[Field Research]

A Study on Redefining the Concept and Standard Range for Small Enterprise*

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Abstract

Purpose – This study aims to clarify the meanings of small enterprise and modify criteria for explaining its range. Prioritizing the number of full time workers first and the sales next are proper as a new concept and range.

Research design, data, and methodology – In research, 'small company' is a basic concept because the range of its standard is categorized as a 'small company' in the policy system of small & medium business. This study focuses on the solutions with ① evaluation on sales, ② standard for excluded ones ③ regulation for excluded business types in 'Act on Protection and Support for Small Enterprise'.

Results – Clarifying the range of standard with maintaining the title is advisable. The scope should resist the current criteria or adopt a new standard which contains not only full time workers but also the sales. The new one may raise the policies' effectiveness because it can sort the 1% people of small enterprises.

Conclusions – However, there should be a preventive system for sorting out the non-eligible ones not conformed to the CAP for small company. Therefore, it is desirable to prepare the system with 'unsuitable ones list' or regulate large income·inappropriate business types in 'Act on protection and support for small enterprise'.

Keywords: Small Enterprise, Owner Operator, Private Business, Full-time Worker, Sales.

JEL Classifications: R58, R59, Z18.

1. Introduction

1.1. Background and Objective

Since 1999, the government policy regarding small enterprise in Korea has been initiated starting with providing the policy fund loan. It has been focused on promoting the start-ups and making a stable environment for encouraging their competitiveness and self-regenerating. While the support policy for small enterprise has been maintained, it attracted many persons' interests as a political issue bringing about expanding focus and stretching the meaning of the policy. The concept of small enterprise was introduced when 'Act on Special Measures for Support of Small Company and Small Enterprise' is revised in 2000. This law had goals for improving small enterprise only from the typical business' perspective such as supporting the start-ups, joint venture, conversion of business, consulting for moving place of business or enhancing the management structures of business and providing support policies for fund, human resource, technology, sales, and exportation.

Recently, there are controversial problems in small enterprise like excessive competition among the business types for living, difficulties of re-employment, social conflicts with large companies or SSM, security problems and social issues such as support policies for common people. These controversies have been expanded over small enterprises, and in 2015, 'Act on Protection and Support for Small Enterprise' was acted.

Like this, the focus on support policy for small enterprise has been changed depending on the circumstances of time. In spite of the changes, there are no differences between the previous law 'Act on Special Measures for Support of Small Company and Small Enterprise' and the current one 'Act on Protection and Support for Small Enterprise' from the

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  * This study reorganizes the results analyzed by SEMAS.

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definition and concept of small enterprise. According to the both laws, the number of the full time workers should do less than 10 people, and it is the category for small enterprise. It is also regulated for the number of people in business types as follows: less than 10 people for mining, manufacturing, construction and transportation industries & less than 5 people for others. Some may discover that defining for small enterprise should be reconsidered in accordance with the changes of circumstance. In the law, the defining range of small enterprise is decided by the number of full time employees. This causes a problem that non-eligible enterprise(still recognized by law as a small enterprise) can get the benefits from the support policy even though his/her assets or sales indicate why he/she cannot be a small enterprise. In other words, some cases can be happened that non-eligible people who have lots of asset or highly-paid professionals often get irrelevant benefits or are considered as a small enterprise. Consequently, achieving the goal which make petty small enterprise stable and improved may be tough with government's limited expense.

Meanwhile, the designation(or concept) in small enterprise is not clear to understand either because there is a word meaning for a person when a word 'small enterprise' is translated into Korean. It is considered as an individual despite it should be classified as a enterprise. This causes people to recognize small enterprise as an owner-operator or individual business owner. Plus, 'owner-operator' is generally used for indicating small enterprise in social norms, political circles or government causing confusion. In addition, many researches as follows use a word 'owner-operator'; Economic Activity Census, Investigation on Mining & Manufacturing industries by National Statistical Office & Panel Survey Employment for the Disabled, Current State of Working Hours for Enterprises by Ministry of Employment and Labor & Investigation on Working Environment by Korea Occupation Safety and Health Agency & Survey on the Current State of Small-Medium Distribution Industry by Ministry of Trade, Industry and Energy & Survey on the Current State of Small Enterprise by Small Enterprise and Market Service. Moreover, without clarifying its meaning, this word is used to describe small enterprise in the provisions of the law such as Employment Insurance Act, Levy of Insurance for Employment Insurance and Industrial Accident Compensation Insurance Act, National Health Insurance Act, Workforce Development and Training Act, Framework Act on Social Security, Employment Promotion and Vocational Rehabilitation for Disabled, etc. Hence, the definition and the concept of small enterprise should be reconsidered at this time.

This research aims to clarify the complicated meanings in small enterprise and suggest the reasonable method for reorganizing the standard which is defining the range for small enterprise and proposing a new standard fitted in support policies. Also, it has problems in using synonym words such as 'small enterprise' and 'owner-operator' and

the current standard in defining small enterprise are right based on the current state of small enterprise. Furthermore, the author asserts the applicable and customized normative study methodology(Youn & Kim, 2007) which can be available on the government or related organizations based on this study.

2. The Problems of the Concept and the Standard-Range of Small Enterprise

2.1. Conceptual Problems of Small Enterprise

The conceptual problems of small enterprise can be divided into 3 types as follows: first, small enterprise is sometimes recognized as an individual owner-operator nevertheless it is an enterprise. Second, it cannot cover all the types of business. Lastly, people think small enterprise and individual owner-operator as a one kind because of things mentioned above. Small enterprise means a 'firm' or an 'enterprise' because it is classified as a small company according to Paragraph 2, Article 2 in 'Fundamental Law of Small and Medium Enterprise'. However, a word 'small enterprise' has a meaning of 'an individual' because it contains a word that is representing a person even though it should be considered as an enterprise. Of course, corporation use a same word representing an individual but it has different aspect from small enterprise's case because it contrasted with a natural person; its meaning is "to authorize a human right upon an enterprise."

Moreover, a word 'small enterprise' cannot contain all the types of business terminology. The system of business scale set by the Small and Medium Business Administration is in the order of size as follows: medium-large, medium, small and small enterprise. It represents that this order is purely about the size. However, in case of small enterprise, it is combined with 3 words; small, merchant and manufacturer. These words only indicates the persons who are in wholesale & retail business and manufacturing industries meaning that the word 'small enterprise' cannot include all the types of business. Some ambiguous types of business such as construction, mining or agriculture industries have a limit to be included in the concept of small enterprise even though service industry can be classified as a merchant area.

Lastly, small enterprise is clearly different from owner-operator or individual business owner but many use this word without any distinction because the 'small enterprise' is a combined word, and a word 'owner-operator' has been commonly used as a social norm before the 'small enterprise' appears in the law.

<Table 1> Examples of Using the Term 'Owner Operator'

Used in National Approved Statistic	Used in Legal Terms
○ National Statistical Office(Economic Activity Census, Investigation on Mining & Manufacturing industries) ○ Ministry of Employment and Labor(Panel Survey Employment for the Disabled, Current State of Working Hours for Enterprises) ○ Korea Occupation Safety and Health Agency (Investigation on Working Environment) ○ Ministry of Trade, Industry and Energy (Survey on the Current State of Small-Medium Distribution Industry), etc.	○ Employment Insurance Act ○ Levy of Insurance for Employment Insurance and Industrial Accident Compensation Insurance Act ○ Workforce Development and Training Act ○ Framework Act on Social Security ○ Employment Promotion and Vocational Rehabilitation for Disabled, etc.

Source: Own

Owner-operator is not used for legal terminology but for statistic. National Statistic Office defines the owner-operator as a combined one from two kinds; one is "a person who runs an enterprise with one paid staff at least" and the other one is "a person does a professional works—usually called family business—". Currently, to define small enterprise for being contained in the policy system, the two 'small enterprise' and 'owner operator' are comprehensively used, but these two terminologies are formed by different standard; Owner Operator means the formation how to run the enterprise or which factor should be excluded in the policy system for small and medium business, meanwhile, Private Enterprise(r) is separated from corporation which is not suitable for the policy system because the policy aims to a firm or enterprise.

2.2. The Problems in Defining the Range for Small Enterprise

2.2.1. The Problems of System in Defining the Range

On the basis of number of full time workers, small enterprise is determined whether it is small enterprise or not as mentioned before. Small enterprise should be classified as a small company under this condition: the mining, manufacturing, construction and transportation industries are required to have less than 10 employees and others (including service industry) need less than 5 people; this is determined according to 'Fundamental Law of Small and Medium Enterprise' and Article 2 in 'Act on Protection and Support for Small Enterprise.' On the other hand, the standard for defining the range of small & medium business is changed in 2013 as for the number of employees, capital, and the maximum of sales to being evaluated by only average sales for 3 years. For standard setting, some consider the sales with reflecting the characteristic by business types in a way.

<Table 2> The Standard for Defining the Range of Small & Medium Business

Average Sales for 3 years	Classification of Business Types	
	Manufacturing	Non-Manufacturing
Fewer than 150 billion won	Electronic Equipment, Pulp Paper, Raw Metal, Clothing, Bag, Shoes, Furniture, etc.	-
Fewer than 100 billion won	Cigarette, Car, Chemical, Metal Manufacturing, Groceries, Fiber Wood, Petroleum refined product, Rubber Plastic, Electronic Computer, Image Communication, Machine Equipment, Other Transport Equipment, etc.	Construction, Wholesale Retail, Mining, Agriculture Fishing, Electronic Gas Waterworks, etc.
Fewer than 80 billion won	Beverage, Print Reproducer, Medical Substance Medication, Nonmetallic Mineral, Medical Precision, Other Manufactures, etc.	Transportation, Sewage Disposal Environmental Restoration, Publish, Information Service, etc.
Fewer than 60 billion won	-	Repair Other Personal Service, Support Business Service, Science Technology Service, Health Social Welfare, Art Sports, etc.
Fewer than 40 billion won	-	Lodging Food, Education, Finance Insurance, Real Estate Leasing, etc.

Source: Own

In case of small & medium business, it is more difficult to be determined as a small & medium business even though the standard for being a small & medium business had been eased for being evaluated by just one aspect—sales. Any enterprises meet the conditions as follows cannot be classified as a small & medium business: having over 500 billion won for total assets, being limited for mutual investment, possessing over 30% of stocks with being the largest investment for over 500 billion won for total assets, belonging to relational company, no matches for the standard when it comes to average sales.

According to the revised law 「Act on Special Measures for Support of Small Company and Small Enterprise」 and 「Act on Protection and Support for Small Enterprise'」 (initiated May 28th, 2015), the support policy for small company is transferred to the 「Small and Medium Business Promotion Act」. In accordance with legal requirements, the standard for determining a small company has been changed in evaluating only sales from January, 2016. Also, the standard is divided into 5 groups by 41 types of business. Manufacturing industry is assorted by the medium classification level. Manufacturing industry and the others are assorted to the middle category and large category respectively. Also, the amount of sales is set up by 5 sections from 1 billion won to 12 billion won.

<Table 3> The Standard for the Range in Small Company

Business Type	Before Reformation (the number of full time employees)	Reformation (the amount of sales)
Manufacturing(Medical Substance Medication, etc. 12 units)	50	12 billion won
Electronic Gas Waterworks	10	
Manufacturing(Pulp Paper, Paper products, etc. 12 units), Mining, Construction, Transportation)	50	8 billion won
Agriculture Forestry & Fishing, Finance Insurance	10	
Publish Video Information Service	50	5 billion won
Wholesale Retail	10	
Profession Science Technology Service, Support Project Service	50	3 billion won
Sewage Waste Disposal Industry, Art Sports Leisure Service, Real Estate Leasing	10	
Health Social Welfare Service	50	1 billion won
Personal Service, Educational Service, Lodging Restaurants	10	

Source: Own

The problem is that small enterprise's standard is limited by the standard of small company because it is required to be included in the range of small company. This causes an error in small company's range to be related with only the sales, because small enterprise is decided by the number of full time workers while they should be contained in the small company's range by the law. According to current standard, there would be small enterprise beyond the small company's bounds. For example, in case of a restaurant which earned 1.2 billion won with 4 employees, it was classified as a small enterprise in 2015, but it is not in 2016 because its sales is over 1 billion won meaning that it is beyond the small company's bounds.

For analyzing the statistic, it is difficult to be accurate caused by the error as mentioned. Analyzing the Survey on Number of National Enterprise by NSO, small enterprise's number of business and employees is counted in current. This survey's result is divided into the scale of workers meaning that it is useful for understanding the number of enterprises and employees but it is impossible for checking the sales. There is only one which can show the sales by all the enterprise in nation named Economy Census by NSO. Still, it has limitation to be used as useful information for raising the effectiveness of policy because it is analyzed every 5 years; representing this information is not reliable owing to changeability of small enterprise's environment. Thus, if the Survey on Number of National Enterprise is the only one for examining the small enterprise, there is no way of checking the error which is to figure out the number of small enterprise beyond the small company's bounds.

Another problem for regulating the range of small enterprise is that there is a gap between the law and the policy. Only the number of employees influences on a small enterprise classification; the types, sales and scale of capital does not count for. It means that the licenses like street vendors, a venture company, one man business, highly-paid professionals and owner-operator also can be classified as the small enterprise. The problem is that the support policy for small enterprise focuses on "petty" enterprise. Nowadays, the Small and Medium Business Administration which is in charge of supporting small enterprise has a main goal for easing small enterprises' management difficulties with enlargement of lending policy fund loan or providing education. The gap is still occurred.

<Table 4> Main Plan for Small Enterprise in Recent

Main Plan	Main Contents
Support plan for petty small enterprise owner operator & stabilizing people's livelihood ('08.8)	○ Innovative management support with IT convergence ○ Establishment of Support Center for Start-ups
Support plan for unemployment of owner operator ('09.4)	○ Support for stabilizing with expansion of fund assurance ○ Re-start up fund loan Education consulting ○ Support for emergency, permission registration for unemployment benefits, etc.
Support plan for stabilizing petty small enterprise ('10.5)	○ Making small enterprise organized with support Franchise ○ Education and Consulting, etc.
Way of making small enterprise be competitive ('12.9)	○ Expansion for small enterprise policy fund loan and enhancement for support ○ Expansion for Cultural Tourism Market, etc.
Plan for stabilization of the seniors' employment and owner operator ('14.9)	○ Employment Stabilization for Seniors ○ Step-by-Step support by owner operators' life cycle ○ Right for rental of shopping center & protection for premium ○ Mitigation for parking lots, etc.

Source: Own

Also, some protection systems such as Preservation for the traditional commerce zone(initiated by Nov, 2010), Business regulation on large-sized market(initiated by Jan, 2012), Appointment of business suitable for small and medium-sized companies(initiated by Feb, 2013), etc. show that the support policy highlights on stabilizing small enterprises' business. Hence, current standard in small enterprise has necessarily limitation when it comes to government's achievement for supporting the "petty and small" enterprise in the priority of a budget. Thus, the author emphasizes on finding a practical way of excluding the non-eligible for being supported in this study so that the "petty" small enterprises can get the benefits effectively.

2.2.2. The Problems of Targets for Support

The other problem in small enterprise's boundary is to define the targets for supports. The factor that the standard in small enterprise relies on only the number of full time employees causes a problem that any companies satisfy the condition—the number of full time employees—can be acknowledged as the small enterprise even though they record high sales which are not eligible for getting benefits from support policy. Moreover, if they apply for the support projects, they would have strong possibility to get the benefits thanks to their management profits and stability rather than the "real" small enterprise can. As mentioned before, the main objective for initiating the small enterprise support policy is to help the petty and small companies but the beneficiary is the non-eligible ones. There are 196 supported enterprises exceeding in sales-standard in small company, and 34,958 enterprises got supported for lending the small enterprise policy fund loan in 2015.

In case of supporting the policy fund loan, 0.6% of small enterprises makes more profits than small companies should be considered as a standard. As for the category, Lodging & Restaurants(I), 10,727 were supported business types, therefore, 105 enterprises(1.0%) in lodging and restaurant industry has the highest percentage of exceeding the sales. The second highest one is a repair service and others that take possession of 0.7%(20 enterprises / 2,703 total). Educational service industry occupies 0.5%(4 enterprises/828 total) which is followed by wholesale and retail industry(54 enterprises/11,553 total). These show that high proportion in high-sales of small enterprises get benefits by policy fund loan support. Especially, there is an indirect loan by a commercial bank which relies on credit evaluation meaning that the enterprises with high profit can easily get the benefits more than average small enterprises.

<Table 5> Current State of Enterprises Supported by Small Enterprise Policy Fund Loan in 2015

Business Type	Supported Enterprises(Units)	Small Enterprise Exceed in Small Company's Standard		
		Standard	Supported Enterprise	Rate(%)
Manufacturing(C)	2,340	8/12 billion won	7	0.3
Transportation(H)	1,291	8 billion won	1	0.1
Construction(F)	1,158	8 billion won	2	0.2
Mining(B)	3	8 billion won	0	0.0
Publish Information Service(J)	445	5 billion won	1	0.2
Support Business Service(N)	1,096	3 billion won	0	0.0
Science Technology Service(M)	1	3 billion won	0	0.0
Health Social Welfare(Q)	19	1 billion won	0	0.0
Wholesales Retail(G)	11,553	5 billion won	54	0.5
Repair Other Service(S)	2,730	1 billion won	20	0.7
Lodging & Restaurants(I)	10,727	1 billion won	105	1.0
Sewage Environmental Restoration(E)	0	3 billion won	0	0.0
Agriculture Forestry & Fishing(A)	100	8 billion won	0	0.0
Electronic Gas Waterworks(D)	7	12 billion won	0	0.0
Educational Service(P)	828	1 billion won	4	0.5
Finance & Insurance(K)	7	8 billion won	0	0.0
Art Leisure(R)	1,569	3 billion won	2	0.1
Real Estate & Leasing(L)	1,084	3 billion won	0	0.0
Total	34,958	-	196	0.6

Source: Own

According to the performance evaluation for consulting by SEMAS, 2.2% from the sales of beneficiary is in excess of the standard which is regulating for the small company in consulting support project. In business types, educational service industry(6.7%) and repair service and others(4.2%) indicate a high proportion with a large profit. To sum up, there are many small enterprises which exceed the standard of small company bounds, thus, the petty small enterprises are losing their chance to get benefits from the support.

3. Reviews on the Concept of Small Enterprises and the Scope

3.1. The Concept of Small Enterprise

3.1.1. Reviews on the 'Owner-operator'

The term 'Owner-operator', widely used in Korea, is not for legal or academic term. It does not have any standard for the usage in contrast with a word 'small enterprise' defined by law. Nevertheless, these two words have been used without any distinction by government, politics, academics, etc. To analyze the owner-operator, the Economy Census by NSO may be used but it has limitation; this census is surveyed by the employed people and the support policy for small company by the Small and Medium Business Administration focuses on 'enterprise policy'; small enterprise is also treated accordingly the 'enterprise policy'. Hence, the policy for the small and medium business cannot exactly encompass the owner-operator from the survey. Furthermore, the Economy Census's target is households; it is limited to be a useful standard for judging the policy for small and medium business.

There are many drawbacks in the term 'owner-operator' to be classified and used in small and medium business policy. First, it excludes the corporation. Exclusion of corporation has a problem because small enterprise is included in the range of small and medium business by the law. Besides, a firm needs to be corporation with registration of entrepreneur according to the enforcement ordinance of Fundamental law from small and medium business. It means that small enterprise cannot exclude the corporation because it belongs to the small and medium business.

Secondly, owner-operator is not related to the number of full time workers. An enterprise or a person running the firm by alone or co-representative(including the unpaid family worker) is still owner-operator even though there are more than 100 full time employees. Like this large sized owner-operator should not be supported by the small enterprise support policy because it aims to focus on helping petty small enterprise representing 'small enterprise' literally.

Third, the owner-operator does not care about entrepreneur registration because it only counts the statistic

of employment. For being acknowledged as the small and medium business, an enterprise should be registered as the incorporation or the entrepreneur. Thus, owner-operator cannot be included in the range of small and medium business as the small enterprise because it does not need to be registered as the incorporation or the entrepreneur.

3.1.2. Reviews on a Private Entrepreneur

In 「Restriction of Special Taxation Act」, a 'private entrepreneur' is included in a provision of the law; this law enacts the 'petty private entrepreneur'. In this law(provision 5, article 99), the condition of being petty private entrepreneur is defined as follow: the one with an average yearly income less than 200 million won of total amount for last 3 years of taxation period including the final date of shut down—meaning the total amount of income converted to 1 year for taxation period if its period is less than 1 year —.

That is, the law regulates the boundary for petty private entrepreneur by the annual average of income which should be less than 200 million won. According to the Economy Census by 2010, the average sales in small enterprise are about 180 million won which is an approximate amount of standard for a private entrepreneur.

It shows that both small enterprise and private entrepreneur are under the similar economic situation considering only the standard. The current state in the private entrepreneur is analyzed by using the Annual Statistic for National Tax by National Tax Service without excluding corporation and considering the scale of number of full time workers. This statistic has advantages; collecting the data for the current state of start-ups & closures is easy and collecting data by individual, corporation, business types and regional. However, this statistic is limited to be utilized as a standard because the information was not collected for enterprise scale. Also, there is a time-difference between the investigation period and the announcement of statistic.

The biggest problem in replacing the private to the small enterprise is an exclusion of corporation. As mentioned before, the corporation is a mandatory aspect from small and medium business; It should be registered as an incorporation or entrepreneur. In addition, the number of private entrepreneurs and corporation(company and others) are 2,986,641(81.2%) and 560,389(15.2%) respectively surveyed by the Investigation on National Enterprise in 2013. It represents that excluding the corporation from the policy for small and medium business is not proper because it is also very important aspect for organizing enterprises in Korea. To sum up, using the concept for private entrepreneurs and small enterprises without distinction is incorrect considering comprehensive analysis.

3.1.3. Result from the Reviews

As for social norms, there are no differences between the owner-operator and the private entrepreneur but they cannot substitute small enterprise for themselves due to some problems such as the exclusion of corporation, etc. There are needs for the consideration in maintaining the current concept of 'small enterprise' and understanding the new one. The concept of small enterprise should be reviewed not just by changing its title but considering the potential for change in widely-used, power of influence and utilized as policy. The title—small enterprise— should be familiar with ordinary people not only for the eligible which can be supported by the policy. Moreover, it is determined after considering about the main agents such as firms, enterprises, persons, and the scales for the number of full time workers, sales. Of course the government policy direction should be contemplated, too.

Besides, there should be a review for renaming small enterprise with considering whether it is desirable and proper. The term, 'small enterprise' itself has a problem as written before. However, 'small enterprise' has powerful influence and particularly been carved into people's memory because of its characteristic meaning. Thus, it seems to be difficult to rename it. This term has been used by the beneficiary policy for small enterprise and politics about 15 years ago. If there are any changes of using this term, it would take place political confusion. Also, there are no gains from renaming this term because the predictability of using this term as politics can be reduced by replacing the term 'small enterprise' with another. Thus, this study suggests that the standard of defining small enterprise should be clear and support real petty small enterprise as the objective of the policy with maintaining the name and rejecting to renaming.

3.2. Examination on Defining the Range of Small Enterprise

In this research, the author has focused on solving the problem caused by defining the range of small enterprise which has just one standard—'number of full time workers'— for reviewing the range. Now, the most controversial issue of defining the range of small enterprise is the gap between the law and the policy. That is, enterprises which have own ability to maintain and promote their business activities without any support from government can be defined as the small enterprise because of its standard for the number of full time employees; it makes them possible to be a target for government support.

Thus, this study considers the measures for solving this problem through 3 measures: concentrating the sales as to standard setting, decriminalizing the targets by the support projects and regulating the business types according to 「Act on Protection and Support for Small Enterprise」.

3.2.1. Setting the Standard for Small Enterprise by Sales

Setting standard for small enterprise by sales means that the standard is changed like a standard for small and medium business which considers only the average sales for 3 years.

First of all, statistics related to sales are comparatively well-organized and widely used because these are useful. Also, these reflect long and short term changes; this is why the definition for the range of small and medium business has been changed recently.

Despite of this advantage, the sales cannot reflect the added value of firms. In case of Korean small enterprises, they are very responsive to the economic fluctuations; it influences on their sale fluctuation largely. Moreover, the sales are not clearly ascertainable. It is not appropriate to be as only one standard using the sales for defining small enterprise.

The Economic Census is the only one which can help us understand the total amount of sales of entire enterprises in Korea; It also helps understand the sales from purchasing products or providing a service. In the Entire Economy Survey, the rate of 99.7% in small enterprise employees' response data is reliable to use. However, its accuracy is quite low because the way of survey relies only on the answers from respondents. On the other hand, if the standard for defining the range of small enterprise is based on the sales, small enterprise who would like to be supported can easily prove the amount of sales because the sales must be reported annually. Actually, the ones who are willing to get benefits from government should submit the documents about proving their sales for identifying themselves as small and medium business.

3.2.2. Setting for Excluding of Targets by Support Projects

The way of excluding of targets by support projects is to deny the access for being supported through organizing the non-eligible ones when the projects started to select the beneficiaries under the current law system. This method is for overcoming the limitation in sales such as the sale fluctuation, statistic's lack accuracy and tax reports, etc. In case of small enterprise policy fund loan, this support project sets the standard of non-eligible ones who should be excluded to be supported.

However, excluding particular business type does not match up to the direction of reorganizing the policy which has a goal for foreclosing the large income enterprises to get beneficiaries from the policy with re-defining the range of small enterprise. Moreover, this can cause the neglect of considering the fairness among the business types because the policy targets for supporting have extended to the small enterprise. For example, the artwork, antique and jewelry broking agency industry according to the Standard Condustrial Classification has been classified into luxury item; it makes the enterprises related to this industry be non-eligible for getting supported by the small enterprise policy fund loan.

Ironically, Jewelry manufacturing has been recently supported by government at the Special Support Center for Small Manufacturer. That is, it causes a problem that there is discrimination between manufacturing and selling.

Also, excluding the particular business types may have a drawback to excessive cost for finding the main kind of business even though there are many support projects for small enterprise, thus, excluding the particular business types can be an easy way. To minimize the side effects from the way of excluding the particular business types, the exclusion should be decided using the examples by the Standard Condustrial Classification. Usually, 5 digits division in statistic is used for figuring out the number of enterprises, still, problem occurs as follow: manufacturing for gambling machine, unwholesome amusement equipment, etc in recreational goods industry(33409) have been excluded for being supported by small enterprise policy fund loan. In case of making the equipment for gambling such as casino game table which is clearly seen as unhealthy ones but manufacturing table, apparatus and cards just for building a formation of the game space may not be considered as unhealthy entertainment facilities. Of course, the unhealthy business types such as gambling, karaoke, lodging, bar, luxuries, alcohol, cigarette and illegal ones and the professions such as real estate, lawyer, accountant, doctor, finance, institute, etc which are not related to the direction of support policy for small enterprise should be excluded but it still is hard to decide which one should be excluded. In addition, some may discover that deciding the exclusion from each business type makes the data for small enterprise because it influences on calculating the statistic for small enterprise.

3.2.3. The Method for Enacting the Non-eligible by Law

The way of enacting a regulation for excluding some business types into 「Act on Protection and Support for Small Enterprise」 it to make some of inappropriate business type such as large income enterprise be excluded in supporting policy for small enterprise by the law. The law called 「Act on Promotion for One-man Creative Business」 has regulated some kinds of business not to be in the range for being supported because this law has clear achievement that it focuses on the Knowledge-intensive Service Industry and Creative Manufacturing Industry. However, when it comes to small enterprise, excluding some business types should be careful choice to be enacted because of its social welfare aspects.

Also, there are still exist the problems such as choosing examples in business types and defining the small enterprise in statistic because this method is merely different from the way of excluding the non-eligible by the support projects.

3.2.4. Comparison the Pros and Cons in 3 Methods

Each of the 3 methods has pros and cons. To accept these methods' pros and cons can be different from each related parties; government and small enterprise. Defining the small enterprise by standard centralized on sales has some strongpoint that it is useful for maintaining the range of standard & classification with small and medium business's standard. Also, it is simple to calculate the statistic by being totally affiliated to small and medium business(medium-sized company + small company + small enterprise = total small and medium business) and classify the high-paid business operator meaning that this can reduce the gap between the law and the policy. However, some will realize that there is always big fluctuation because the sales of small enterprise are very responsive to the economy even though average sales for 3 years will be used. Furthermore, NTS(National Tax Service) should cooperate with statistic calculation and the statistic is limited to be used because of conversion from the enterprise to the firm.

Meanwhile, the beneficiaries—small enterprise— can think defining small enterprise by the amount of sales because it will expand the opportunity for 'petty small enterprise' which is the focus of the policy and can be able to prevent from being Peter Pan Syndrome on purpose. Yet, there can be a strong complaint from the past beneficiaries excluded by the revised regulation and controversial issues regarding the accuracy of tax report by NTS.

Setting some business for being excluded by support projects is good for sorting out the non-eligible persons who are high-income earner and wealthy at the government's point of view. However, the government's responsibility for supporting can be overestimated because the number of small enterprise will be more than the number of targets for policy. Also, the cost for the standard in defining small enterprise by each business support can be excessive and the statistic calculation is limited because some targets can be excluded.

On a small enterprises' side, this method can be a good way for promoting the competitiveness by themselves thanks to the excluded percentage by reduced sales. Nevertheless, it has weakness for proving small enterprises themselves that they are related to the support policy and also confusion may occur because the benefits are different for each business types. The way of regulating the non-eligible for the support policy by 'Act on Protection and Support for Small Enterprise' can prevent unnecessary conflicts from processing the support project thanks to the well-defined standard for exclusion. Moreover, it has an advantage for adding another standard after setting up the standard by the sales and the number of full time employees. However, this method is limited to exclude the large income earners because of its exclusion which focuses on business types. Also, if any willingness for changing the policy targets is occurred, the law should be revised, and it will take long time. In addition, this can limit the support policy for small

enterprise which is expanding itself towards social welfare aspect. Though, small enterprises will make efforts to maintain themselves to be into the business types which can be supported by government. In spite of their efforts, there can be problems caused by the fairness issue among the business types.

All the three methods clearly have pros and cons; it represents that choosing just one way among these can cause side effects to the small enterprise. Therefore, this study suggests a new measure for reducing the risk; the number of full time workers is the first priority to be considered and the sales go after.

3.2.5. New Measure for Defining the Range of Small Enterprise: number of full time workers and amount of sales

Maintaining the number of full time employees is a standard for defining the small enterprise. The reason for that is as follows: first, it is widely used as a standard for defining small and medium business in some of the main countries. Secondly, it is very clear to define the range of being small enterprise. Lastly, a related statistic can be easily used.
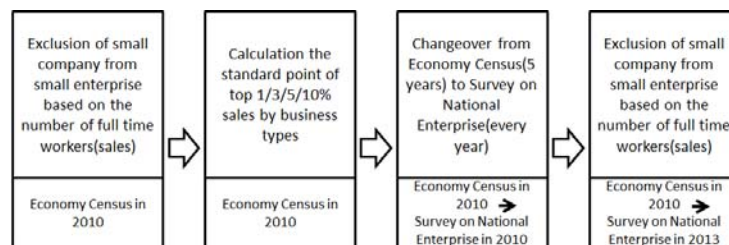
On the other hand, it is hard to reflect the business types' characteristic and instability of employment. Especially, this standard cannot cover the neglect of employment changes, temporary position, part-time job and unpaid family business occurring from instability of employment. Maybe, the number of full time workers in small enterprise is not suitable for being classified into the standard for small and medium business because hiring person at the temporary position is normal in the small enterprise.

Meanwhile, some business types are all about a capital or technology rather than manpower meaning that there would be misunderstanding if anyone uses the number of full time workers as a standard for judging the scale of a firm. For example, in case of electronics, gas, steam and waterworks industry, the amount of sales by one employee is 1.8193 billion won that is 4 times higher than the average(245.5 million won) of entire industry is.

In spite of drawbacks, the number of full time workers is very important regarding targeting 'small firm' in the policy for small enterprise as the examination on the concept of small enterprise. Prioritizing the number of full time workers for defining the range of small enterprise is the most suitable because there is no alternative considering the particular formation of employment such as unpaid or paid family workers, temporary employees, etc. Plus, a sudden change in standard can cause the confusion to the beneficiaries of this support policy without any serious problems from the present standard. Also, it is a good index because it focuses on the 'employment' rather than economy; and employment is widely considered as a serious social issue.

However, there should be an adjuvant economical index because of the gap between the law and the policy. Having consistency in the small and medium business policy system is needed as the standard for medium-sized and small business has been changed into a single standard. Besides, the statistic is well organized by business types and useful for estimating and proving. Therefore, using the 'sales' as an adjuvant index is needed because it is applicable to all the types of business and it is possible to compare with business to business. Hence, as to defining the range of small enterprise, the author proposes a suggestion that making the number of full time workers to be a basic standard and excluding the large income enterprise within the standard of small company because small enterprise's sales amount cannot be higher than those of small company by the law. The process of suggesting the new alternative for defining range of small enterprise is as follow:

The number of full time workers + The amount of sales

<Figure 1> The Process of Suggesting the New Alternative for Defining Range of Small Enterprise

First, the enterprise, which had more excessive number of full time workers than the standard for small company that is regulated by the law, were excluded by using the data from Economy Census in 2010. In consequence, totally 10,135 enterprises were excluded. 5,808 enterprises in retail & wholesale industry take possession on the top number of exclusion and 817 enterprises in manufacturing industry come second. 696 enterprises in repair & other service

industry, 494 enterprises in educational service industry and 493 enterprises in lodging & restaurants industry have been excluded in order. 10,135 small enterprises(0.34%)—which is based on the number of full time workers— out of total number(2,957,203) of enterprises have more excessive amount of sales than the standard for small company regulates in 2010. The results of analyzing the ratio by business types are as follows: 58.4% of enterprises(333 units) in electronic gas water works industry has been excluded taking possession at the top. The next one is 2.9% of enterprises(73 units) in wastewater disposal & environmental restoration industry and 1.7% of enterprises(18 units) in agriculture forestry fishing industry. 1.6%

enterprises(202 units) in finance & insurance industry and 0.9% enterprises(221 units) were excluded.

Secondly, the amount of sales and the number of enterprises by business types are calculated based on the top 1%, 3%, 5%, 10% of the enterprises among the small enterprises which can be classified in the small company's range that calculated above. Consequently, the data can be used based on the conclusions from various industries as follows: manufacturing industry records 37 billion won, 22 billion won, 16 billion won, and 10 billion won when the top percentages in 1%, 3%, 5%, 10% are excluded respectively. The amount of the sales and number of the enterprises by each business types are as below table:

<Table 6> Results from defining the standard for the range of small enterprise based on full time workers and sales

Business Types	Standard for Small Company (Unit : Billion won)	Standard for full time workers			Standard for the amount of sales(standard=less than)							
		Small enterprise	The number of enterprise in the small company's range	Small enterprise in the small company's range	Exclusion of Top 1%		Exclusion of Top 3%		Exclusion of Top 5%		Exclusion of Top 10%	
					Standard (Unit : Billion won)	Enterprise	Standard (Unit : Billion won)	Enterprise	Standard (Unit : Billion won)	Enterprise	Standard (Unit : Billion won)	Enterprise
Manufacturing(C)	8	269,712	817	268,895	3.7	266,277	2.2	261,234	1.6	255,598	1	242,649
Transportation(H)	8	336,503	9	336,494	1.3	333,340	0.3	327,718	0.1	321,565	0.1	321,565
Construction(F)	8	74,611	13	74,598	4.1	73,879	2.4	72,452	1.7	70,929	1	67,433
Mining(B)	8	1,416	0	1,416	5.9	1,402	3.3	1,374	2.5	1,348	1.3	1,283
Publish Information Service(J)	5	14,630	87	14,543	2.3	14,402	1.3	14,118	0.9	13,849	0.6	13,268
Business Support Service(N)	3	23,732	221	23,511	1.6	23,277	0.9	22,890	0.6	22,475	0.3	21,415
Science Technology Service(M)	3	49,293	272	49,021	1.4	48,618	0.7	47,650	0.5	46,716	0.4	45,605
Health Social Welfare(Q)	1	68,627	150	68,477	0.7	67,920	0.6	67,259	0.5	65,751	0.4	62,168
Wholesales Retail(G)	5	809,404	5,808	803,596	3	796,083	1.8	781,115	1.2	763,838	0.7	727,772
Repair Other Service(S)	1	357,180	696	356,484	0.4	353,196	0.3	350,693	0.2	345,263	0.1	326,543
Lodging & Restaurants(I)	1	596,058	493	595,565	0.5	591,979	0.3	578,734	0.3	578,734	0.2	554,217
Sewage Environmental Restoration(E)	3	2,486	73	2,413	2.7	2,389	1.0	2,341	1.4	2,293	0.9	2,176
Agriculture Forestry & Fishing(A)	8	1,056	18	1,038	5.4	1,028	3.5	1,008	2.8	990	2.1	961
Electronic Gas Waterworks(D)	12	570	333	237	4.2	235	2.4	230	2.1	226	1.7	221
Educational Service(P)	1	131,714	494	131,220	0.4	130,409	0.2	127,493	0.2	127,493	0.2	127,493
Finance & Insurance (K)	8	12,559	202	12,357	6.4	12,235	5	11,988	3.4	11,749	2.3	11,135
Art Leisure(R)	3	97,768	23	97,742	0.3	96,872	0.2	95,669	0.2	95,669	0.1	88,042
Real Estate & Leasing(L)	3	109,884	423	109,461	1	108,562	0.5	106,664	0.3	104,465	0.2	102,138
Total	-	2,957,203	10,135	2,947,068	-	2,922,103	-	2,870,630	-	2,828,951	-	2,716,084

Source: Own

Third, there is changeover from the data by Economy

Census to Survey on National Enterprise in 2010 because

Survey on National Enterprise is more useful than Economy Census; the former one is done annually and the later one is surveyed by 5 years. The number of enterprises has a bit of differences between Survey on National Enterprise (2,957,203 units) and Economy Census(2,917,005 units) in 2010; Conversion factor(Survey on National Enterprise/ Economy Census) is used for adjusting the difference. Construction industry has big difference between the two data as to the large in enterprises' number; the value of conversion factor is 1.080. The following indicates the state of the other industries; publication information service industry(1.025), mining industry(1.011), wastewater environmental restoration industry(1.007). The industries which have a big difference with the small number of enterprise are indicated as follows: electronics gas waterworks industry(0.595), agriculture forestry & fishing industry(0.846), finance & insurance industry(0.899), service industry(0.945).

The results of applying the conversion point to the number of enterprises based on the top 1%, 3%, 5%, 10% of business types which are small enterprises included into the range of small company are indicated as below table.

<Table 7> Changeover from Economy Census to Survey on National Enterprise

Business Types	Economy Census → Conversion of Survey on National Enterprise			The number of Enterprise after Conversion (Standard of sales)			
	Small Enterprise (Economy Census)	Small Enterprise (Survey on National Enterprise)	Conversion Factor	Exclusion of Top 1%	Exclusion of Top 3%	Exclusion of Top 5%	Exclusion of Top 10%
Manufacturing(C)	269,712	271,294	1.006	267,766	262,766	257,097	244,072
Transportation(H)	336,503	336,717	1.001	333,552	327,926	321,770	321,770
Construction(F)	74,611	80,604	1.080	79,813	78,272	76,626	72,849
Mining(B)	1,416	1,432	1.011	1,418	1,390	1,363	1,297
Publish Information Service(J)	14,630	14,990	1.025	14,756	14,465	14,190	13,594
Business Support Service(N)	23,732	22,419	0.945	21,989	21,624	21,232	20,230
Science Technology Service(M)	49,293	47,326	0.960	46,678	45,749	44,852	43,785
Health Social Welfare(Q)	68,627	68,123	0.993	67,421	66,765	65,268	61,711
Wholesales Retail(G)	809,404	778,229	0.961	765,421	751,030	734,418	699,741
Repair Other Service(S)	357,180	356,967	0.999	352,985	350,484	345,057	326,348
Lodging & Restaurants(I)	596,058	589,325	0.989	585,292	572,197	572,197	547,957
Sewage Environmental Restoration(E)	2,486	2,503	1.007	2,405	2,357	2,309	2,191
Agriculture Forestry & Fishing(A)	1,056	893	0.846	869	852	837	813
Electronic Gas Waterworks(D)	570	339	0.595	140	137	134	131
Educational Service(P)	131,714	132,118	1.003	130,809	127,884	127,884	127,884
Finance & Insurance(K)	12,559	11,293	0.899	11,002	10,780	10,565	10,013
Art Leisure(R)	97,768	96,683	0.989	95,797	94,607	94,607	87,065
Real Estate & Leasing(L)	109,884	105,750	0.962	104,478	102,651	100,535	98,295
Total	2,957,203	2,917,005	-	2,882,665	2,831,935	2,790,940	2,679,748

Source: Own

Fourth, the rate of the changes in increasing and decreasing by Survey on National Enterprise in 2013 has been applied for figuring out the number of small enterprises and being changed into the latest value. According to the research & statistic system for small and medium business by Small and Medium Business Administration, the number of small enterprise has been steadily increasing; the annual average rate(CAGR) is 2.53% from 2010 to 2013. The rate of increase and decrease is different from each type of business during the period of 2010~2013. The entire business has been raised for 3.5%; and the highest rate of increase is indicated 78.5% in electronics gas waterworks industry. The second highest one is in publication information service industry (31.6%). The service industry (28.9%), wastewater environmental restoration(23.6%), construction industry(20.0%) and science technology service industry(18.8%) take possession as following ones after the second highest.

Whereas, in case of repair·other service, it is reduced by 21.8% representing its rate of decrease records the highest

one among the following industries; health social welfare industry(10.2%), art leisure industry(3.1%), educational service industry(0.7%).

Results of applying the rate of increase and decrease to

the number of enterprises based on the top 1%·3%·5%· 10% of business types which are small enterprises included into the range of small company are indicated as below table.

<Table 8> Conversion of Survey on National Enterprise from 2010 to 2013

Business Types	2010 → 2013 Calibration of Survey on National Enterprise			Applying the standard for sales after calibration							
	Small Enterprise (National enterprises in 2010)	Small Enterprise (National enterprises in 2013)	'10→'13 Percentage change	Exclusion of Top 1%		Exclusion of Top 3%		Exclusion of Top 5%		Exclusion of Top 10%	
				Number of Enterprise	GAP	Number of Enterprise	GAP	Number of Enterprise	GAP	Number of Enterprise	GAP
Manufacturing(C)	271,294	305,219	12.5%	301,332	3,887	295,625	9,594	289,247	15,972	274,593	30,626
Transportation(H)	336,717	359,993	6.9%	356,609	3,384	350,595	9,398	344,012	15,981	344,012	15,981
Construction(F)	80,604	96,725	20.0%	95,776	949	93,926	2,799	91,952	4,773	87,420	9,305
Mining(B)	1,432	1,528	6.7%	1,513	15	1,483	45	1,455	73	1,384	144
Publish Information Service(J)	14,990	19,725	31.6%	19,418	307	19,035	690	18,672	1,053	17,889	1,836
Business Support Service(N)	22,419	28,905	28.9%	28,351	554	27,879	1,026	27,374	1,531	26,083	2,822
Science Technology Service(M)	47,326	56,216	18.8%	55,446	770	54,342	1,874	53,277	2,939	52,010	4,206
Health Social Welfare(Q)	68,123	61,171	-10.2%	60,541	630	59,952	1,219	58,607	2,564	55,414	5,757
Wholesales Retail(G)	778,229	852,242	9.5%	838,216	14,026	822,456	29,786	804,264	47,978	766,290	85,952
Repair Other Service(S)	356,967	279,057	-21.8%	275,944	3,113	273,989	5,068	269,747	9,310	255,121	23,936
Lodging & Restaurants(I)	589,325	605,985	2.8%	601,838	4,147	588,372	17,613	588,372	17,613	563,447	42,538
Sewage Environmental Restoration(E)	2,503	3,093	23.6%	2,972	121	2,913	180	2,853	240	2,707	386
Agriculture Forestry & Fishing(A)	893	985	10.3%	959	26	940	45	923	62	896	89
Electronic Gas Waterworks(D)	339	605	78.5%	249	356	244	361	240	365	235	370
Educational Service(P)	132,118	131,253	-0.7%	129,953	1,300	127,047	4,206	127,047	4,206	127,047	4,206
Finance & Insurance(K)	11,293	11,619	2.9%	11,319	300	11,091	528	10,870	749	10,302	1,317
Art Leisure(R)	96,683	93,720	-3.1%	92,861	859	91,708	2,012	91,708	2,012	84,397	9,323
Real Estate & Leasing(L)	105,750	110,377	4.4%	109,049	1,328	107,143	3,234	104,934	5,443	102,596	7,781
Total	2,917,005	3,018,418	3.5%	2,982,346	36,072	2,928,738	89,680	2,885,554	132,864	2,771,842	246,576

Source: Own

Last, there should be a process for choosing the appropriate percentage of enterprises which have large amount of sales so that these are classified into the rate of 1%, 3%, 5%, 10% when it comes to the suggestion for defining small enterprise with the number of full time workers and the amount of sales because this suggestion aims to exclude some of the top enterprises recording a high income. The main achievement of this way is that making petty small enterprises intensively supported by excluding the large income earners.

It causes different situation what the rate of category is chosen to be excluded; if 1% or 3% of enterprises are excluded, the confusion merely occurred because most of the small enterprises survived as the targets for the support

policy. Also, it has an advantage for applying to the social issues related to small enterprises; still, there would be a phenomenon that some particular regions or enterprises may be excluded concentrically.

On the other hand, if 5% or 10% of enterprises which have large amount of sales are excluded, the petty ones could get much more benefits from the support policy; It would have an advantage from the economy issues of small enterprise. However, too many small enterprise are excluded causing conflicts, confusion by them. Also, some concerned situation would be occurred in important decision making and permitting retroactive application for the enterprises which already have been supported by the policy fund loan(a long-term support project). Comparing between pros

and cons, it seems to exclude the top 1% of small enterprise with large income is an appropriate one considering some aspects as follows: first, small enterprise's problem has been expanded from economical to social. Second, irrespectively of the numbers excluding the enterprises twice is burden as to processing the policy because the first exclusion has been already done(0.34%, 10,135 units) by the absolute standard point—the maximum standard of small company—. Third, the Peter Pan Syndrome does not occur many times unlike the medium-sized company or small company.

4. Suggestion for the New Standard

4.1. The Standard by the New Alternative

This research suggests the new standard for defining the range of small enterprise with the number of full time employees first and the amount of sales. Maintaining the regulation on the numbers—less than 10 people in manufacturing, mining, construction, transportation industry and less than 5 people for others—which is enacted by 「Act on Protection and Support for Small Enterprise」 and excluding top 1% enterprises with focusing on the goal of the support policy for petty small enterprise as to the sales have been proposed as the alternative.

On the basis of this, there should be a decision for categorizing the business types of small enterprise when defining the range of small enterprise would be set up. In this study, four ways of defining the range have been analyzed; the first one is a setting up the range by business types using the Standard Condustrial Classification. Second one is that being divided as 5 groups like the small company's standard. Third, defining the standard range by the current one regarding the number of full time worker suggested as one of the alternatives. Last, the way of setting standard up with dividing only the manufacturing industry and the non-manufacturing industry was proposed.

4.1.1. Setting the Standard Range by Business Types

The way of setting the standard range in Standard Consudtrial Classification is to use the number of full time workers first and the amount of sales as a standard about each of 18 business types.

As mentioned above, satisfying the standard as to number of full time workers—refer to the 2 conditions; having less than 10 people in manufacturing, mining, construction, transportation and 5 people in others— should be used. The average sales for 3 years should be under this condition; 37 billion won, 13 billion won, 41 billion won, 59 billion won in case of manufacturing, transportation, construction, mining industry respectively. Therefore, defining the range of small enterprise can be regulated as the below table.

<Table 9> Reorganizing the Range of Small Enterprise by Business Types

Business Types	Number of full time workers	Standard for sales(less than / unit : billion won)				Small Company Standard (unit: billion won)
		Exclusion of Top 1%	Exclusion of Top 3%	Exclusion of Top 5%	Exclusion of Top 10%	
Manufacturing(C)	Under 10	3.7	2.2	1.6	1	8
Transportation(H)	Under 10	1.3	0.3	0.1	0.1	8
Construction(F)	Under 10	4.1	2.4	1.7	1	8
Mining(B)	Under 10	5.9	3.3	2.5	1.3	8
Publish Information Service(J)	Under 5	2.3	1.3	0.9	0.6	5
Business Support Service(N)	Under 5	1.6	0.9	0.6	0.3	3
Science Technology Service(M)	Under 5	1.4	0.7	0.5	0.4	3
Health Social Welfare(Q)	Under 5	0.7	0.6	0.5	0.4	1
Wholesales Retail(G)	Under 5	3	1.8	1.2	0.7	5
Repair Other Service(S)	Under 5	0.4	0.3	0.2	0.1	1
Lodging & Restaurants(I)	Under 5	0.5	0.3	0.3	0.2	1
Sewage Environmental Restoration(E)	Under 5	2.7	1.8	1.4	0.9	3
Agriculture Forestry & Fishing(A)	Under 5	5.4	3.5	2.8	2.1	8
Electronic Gas Waterworks(D)	Under 5	4.2	2.4	2.1	1.7	12
Educational Service(P)	Under 5	0.4	0.2	0.2	0.2	1
Finance & Insurance (K)	Under 5	6.4	5	3.4	2.3	8
Art Leisure(R)	Under 5	0.3	0.2	0.2	0.1	3
Real Estate & Leasing(L)	Under 5	1	0.5	0.3	0.2	3

Source: Own

This method has an advantage because it is subdivided by business types; also it is possible to select the targets and proceed by the standard range of small enterprise. Whereas, it has some drawbacks as follows: it is more complicated than the existed way is and there would be possible to occur additional cost for checking the main business types.

4.1.2. Setting Standard Range by 5 Groups

Dividing into 5 groups same as small company's standard(less than 120 billion won, 80 billion won, 50 billion won, 30 billion won, 10 billion won in sales) is the way of defining the range of small enterprise. Being regulated as the small enterprise, the conditions should be satisfied; the number of full time workers is less than 10 people in manufacturing, transportation, construction and mining industry. Also, others should not have more than 5 employees.

Regarding the sales, the average sales for 3 years are 42 billion won, 32 billion won, 30 billion won in electronics

gas waterworks, manufacturing mining construction transportation and publication film information service and retail & wholesale respectively. Meanwhile, manufacturing industry has been segmented in case of small company's standard because it is divided by middle classification level explaining the manufacturing industry is in the section of 80 billion won.

Using this method has strong point which is maintaining the steps for the development and policy system in accordance with the standard for small company. However, grouping by business types of small enterprise is not a good way because it has a big difference in sale amount among the enterprises unlike small companies. For instance, finance and insurance industry records 64 billion won on the basis of top 1% sales when transportation industry is applied to 32 billion won at the same standard of 13 billion won. Also, waste water & environmental restoration industry is 27 billion won contrasting the artwork & leisure industry is 3 billion won on getting classified into the same group— 10 billion won as standard amount —.

<Table 10> Reorganizing the Range of Small Enterprise by Classifying the same Business Types with Small Company's Standard

Business Type	Number of full time workers	Standard of the amount of sales (standard=less than / unit: billion won)				Small Company Standard (unit: billion won)
		Exclusion of 1%	Exclusion of 3%	Exclusion of 5%	Exclusion of 10%	
Electronic Gas Waterworks	Under 5	4.2	2.4	2.1	1.7	12
Manufacturing, Mining, Construction, Transportation	Under 10	3.2	1.7	1.2	0.7	8
Agriculture Forestry & Fishing, Finance & Insurance	Under 5					
Publish Information Service Wholesales Retail	Under 5	3.0	1.8	1.2	0.7	5
Science Technology Service Business Support Service Sewage Environmental Restoration Art Leisure Real Estate & Leasing	Under 5	1.0	0.5	0.4	0.2	3
Health Social Welfare Repair Other Service Educational Service Lodging & Restaurants	Under 5	0.5	0.4	0.3	0.2	1

Source: Own

<Table 11> The New Standard for Range of Small Enterprise—by the current standard

Business Type	Number of full time workers	Standard of the amount of sales (standard=less than / unit: billion won)				Small Company Standard (unit: billion won)
		Exclusion of 1%	Exclusion of 3%	Exclusion of 5%	Exclusion of 10%	
Manufacturing, Mining, Construction, Transportation	Under 10	3	1.6	1.1	0.6	8
Others	Under 5	0.8	0.6	0.4	0.3	1

Source: Own

4.1.3. Standard Range by Current Standard in Full Time Employees

To set up the method for the standard range by current standard in full time employees is applied as the standard as same current one which is divided into the 2 groups; manufacturing, mining, construction and transportation industry should have less than 10 employees and other business types should have less than 5 workers.

Similarly, to be determined as the small enterprise, the condition when it comes to the number of employees should be satisfied with the regulation for the amount of sales by the business types; manufacturing, mining, construction and transportation industry should have fewer than 30 billion won and others should be fewer than 8 hundred million won.

In case of the small company, the others except for manufacturing, mining, construction, transportation industry have standards for the sales; the amount of sales should be fewer than 10 billion won at least. This explains why 10 billion won is applied for as the minimum standard because small enterprise's standard cannot excess the limitation for the small company.

This method has an advantage when it comes to maintaining the consistency of the policy because it classifies the business types as same as the current one. Meanwhile, the big difference in sale amount between business and business is the drawback in this method.

4.1.4. Setting the Standard by Segregating Only Manufacturing & Non-manufacturing Industry

The way of segregating the manufacturing & non-manufacturing business types—which have the most productive characteristic among the business types—is to regulate the small enterprise's range newly. The condition regarding the number of employees is same as mentioned above; less than 10 or 5 people. Under this new suggestion, to be a small enterprise, manufacturing enterprise's revenue should be fewer than 37 billion won and Non-manufacturing should earn fewer than 8 hundred million won.

If this method is applied, it would be very useful because it can be applied to the current support projects for the small manufacturers. In spite of the advantage, it still has the weakness that some business types are grouped even though there are big differences from the sale amount of sales between business and business.

<Table 12> The New Standard for Range of Small Enterprise—by manufacturing & non-manufacturing enterprise

Business Type	Number of full time workers	Standard of the amount of sales (standard=less than / unit: billion won)				Small Company Standard (unit: billion won)
		Exclusion of 1%	Exclusion of 3%	Exclusion of 5%	Exclusion of 10%	
Manufacturing	Under 10	3.7	2.2	1.6	1	8
Non-manufacturing	Under 5	0.8	0.6	0.4	0.3	1

Source: Own

As mentioned above, this study has analyzed 4 methods. To select the best choice among these methods, there should be a decision making considering the pros and cons of each method.

5. Conclusion

5.1. Result of the Study

This study aims to solve the problems in the standard for regulating the range of small enterprise and its concept. For this, this research analyzes how to regulate the range of small enterprise with understanding the new methods for the standard.

First, the author points out the problem on 'Owner operator' or 'Private entrepreneur'. It is a problem that takes place in a small enterprise and politics and government as social norms causing the confusion in the law and its concept. Another problem is that it is still recognized as a personal even though small enterprise itself represents an enterprise or a firm. This is because the terminology 'small enterprise' is consisted of a word which has the meaning of person. In addition, some problems have been examined as follows: the statistic errors by selecting only one standard with the amount of sales for small company that is the upper group than small enterprise which should be considered the number of full time employees, a gap between the policy which focuses on 'petty enterprise' and the law which regulates the standard for considering only 'the number of full time employees', etc. The result from reviewing the concept of small enterprise, one will realize that there are some problems as follows: being incongruent with the policy system in small and medium business because it is irrelevant with the size, being inappropriate because Economic Census's standard is for employment, being unbalance between person and corporation caused by exception of corporation enterprise and being difficult for deciding the policy targets according to including the non-registered entrepreneur. Also, in case of private entrepreneurs, it is not related to the size of enterprise; thus, it is unsuited to the policy system for the small and medium business.

Plus, it is limited to be used because there will be unfairness between the private and the corporation from removal of corporation enterprise.

Moreover, the term 'small enterprise' has very big influence meaning that it is hard to change the title. The beneficiaries—the small enterprises— have used this term for 15 years representing their familiarity with this term, it is very useful term for being used in politics. If renaming this term is done by force, there would be political confusion and it would decline beneficiaries' prediction for the flow of policy system with no benefits. Thus, this study suggests to clarify the standard for regulating range of small enterprise with no change of its name.

Therefore, to regulate the standard of small enterprise, the number of full time workers should be considered as the first priority and the sales of the small enterprise should go after. Maintaining the number of full time employees is a standard for defining the small enterprise. The reason why maintaining the standard is that it is widely used in some of main countries for defining the small and medium business. Also, setting up the standard with the number of full time workers is easy, clear and useful for utilizing the related statistics. In addition, the 'sales' is used as an adjuvant index because it is clearly proved by well organized statistics related to the policy system for medium-sized & small and medium business and also, it is applicable to all types of business and possible to compare with business to business. In this study, to define the range for the small enterprise, four ways are suggested; setting up the standard by using business types with the Standard Condustrial Classification, dividing into 5 groups, using the current standard by the number of full time workers and dividing only the manufacturing industry and the non-manufacturing industry. Also, the study has examined the pros and cons for each method.

To sum up, this research recommends the way of maintaining the current standard and the new standard with the number of full time workers and the sale amount. The reason why maintaining the current standard is that this standard does not cause serious problems when the policy for small enterprise is proceeded. Also, small company's CAP is developed from 2016 meaning that it can sort out the large income enterprise and non-eligible ones. Plus, maintaining the current method is desirable because it does not confuse the targets for this policy. In spite of the current standard's CAP for small company, 'full time workers and sales' method is recommended for raising effectiveness with sorting out the top 1% non-eligible targets. Yet, there should be a system for sorting out the non-eligible targets while the support project is processing if CAP cannot sort out whether the standard for small company or additional standard for sales. As the contents for the review in this study, making additional system for blocking the access of non-eligible targets will be good by setting up regulation for the non-eligible targets by each support project or regulating the

large income or inappropriate business types in the 'Act on Protection and Support for Small Enterprise'.

5.2. Limitation of the Study

The limitations of this study are as follows:

First, the juncture of used statistic is a problem. Economy Census by 2010 and Survey on National Enterprise by 2013 are mainly used for analyzing the small enterprise and its sales; Time difference for collecting data occurs minimum 2 years and maximum 5 years during the research project is proceeded. Thus, the statistic can be just used as a basic data for recognizing the current state of small enterprise and planning the direction of policy because the statistic is limited to be able to reflect the present state of small enterprise in 2016.

Second, the sales units are divided by 1 hundred million won for defining the standard the range of small enterprise. It is hard to clearly sort out the top 1% amount of sales units. For example, in case of lodging and restaurant industry, the full time workers with fewer than 5 hundred million won are the condition for being classified as the small enterprise. However, 99.4% of the enterprises in this industry earn fewer than 5 hundred million won, not 99.0%; it means that top 1% is not excluded but the 0.6% will be. It is better decision making rather than setting the number of standard as 3 hundred million won because, if so, 1.3% of small enterprises cannot be supported by the policy meaning that fewer number of enterprises are excluded when its standard is regulated by 5 hundred million won. However, the statistic is still limited to clearly exclude the top 1% of high sales.

Lastly, this study cannot suggest a remedy for managing the term 'owner operator' which is used for replacing small enterprise—the legal standard— as a social norm. According to Economic Active Census in 2014, it shows approximately 5.35 million owner operators who are running a one man business or with less than 9 employees. This statistic has big difference from the data of small and medium business statistic system which indicates the 2.96 million people are small enterprise in 2013. In fact, this issue has been raised while arguing the targets for small enterprise policy should be escalated. In 「Fundamental Law of Small and Medium Enterprise」, the small and medium business policy aims to the targets as follows: corporation, registered firm or enterprise, etc. meaning that the small enterprise' policy should be accordance with this law. It is hard to make the owner operator be applied to the current law because it is not related to the registration of entrepreneur. Therefore, the gap between the law and the real targets for the policy should be reviewed again even though an agreement of direction with the law is performed by excluding the large income enterprise which is not suitable for the purpose of the policy.

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