

The Impact of the European Crisis on UK's Small Businesses

Name

Institution Affiliation

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Throughout history, the occurrence of financial crises has always been a cause for concern to both individuals and institutions. Governments are alerted by the prevalence of a recession and attempt to control the situation before it reaches the proportions of a depression. The 2008 financial crisis that started in the United States disrupted the stability of many countries. Some researchers argue that the prevailing Eurozone crisis stemmed from it. The depression has had an impact on the United Kingdom. Financial leaders are sceptical about the speculation that it may soon end. They reason that its implications are too profound to allow for a quick resolution. As Dallago and Guglielmetti (2012) posit, it is clear that the European crisis has affected the small businesses in the United Kingdom in many ways.

One way in which the small businesses in Britain have been affected is through the reluctance of the Eurozone customers to spend. The onset of the crisis brought about business uncertainty. According to the public, it spread rapidly suggesting the possibility of a financial meltdown for the entire European region. Since many countries require a bailout process, the process weighs down the few that are economically stable. As such, the citizens of the Eurozone prefer to save their money and use it solely to fund their basic needs (Dallago & Guglielmetti, 2012). The small businesses in the UK whose clientele is based in Europe, therefore, lose revenue and their growth is limited.

In a similar way, another key issue arising from the crisis is the increase in supplier costs that lead to an increase in the expenses of the small enterprises (Welter, 2013). There has been numerous cross-boundary trade amongst European countries as they seek to foster good relationships. Some of the UK's top trade import destinations include Germany, the Netherlands and France. The UK imports items such as cars and crude oil. Due to the adverse effects of the Eurozone crisis, the supply charges of raw materials and other goods and services to the UK have increased as per the tracked records. Overall, this has in turn

reflected on the income statements of the small businesses as a rise in expenses that ultimately decrease the profits realized.

One may argue from the perspective that small businesses are facing the challenge of increased bad debts. One of the ways through which businesses build relationships with customers is by offering credit services. Given that a debtor's account is considered an asset, most enterprises are open to the idea of receiving payment at a later date. The small businesses have been forced to account for large amounts of bad debts since the beginning of the European crisis (Welter, 2013). The purchasing power of most Eurozone citizens has greatly declined. As such, they are unable to service the debt owed to different small businesses in the United Kingdom. The companies, therefore, run the risk of losing revenue.

Consequently, the loss of confidence in the economy by UK customers has had a negative impact on the progress of small enterprises. As earlier discussed, the uncertainty brought about by the crisis has made most customers cautious while making decisions. Individuals believe that the depression could spread to other areas such as Britain (Dallago & Guglielmetti, 2012). Until Brexit, the UK was a large part of the European Union. It is associated with the other member states in a manner that cannot be disintegrated within a few years. The fear of the customers based in the UK is projected onto the revenue realised by the small businesses. A majority of the households opt to save and limit their expenses to purchasing the most crucial items. As such, a business which clientele constitutes both the UK and the Eurozone citizens is vastly affected.

With regard to operational overheads, businesses whose operations run in the Eurozone region have been impacted by the crisis (Welter, 2013). As a means of cutting expenses, enterprises have embraced outsourcing repetitive tasks to different regions. The lower minimum wages and general costs in other Eurozone countries compared to the United Kingdom appeal to the management. Moreover, in most cases, outsourcing gives employees

the liberty to work from home, making it cost-effective. It can be argued that despite the repetitive nature of the operations, their performance is crucial to the smooth running of these businesses. Given the rundown economic situation of the United Kingdom, an efficient undertaking of such tasks is hindered. Eventually, this affects the overall objective of the small enterprise. The operations of the small businesses are slowed and this limits their growth.

The European crisis, like any other crisis, has a negative effect on the economic growth of the region. It is fundamental to find timely and efficient solutions as its implications are widespread beyond the nations that are directly impacted. It is the responsibility of all countries to find a way of remedying the situation. Small businesses are the backbone to the success of any economy, which calls for the provision of prevailing conditions that would ensure their growth.

References

Dallago, B., & Guglielmetti, C. (2012). *The consequences of the international crisis for European SMEs*. Routledge.

Welter, F. (2013). *Entrepreneurial business and society: Frontiers in European entrepreneurship research*. Northampton, Mass: Edward Elgar Pub.