur the person had to have above average social, cultural and personal connections. Disadvantaged positions were equally typical in the job market for women, people with low schooling, people in unfavourable job positions, the elderly, and low paid young people. Besides the traditional craftsman and retail shopkeeper, partnerships emerged in the middle of the 80's with founders and owners being middle age men, better educated than the average population.

From the early 90's people of various social backgrounds had entered the business sector as entrepreneurs, when the legal conditions had been established, and the political risk associated with a private business disappeared. At the same time, with the increasing unemployment rate, for many people the only available way of earning a living became the establishment of a small scale enterprise. The idea of the private enterprise had become the symbol of free economy and high living standards within reach, but the negative experiences soon discarded this illusion. The public opinion about the enterprises also changed. In 1990 40 % of the adult population expressed their willingness to become, or satisfaction in being an entrepreneur, this proportion is only 20 % in 1993, 24 % in 1994. The decrease is due to the changed opinion of the professionals and the unskilled, while the skilled workers have continuously found the position of the private small scale entrepreneur attractive (*Czakó et al, 1995*).

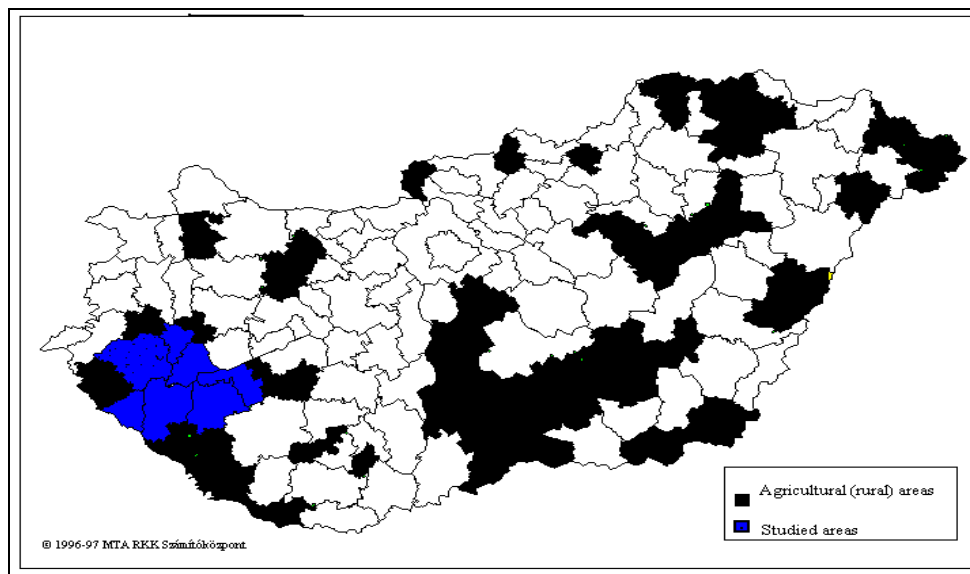
In our research the main objectives were to identify the demographic and sociological characteristics of the small scale entrepreneurs as well as the means and resources they can use to carry out the business activities, the level of their profits or losses, the proportion of their profits they can accumulate, and the purpose they use these savings for. Another issue was whether regional differences can be identified.

### 3. RESULTS

#### *Social characteristics and motivating factors of the entrepreneurs*

The analysed agricultural and non-agricultural small and medium size enterprises working South and West Hungary can be grouped into two distinct categories. The villages within the triangle defined by the villages Zákány, Somogyvár and Zalaszentgrót have lost their economic value. However, at the same time in the sub-region of Keszthely and Hévíz dynamic progress has started, due to the natural resources of the area (lake Balaton, thermal lake of Hévíz). Within this sub-region the dominant force of development is not the in-flow of foreign capital and multinational companies, but the small and medium size businesses owned by Hungarian entrepreneurs. This is an outstanding and exceptional model of development in Hungary.

**Figure 1: Agricultural areas in Hungary and the researched area** (*Legends: Black: agricultural zones in Hungary, Grey: studied area in present research*)



The researched settlements may be grouped into the following categories by their position after the transition in the 90's:

- *Small villages* - whose strategic aim is survival, fighting for their pure existence.
- *Villages and small and medium size settlements* -with somewhat better positions than that of the small villages, but not much.
- *Large villages and settlements* - having specific advantages due to touristic attractions and resources, thus they can join the winners of the social and economic transition of the country.
- *Small agricultural towns* - facing losses in the global competition but having strategic plans for development.
- *Towns (as Keszthely and Héviz)* - being in clearly advantageous position, although some (as Keszthely) have financial difficulties. These difficulties are mainly due to the disproportionately large tasks (large number of schools up to 1999, maintenance of a hospital) for which the state budgetary support is insufficient. Several expanding small businesses exist, concentration of capital is in progress, and Keszthely, in particular, has a strong chance to develop into a commercial, touristic and cultural centre in the region.
- *Large towns, cities* - they belong to the winners of the transition process towards market economy, though none of the settlements we investigated belong into this category. A few Hungarian-owned large corporations are located in these towns and cities, with good opportunities for regional expansion in the Carpathian basin. Such towns and cities, with transnational development opportunities to become regional centres are Debrecen, Pécs, Szeged, and Győr in Hungary.
- *Budapest, the capital* - which is on the top of the settlement hierarchy, being not only a large city but the main winner of globalisation, of the transition toward the market economy and of the original capital accumulation and reallocation process.

A considerable capital concentration process can be identified the 90's in accordance with the settlement hierarchy described above. While the winners become concentrated, the losers, though with significant clustering, are geographically spread, and are scattered in sectors and industries, and differ greatly by their sizes and settlement types, both in economic and social terms. A typical feature of the Hungarian economy is the growing importance of the younger generation in the leading positions of management, as well as the increasing number of female leaders (more women have leading positions in businesses that before, though their proportion has still been low).

The proportion of female entrepreneurs has also grown, which may be partly due to the fact that the number of businesses involved in sales and retail activities has rocketed. Retail is often a family business, as is underlined by our research, and it is equally possible and probable for the wife and the husband to be the registered owner of the family enterprise.



*3.1 The reasons for starting the enterprise*

According to our survey the main reasons of starting and running an enterprise are summarised in the following two tables.

**Table 1: How do you carry out your business activity?**

	Balaton	Keszthely	Héviz	Zala	Somogy	Total
<b>Full time , %</b>	90.91	74.68	76.00	61.18	39.47	62.72
<b>Part time, %</b>	4.55	12.66	16.00	22.35	28.95	19.51
<b>Retired, as pensioner, %</b>	4.55	2.53	4.00	10.59	17.11	9.06

**Table 2: Why did you start your own enterprise?**

	Balaton	Keszthely	Héviz	Zala	Somogy
<b>Loss of former job, %</b>	4.55	12.66	8.00	15.29	13.16
<b>Hope for larger income, %</b>	45.45	36.71	44.00	29.41	30.26
<b>Entrepreneurial mentality,%</b>	36.36	18.99	28.00	16.47	30.26
<b>Family traditions,%</b>	9.09	11.39	8.00	12.94	18.42
<b>No other source of income,%</b>	31.82	32.91	24.00	32.94	17.11

A significant difference may be identified between the towns of the area (Keszthely and Héviz) and the villages around lake Balaton, and the small settlements in county Zala and county Somogy. Note, that the total percentages being higher than 100 % mean that more than one reasons were allowed for each respondent to choose.

The loss of the former job has a high share among the reasons in Keszthely, Zala and Somogy, but the "No other source of income" reason also indicates limited job opportunities in the area. The importance of these two reasons together represent nearly 45 % in Zala and Keszthely, while they add up to approximately 30-35 % in the other three settlement groups. These figures underline the fact that the close down of industrial factories in Zala and in Keszthely greatly contributed to the fast increase in the number of the "forced" entrepreneurs. The proportion of enterprises run in full time is high, its share is above 60 % except for Somogy. The 17 % proportion of retired entrepreneurs in Somogy indicates that the former agricultural employees do not receive sufficient pension to maintain a moderate living

standard, so the low amounts of agricultural pensions also compel the retired agricultural population to carry out some income generating entrepreneurial activity.

The breakup of industrial corporations offered opportunities for the entrepreneurs in the commercial, trade and services sectors. The services sector actually enjoyed the advantages of increased demand due to the prosperity in the 80's and the entrance of foreign purchasers in the real estate business.

The hope of higher income as a motivating factor represents a high share in each settlement group, as the entrepreneurs choose the risky option of establishing their own private enterprise to substitute it for the former earnings gained from second jobs typical of the former decade. This is particularly clear in the settlements around lake Balaton, and in the two towns, which are basically resort areas, and where the entrepreneurs may hope for higher incomes coming from the tourism industry and the supporting services activities.

### 3.2 How do the entrepreneurs spend their savings?

Assessing the responses received for the above question we may conclude, that the majority of the entrepreneurs do not strictly separate the household spendings and the enterprise spendings, and the same is true for the incomes. The proportion of enterprises with no capacity to save from the generated incomes is also very high, it is about 15-17 % except for Zala (see table below).

**Table 3: How do you spend the savings of the enterprise? (% share)**

	<i>Balaton</i>	<i>Keszthely</i>	<i>Hévíz</i>	<i>Zala</i>	<i>Somogy</i>	<i>Total</i>
<b>Turn back to the enterprise, %</b>	50.00	24.05	38.46	18.82	14.47	23.26
<b>Use it in the household, %</b>	36.36	20.25	26.92	22.35	28.95	25.00
<b>Both of the above two, %</b>	22.73	37.97	34.62	52.94	40.79	41.67
<b>Buy only bonds and shares, %</b>	4.55	0.00	0.00	3.53	0.00	1.39
<b>No savings are generated, %</b>	18.18	15.19	15.38	8.24	19.74	14.58

### 3.3 Has new capital been invested in the enterprise?

The following table shows the proportion of the various sources in the capital assets of the enterprises.

**Table 4: Percentage share of the resources of capital invested**

	<i>Balaton</i>	<i>Keszthely</i>	<i>Hévíz</i>	<i>Zala</i>	<i>Somogy</i>	<i>Total</i>
<b>Banks</b>	9.09	11.39	8.00	8.24	7.89	9.06
<b>Credits with state support</b>	0.00	3.80	0.00	1.18	1.32	1.74
<b>Friends, relatives, family</b>	13.64	25.32	32.00	8.24	13.16	16.72

<b>Entrance of new partner with capital</b>	4.55	3.80	4.00	1.18	0.00	2.09
<b>Sale of family property</b>	9.09	6.33	12.00	4.71	3.95	5.92
<b>Other</b>	4.55	1.27	0.00	1.18	2.63	1.74
<b>No capital invested</b>	45.45	58.23	48.00	64.71	55.26	57.49

The above figures show that the majority of entrepreneurs can hardly have any access to credits. The proportion of bank credits is slightly more than 10 % in Keszthely, and much lower elsewhere. The share of the sale of family property, and the resources of friends and relatives is as high as that, or even higher. About half of the enterprises cannot attract extra capital at all (45 -64 %). This means that the capital needed to start, or expand the enterprise comes mainly from the household savings of the family, relatives and friends.

### 3.4 Intellectual and human resources, professional knowledge and skills

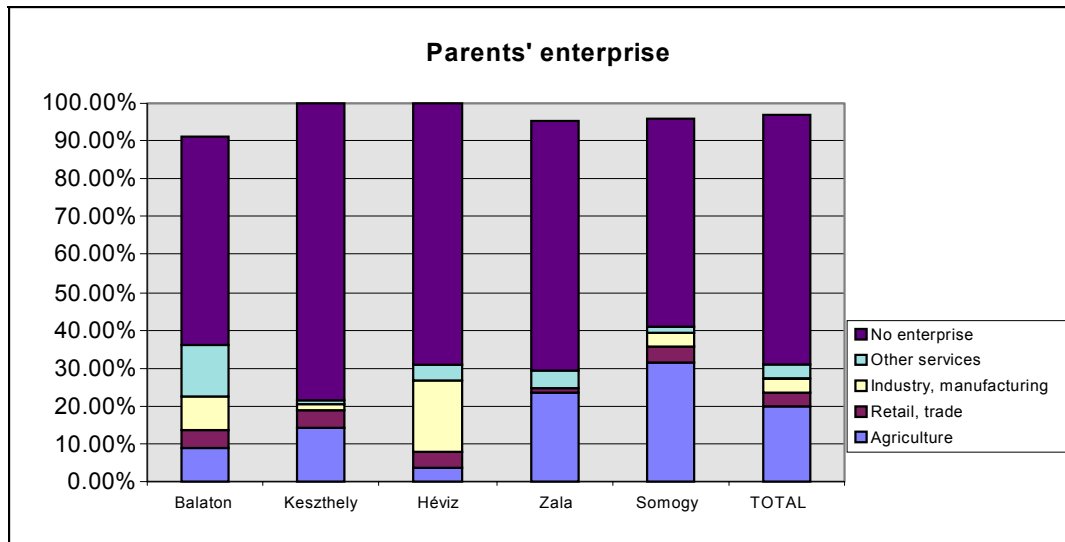
In starting a new enterprise the knowledge, skills and personal connections gained in the former employment are of great importance. Another important factors are the entrepreneurial tradition and the help in raising the starting capital, all of which often come from parents and grandparents. Besides these the preferred values, lifestyle patterns, cultural background also play an important role. According to the opinion expressed by *Kovách (1997)* the children and grandchildren of well-to-do and rich peasants inherited the inclination towards private enterprise, risk taking, wish for independence, and these people are the private small scale farmers who had carried out private farming as early as the 60's and 70's in greater scale than the household plots.

In our survey the entrepreneurs were asked whether their parents and grandparents had been entrepreneurs themselves (see figure 2).

The responses show that 30 % of the grandparents were farmers themselves, while only 20 % of the parents had an agricultural enterprise. The difference is partly due to the fact that before World War II the proportion of agricultural population had been much higher within the total population of the country. In the villages of Somogy the proportion of farmer grandparents is even higher (36%), while in Héviz and the settlements around Lake Balaton this proportion is lower (Balaton: 28%, Héviz: 19%). At the same time higher proportion of the grandparents had been craftsmen around lake Balaton (10%), Keszthely and Héviz (4-4 %), than the average proportion for the total respondents (2 %).

Even more striking is the proportion of grandparents with retail shops in the Balaton area and Héviz, here again the proportion is approximately 10% while the average for all respondents is only 2 %.

**Figure 2: The area of entrepreneurial activity of the parents of the entrepreneurs (%)**



In assessing the parents' enterprises again agricultural enterprises represent the highest proportion, though their share is less than for the grandparents. However, in Héviz only 5 % of the parents had been agricultural entrepreneurs, and the values in the Balaton villages (8 %) and in Keszthely (12 %) are still below the average. The proportion of parents having agricultural enterprises is highest in the Somogy settlements (above 30 %).

These results clearly show that the parents and grandparents living in rural settlements had run agricultural enterprises, while the parents and grandparents living around lake Balaton were mainly involved in manufacturing and retail activities (see e.g. the 20 % proportion of craftsmen among the parents of the Héviz entrepreneurs). This underlines the statement, that the example of parents and grandparents running their own enterprises has had a significant role in the choice of their children to become private entrepreneurs themselves.

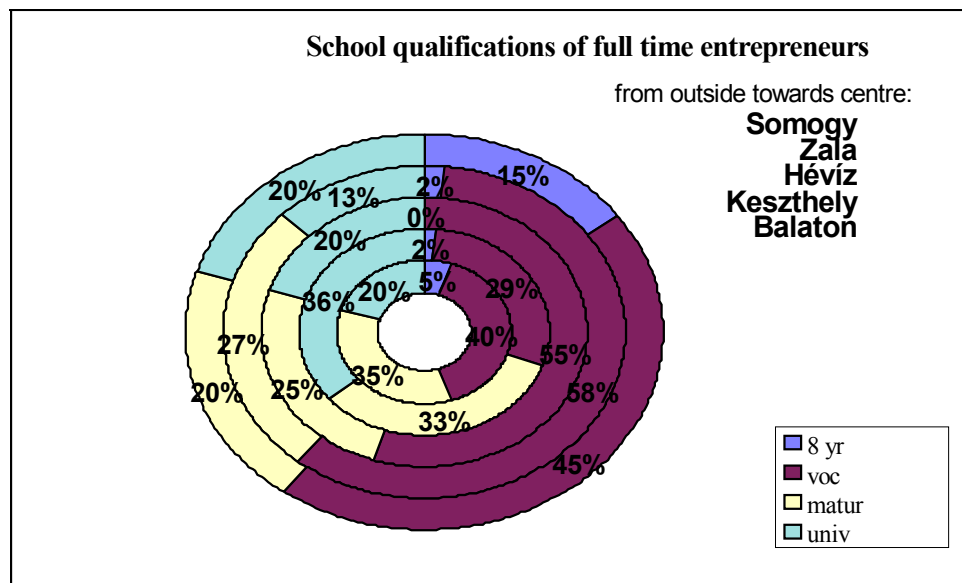
The majority of the entrepreneurs had had higher school qualifications according to the surveys done in 1988 and 1993 (Czakó *et al.*, 1995). In 1988 8 % of the entrepreneurs had the 8 year elementary school leaving certificate as highest qualification, in 1993 this proportion is 7 %, while in our survey this

proportion is still lower, except for Somogy where it is 9%, 2 % in Zala, 0 % in Héviz, 2 % in Keszthely and 5 % in the Balaton settlements.

It may be assumed that the reason for the relatively high 9 % proportion of Somogy is that the majority of the entrepreneurs are farmers here, the level of education in agricultural settlements is usually lower than in towns, and the businesses run in towns usually require higher vocational skills and qualifications.

In 1988 the proportion of entrepreneurs with vocational secondary school qualifications was 26 %, and in 1993 30 %, while our survey shows further increase. The proportion is 45 % in Somogy, 58 % in Zala, 55 % in Héviz, 40 % in the Balaton settlements and 28 % in Keszthely. The proportion of entrepreneurs with college or university degrees is an outstanding 36 % in the five settlement groups analysed, while the proportion with maturation certifications is 33 %.

**Figure 3: School qualifications of the full time entrepreneurs** (Legends: *8yr*: completion of 8 year elementary school only; *voc*: vocational school; *matur*: completion of secondary school with maturation certification; *univ*: college or university degree)



The proportion of the full time entrepreneurs with maturation certifications differs for the two former surveys and our survey. In 1988 this proportion is 44 %, in 1993 it is 41 %, while our survey shows,

that in Keszthely 33 %, in the Balaton settlements 35 %, in Somogy only 20 % of the entrepreneurs has maturation certifications as the highest school qualification (see Figure 3).

As a summary we may state that the entrepreneurs are mainly better educated than the average, the majority has at least a maturation certification, while the proportion of those with vocational education as the highest qualification is still high. This latter fact may be explained by the boom in the services sector in Héviz and around the lake Balaton, which increases the demand for the entrepreneurs trained for services vocations. (Note that the proportion of entrepreneurs with vocational training as highest school qualification had risen in the former surveys as well, from 26 % in 1988 to 30 % in 1993.)

These figures seem to support the "theory" of the emergence of the middle class, and it is especially true taking into account that the density of small and medium size enterprises is higher around the Western shore of lake Balaton (17 enterprises per one km<sup>2</sup>, or 44 enterprises per 1000 inhabitants in 1997) than the national average (11 enterprises per one km<sup>2</sup>, or 33 enterprises per 1000 inhabitants in 1997) (Csizé, 2000).

### 3.5 The age structure of the entrepreneurs

With the increasing number of the enterprises the proportion of younger entrepreneurs has also increased. In 1988 the proportion of entrepreneurs under the age of 30 was 7 %, it grew to 17 % in 1993, while our survey shows 20 % for Zala and Héviz, and 27 % for Keszthely.

In Keszthely the proportion of entrepreneurs with higher school qualifications, and the proportion of young entrepreneurs is higher than average. (The cohorts effect must be mentioned among the reasons, that is, the proportion of people with higher school qualifications is higher among the younger than among the older population.) However, the proportion of entrepreneurs above the age of 50 is also quite high (24%). It was surprising to see that in Keszthely the proportion of entrepreneurs between 31 and 40 is very low (20%), while in Héviz this age group represents the highest proportion (50%). In Somogy, where the total population is getting older, the proportion of the older entrepreneurs is also higher (24 % of the entrepreneurs is above 50) (see figure 4).

Among the part time entrepreneurs the proportion of those older than 50 is high - 51 % in Zala, 50 % in the Balaton settlements, 39 % in Somogy, 20 % in Héviz and 31 % in Keszthely. This differs from the results of the 1988 and 1993 surveys, where the authors found the part time entrepreneurs to be younger than the full time entrepreneurs (see figure 5). Our survey shows similar proportions in the

numbers of the full time and the part time entrepreneurs to the two former surveys. The 1988 and 1993 surveys found the number of full time entrepreneurs being twice as much as the part time entrepreneurs, while in our survey 203 full time entrepreneurs and 84 part time entrepreneurs were found among the respondents.

Figure 4: The age structure of the full time entrepreneurs

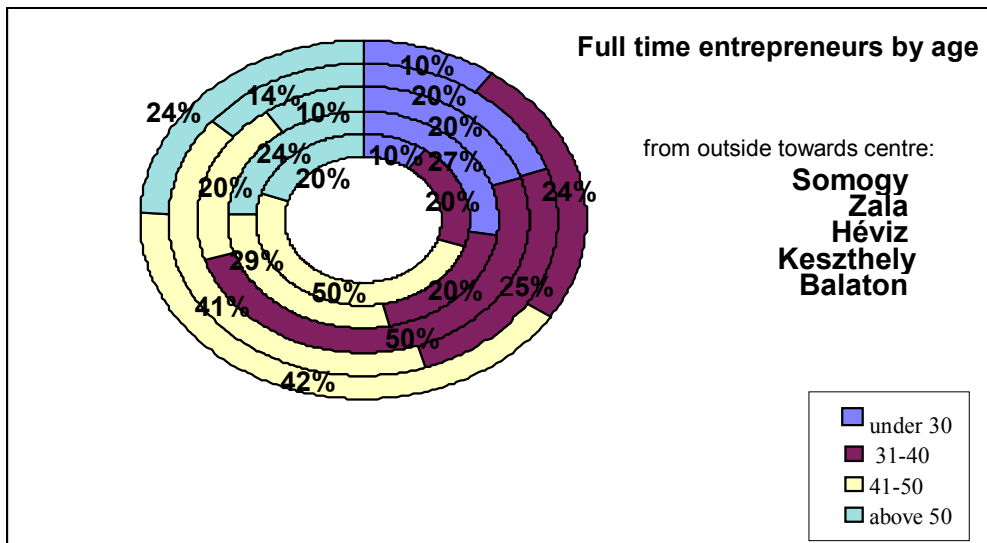
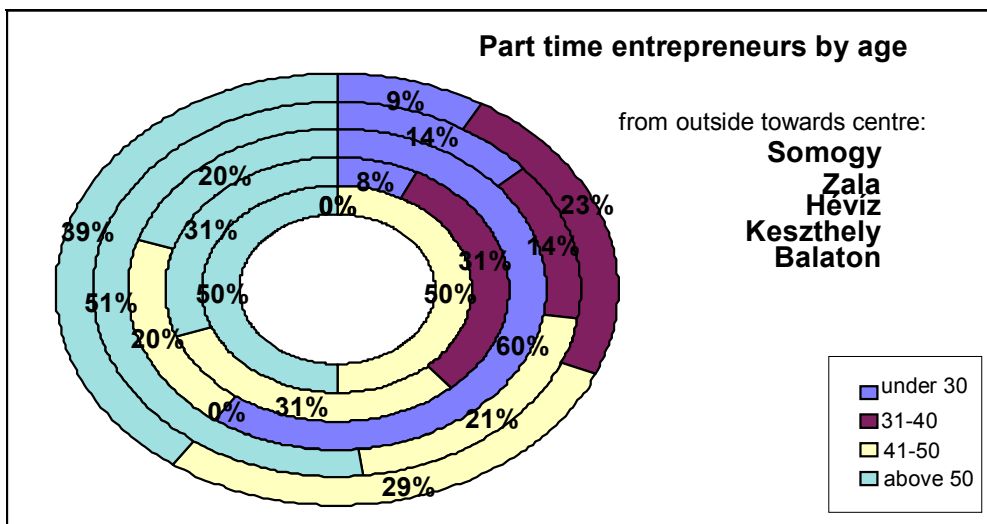


Figure 5: The age structure of the part time entrepreneurs



4. SUMMARY AND CONCLUSIONS

The group of small and medium size enterprises show a rather mixed picture. The entrepreneurs differ in several social and demographic traits. Not only the area of activity, the legal form of the enterprise are different, but the social and economic characteristics, too. The profitability and the respectability of the enterprises in the society also differ widely. In our research the largest differences were found between the mainly agricultural enterprises of Somogy and the small businesses of the two towns Keszthely and Héviz. Not only the school qualifications of the entrepreneurs differ but the whole history of the enterprises and their opportunities for growth and development, too.

In the present survey several questions were researched. The first issue of interest was the reason for the fast increase in the number of the small and medium size enterprises. This increase may be the overall result of several factors. The first contributing factor is the loss of the employment possibilities provided by the state, the growing uncertainty about jobs. This process has probably increased the number of partnerships as well as the number of the sole proprietorships. On the other hand, formerly employed vocationally trained workers, having solid professional experience, sufficient financial resources, marketable knowledge and skills, ready to make initiatives and take risks, decided to establish their own businesses and became private entrepreneurs. The second reason may be the desire to achieve tax reduction and income maximisation which are legally possible within an enterprise. The third contributing factor is the desire to maintain or increase the former living standard, as an enterprise offers wider opportunities for higher or additional incomes, or often it is the only available income source, as it is true for the "forced" enterprises.

The second issue of interest was the social stratification of the rather heterogeneous group of entrepreneurs, and whether any changes are identifiable during the last 10 years. Basically the typical entrepreneur is the same as in 1988, that is, middle age well educated man. However, there is a strong tendency towards younger age groups, and the proportion of women and university graduates has also been growing. This indicates a change which may be continued in the next years. The results point out a slight trend of growth and expansion. The enterprises capable of providing sufficient income for the entrepreneur for a decent standard of living are those, which turn back part of their gains into the business itself. The majority of the private entrepreneurs using up their business savings in the household - for consumer goods or home investments - cannot rely entirely on the enterprise as the only income source. Considering the resulting living standard the entrepreneurs separating their business and household finances seem to reach the best results.



It is not clear whether the profitability or unprofitability of the business indicates the success or failure of the enterprise itself. It is far from being certain that the enterprise being profitable according to its accounts is really successful and sound. The enterprises operating only at breakeven point, or even below it may grow faster, operate more efficiently, accumulate capital, create jobs, expand their market and activity profile - in spite of the heavy losses shown in their accounts. The explanation is that these businesses do not have to pay tax after their gains, while the average profitable businesses do. The problems and difficulties may be listed long. Researchers may find additional difficulties in the terminology used, as many of the used expressions have lost or changed their traditional meaning and this means further challenges for future research.

**REFERENCES:**

1. CZAKÓ Á. (1997);Kisvállalkozások a kilencvenes évek elején. (*Small businesses at the early nineties*).*Szociológiai Szemle*, 3. 93-106.
2. CZAKÓ Á.,KUCZI T.,LENGYEL GY.,VAJDA Á. (1995): A kisvállalkozások néhány jellemzője a kilencvenes évek elején.(*Some characteristics of small enterprises at the beginning of the nineties*). *Közgazdasági Szemle*, 42. 4. 399-419.
3. CSITE A. (2000): Turizmus és politika: A kispolgárság felemelkedése a Nyugat-Balatonnál. Kézirat. (*Tourism and politics: the prosperity of the middle class at West-Balaton. Unpublished manuscript.*)
4. GÁBOR R. ISTVÁN (1994): Kisvállalkozás Magyarországon - virul vagy satnyul? (*Small enterprises in Hungary - prosperity or withering?*) *Közgazdasági Szemle*, 7-8. sz.
5. KOVÁCH I. (1995): Polgárosodás: új burzsoázia vagy a gazdasági elit szerepvállalása? (*Emergence of the middle class: new bourgeoisie or the growing role of the economic elite?*) In: Róbert. P. et al. (szerk.) *Középosztályok nyomában*. Budapest, MTA PTI, 99-116.
6. KOVÁCH I. (1997): Polgárosodás vidéken (kézirat) (*Emergence of the middle class in the countryside. Unpublished manuscript*).
7. MATOLCSY GY. , DICZHÁZI B. (1998): A növekedés regionális forrásai. (*The sources of growth*) *Társadalmi Szemle*, 1. 21-36.
8. SZELENYI I. (1990): *Új osztály, állam, politika*. (*New class, state, politics*). Európa Könyvkiadó, Budapest.