

ЭКОНОМИКА

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DEVELOPMENT OF THE SMALL AND MEDIUM ENTREPRENEURSHIP AT THE NATIONAL LEVEL

Small and medium enterprises are developed within the transformation process in Slovakia. Due to their flexibility and adaptability SME are considered to be the key element in the economy that is being revitalized. The adaptability and creativity of SME can meet the market demands in a flexible way. Small and medium-sized enterprises play an important role at the labour market as they employ 70 per cent of labour power. Development of SME is conditioned by development of large companies and clusters that have been developed lately, and play a key role in the process of SME development.

Key words: business, small and medium-sized enterprise, SME importance, SME support and promotion, institutional support, legislation backing.

The importance of SMEs is based on their very positive economic impact on national economy. They represent the main resource of business skills, innovations and are important for economic and social coherence. Due to their adaptability and flexibility they are able to meet market demands very quickly as they are able to change and modify the subject of their business activities and their production base and capacity in line with market demands. In Slovakia the process of development in SME is closely connected to the process of transformation of economy, developing private sector and the process of industrial restructuring. Nowadays SME account for 99 per cent of all businesses and industries and employ 70 per cent of total number of employees, and they share GDP with more than 50 per cent. The above mentioned facts prove that Slovak small and medium-sized enterprises represent pillars and accelerators within Slovak economy.

Small and medium-sized enterprises and their importance in Slovak economy

Enterprises are key elements in market economy. The Slovak Commercial Code and its §5 defines an enterprise as a set of material and personal elements in running businesses. Issues like property, estate and facilities needed to run a business belong to enterprises as they are employed in the process of running in line with the Act No. 513/1991 Coll. Commercial Code. Alexy, and Sivak (2005, p.14) define “an enterprise, or a company as a unit with its independence in economy and legislation and its main objective is to run a business.”

In line with the Recommendations by EU Commission an enterprise, a company can be “every subject carrying out business activities with no reference to its legal form, including self-employed persons and family enterprises doing crafts work or other activities, or an enter-

prise can be considered a partnership or unions, which run a business on regular basis” (Recommendations 2003/361/ES on 6 May 2003).

In modern market economy a group of companies, known as small and medium enterprises, has become popular since the second half of the 20th century. The year 1971 can be considered a turning point as in line with the Bolton conference report the attitude towards this group was changed completely.

The importance of these companies is rooted in the fact that they form a very strong middle business layer playing a key role in economies being transformed. SMEs are important because:

- they are flexible to changes at the market, large companies are not able to respond quickly to changes at the market;
- employees in SMEs are more versatile and have large potential to be more initiative than employees working for large companies;
- SMEs are flexible to implement small capacity technology and innovate it, innovation in large companies is not advantageous;
- SMEs play a key role in meeting requirements of the public in some sectors, e. g. in agriculture and services;
- SMEs can enlarge their scope of types of goods and services offered by them without large investment;
- SMEs create large number of jobs for different groups of population thus assisting in resolving social problems of population;
- Goods and services offered by SMEs represent quality not quantity;
- SMEs businessmen are motivated better and work more effectively while having more freedom in making decisions than large companies managers do.

The Act No.100/1995 on SMEs state funding and support brings the first definition of small and medium enterprises. The definition is made from the point of view of quantity, number of employees not taking into account the economic power of the enterprise. Due to this fact Act No.231/1999 on state assistance in wording of its amendments was passed in 1999. In this Act criteria of quantity and quality (financial indicator of the company) are taken into account.

On 1st January 2005 new Recommendations by the European Commission No. 2003/361/EC entered into

validity and replaced the Recommendation No.96/280/EC. The new Recommendations have changed the criteria for SME classification referring to the company turnover, economic result, etc. Due to the fact that new system of SME classification has been introduced the new Act No.203/2004 Coll. Annulled, invalidated the Act 231/1999 Coll., §10. Companies are classified into categories in line with the European Commission Recommendations. Following table outlines how SMEs are classified in line with the above mentioned facts.

Table 1. Enterprises according to their size

Enterprise	Category	Act 100/95	Act 231/99	Recommendations by EU
micro	Number of employees	Not given	Not given	1 – 10
	Turnover in mil. EUR	Not given	Not given	< 2
	GP in mil. EUR	Not given	Not given	< 2
small	Number of employees	1–24	1–49	1–49
	Turnover in mil. EUR	Not given	< 7	< 10
	GP in mil. EUR	Not given	< 5	< 10
medium	Number of employees	25–499	50–249	50–249
	Turnover in mil. EUR	Not given	< 40	< 50
	GP in mil. EUR	Not given	< 27	< 43

Resource: Act No. 100/95, Act No. 231/99, Recommendation by EU 361-2003, data processed on my own

Companies qualify as SMEs in line with the new European definition if they are autonomous. **Companies are autonomous if:**

- they do not have shares in any other companies and other companies do not own their shares;
- they own less than 25 % of shares in one or more companies and other companies own less than 25 % of their shares in bonds;
- other companies own between 25 % and 50 % of their shares that are not connected to each other and they are of strictly defined types.

Companies can qualify as SMEs also if they are not autonomous if they run their business as partner enterprise or bound enterprise. Partner enterprise own 25–50 % shares of one or more other enterprises, of their own shares gained by enterprises that are not bound, of bound enterprises or of own shares. Bound

enterprise own more than 50 % of share of one or more enterprises or it owns more than 50 % of their own shares. New definition of SMEs is necessary to be implemented as it is important to know economic conditions in companies. The new definition describes conditions under which SMEs can win outsource funds. The funds would prevent SMEs from being qualified as small and medium-sized enterprises.

According to the given facts it is seen that the structure of Slovak SMEs can be compared to the European ones (27). The indicator “employment” reads slight differences between Slovakia and European countries. The group of small enterprises in Slovakia has higher employment rate than in the 27 EU, micro enterprises have higher employment rate in EU than in Slovakia, middle-sized enterprises have higher percentage of employment rate in Slovakia.

Table 2. Structure of Slovak and European enterprises

		Size of the enterprise					total
		micro (0-9)	small (10-49)	medium (50-249)	large (250+)	SME	
EU - 27 (2007)	Number of enterprises (in thous.)	19 556	1053	227	44	20 836	20 876
	Share in number of enterprises	93.7 %	5.0 %	1.1 %	0.2 %	99.8 %	100.0%
	Number of employees (in thous.)	44 498	22 482	22 743	43 985	89 723	133 751
	Share in employment	33.3 %	16.8 %	17.0 %	32.9%	67.1 %	100.0 %
Slovakia (2009)	Number of enterprises in selected branches of non-financial enterprise economy	418 156	23 197	2 394	589	443 747	444 336
	Share in number of enterpr.	94.1 %	5.2 %	0.5 %	0.1 %	99.9 %	100.0 %
	Number of employees in selected branches of non-financial enterpr. economy	326 216	226 210	209 981	349 782	762 408	1 112 190
	Share in employment	29.3 %	20.2 %	18.9 %	31.4 %	68.6 %	100.0%

Resource: Slovak Office on statistic data, calculations NARMSP
Data on EU 27: epp.eurostat.ec.europa.eu

Next two tables prove how important SMEs are from the point of view of added value and GDP within the years 2002 – 2009. It is seen how small and medium-sized enterprises have raised their share in these two

indicators. The indicators are affiliated with the indicators of employment and so it is necessary for the national and European economic policy to apply different forms of support /assistance for SMEs.

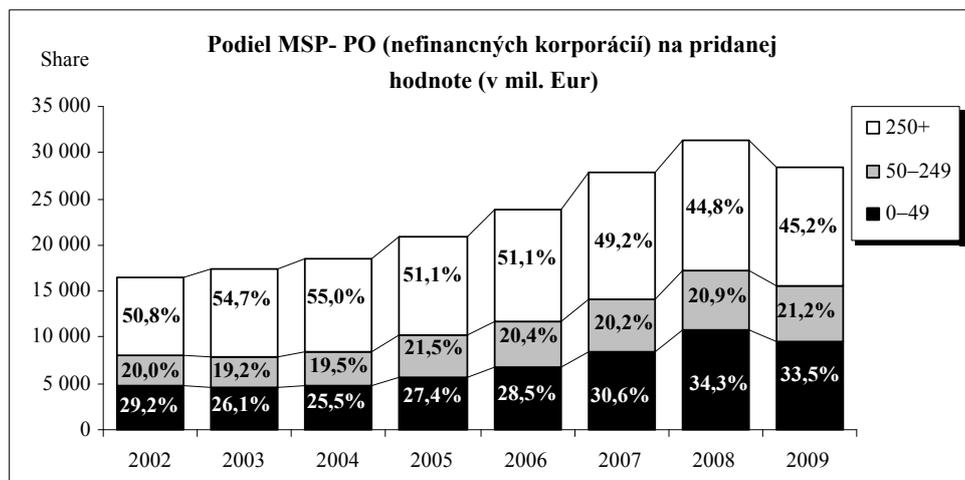


Fig. 1. SME share in value added (in mil euro)

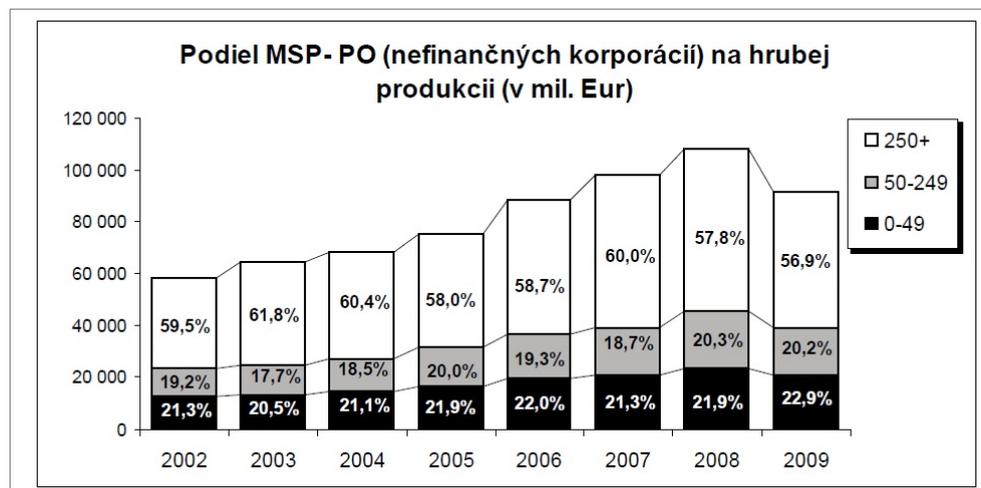


Fig. 2. SME Share in gross production

SMEs Support

Small and medium-sized enterprises can be supported by different subjects. Strazovska (2000, p.181) states that SME can be supported and assisted by

- legislation,
- funds,
- institutions.

Slovak small and medium-sized enterprises represent a very strong potential for development so this is the reason why the national government and also the European Union realize the importance of SMEs support and assistance and of further development and direction of national and European economy.

Our attention is focused on the SME-s support and assistance of institutions.

Slovak SMEs supported by institutions

Small and medium-sized enterprises are supported within industrial sectors the SMEs belong to. According to the website resource (www.nadsme.sk) “the current

system of supporting SMEs is not arranged properly and includes a lot of administrators. The system can be defined as a complicated and difficult structure.” Sometimes the process of supporting small and medium-sized enterprises is doubled and carried out by industrial sectors and sections and by the European Union. SME funding by the EU is conditioned by the existence of implementation agencies. In Slovakia different institutions are responsible for funding and supporting small and medium-sized enterprises.

1. Central bodies of state administration

form a part of the SMEs supporting and funding system. The central bodies are responsible for creating policy and funding and fund raising so that SMEs can be supported and funded

Slovak Ministry of Economy

plays a key role in funding and supporting small and medium-sized enterprises. The Ministry coordinates and is responsible for governmental programmes within the field

of trade, tourism and industries. The government support is done by the ministry in different fields (www.nadsme.sk):

- the field of strategy and SME development;
- the field of forming institutions and their surrounding that support SMEs. The Ministry controls and manages activities of the National Agency for development of small and medium enterprises; the Ministry is responsible for establishing regional network of counselling and information centres and centres on innovating and running business for small and medium businesses;
- the field of international cooperation. The Ministry is responsible for the cooperation with OECD, SEI, UNIDO and EEC UNO;
- the field of legislation and regulations supporting the SME surrounding;
- the field of getting funds to support SME; the governmental funds cover the programmes on SME; the Programmes on government support/funds are carried out by the NARMSP, the Bank Slovenska zarucna a rozvojova banka and Slovenska agentura pre rozvoj investicii a obchodu (SARIO, Slovak Agency for Investment and Trade Development)
- Regional development of SMEs .

Ministry of Transport, Construction and Regional Development of the Slovak Republic

has a new concept, and it was established when the Ministry of Transport and Ministry of Construction and Regional Development merged together while taking over also the competence of the Ministry of Transport.

Within the programme period of the EU 2007–2013 the former Ministry of Transport developed the Operation Programme “Transport” managing the process of funding the projects on transport from 2007 till the year 2013. The programme is funded by the Cohesion Fund and European fund for regional development.

An important tool in regional development is the policy of regional development funded by own resources while emphasizing the role of SME. New strategies and programmes on regional development funding, effective utilization of international and national assistance, economic and social development of regions have been developed. The programmes target at small and medium enterprises and at EU policies implementation.

Ministry of Finance in Slovakia

plays a key role in supporting small and medium enterprises as the Ministry is responsible for tax-exemption according to the Act No. 231/1999 Coll. on government assistance, direct and indirect forms of assistance, and in the Act on investment stimuli.

Ministry of Labour, Social Affairs and Family

as the central body in the state administration is responsible for developing strategies of employment, its coordination, designing the policy of labour market thus supporting indirectly the small and medium enterprises in the field of social affairs and services. From the point of view of SMEs the support of SME and their funding is carried out by this Ministry as financial assistance offered to employees to motivate them to open jobs for them by themselves.

Further education and in-service training of employees, opening vacancies, hiring people with disabilities can be funded by the ministry as a sort of assistance offered to small and medium enterprises (Chodasova, Bujnova, 2008)

Ministry of Agriculture and Rural Development

97 per cent of enterprises controlled and managed by this Ministry are small and medium-sized enterprises. Collaborating with the Bank Slovenska zarucna a rozvojova banka the Ministry designs programmes for businessmen who work within agriculture.

2. Agencies, banks and funds

carry out the policy designed by ministries and can be established by the bodies working within the state administration.

National Agency for SME Development

The Agency was established as a foundation by initiative of EU PHARE and the Slovak government in the year 1993. In 1997 it changed its legal form and has been active as a legal no-profit entity. Together with other networks RPIC and BIC create an institutional tool supporting and funding SME and coordinating the activities at international and national levels” (Holesova, 2003, p.23).

Regional Centres for Counselling and Information

are established as non-profit organizations and legal entities aiming at supporting and funding the economic growth of small and medium enterprises in different regions.

Business Incubator – is aimed at preventing newly established companies from their bankruptcy and at supporting their growth. Local development and opening new positions are emphasized.

Technological Incubators. Their goal is to assist newly established enterprises to change the technology employed and to introduce innovations. They collaborate with universities, research institutions and industrial technology parks.

The Slovak Bank Slovenska zarucna a rozvojova banka was established by the Slovak Ministry of Finance in 1991 as the first bank in the Eastern Europe to promote and support small and medium enterprises. “The entire goals of the bank are funding enterprises and projects that have a huge impact on the development of Slovakia as a whole”, (Kubricka, 2009, p.183). The bank resources are covered by the national budget, by resources of ministries participating in the project and by own resources.

Slovak Investment and Trade Development Agency, SARIO

Since 1st October 2001 the Agency is a subsidized agency controlled by the Slovak Ministry of Economy. “Its mission is to support development and growth of the Slovak economy and to improve the quality of life in Slovakia. This goal shall be achieved via presenting the Slovak economic surrounding, presenting Slovakia for the sake of foreign developers and by means of developing projects on investments” (www.sario.sk).

Eximbank in Slovakia

The bank was established according to the Act No. 80/1997 Coll. on Export – Import Bank in Slovakia. The only one owner of the bank is the Slovak government. It supports export and import, backs up and funds the export credits to make national products more competitive and to promote mutual economic exchange between Slovakia and other countries.

Furthermore different professional organizations and unions of entrepreneurs and businessmen like Slovak Chamber of businessmen, Slovak Chamber of Commerce and Industry, Slovak Chamber of Agriculture and Food and others that represent their interests try to promote, fund and support SMEs.

Conclusions

The nowadays system of supporting and funding small and medium-sized enterprises is quiet not clear, includes too many representatives and difficult relations are typical for it. Some institutions fulfil the same tasks at the same time, so they are ineffective in their support. The bodies of state administration participate in political decision making and focus on getting funds. The activities carried out by agencies or banking institutions follow the policy set up by ministries. SME are supported via counselling, organizing training, and participate in the legislation process that is a very important fact from the point of view of making the SME support more effective.

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Развитие малого и среднего предпринимательства на национальном уровне

Малые и средние предприятия получили развитие в условиях переходных процессов в Словакии. Благодаря своей гибкости и адаптивности, малое и среднее предпринимательство (МСП) считается ключевым элементом возрождающейся экономики. Адаптивность и креативность МСП помогают им гибко подстраиваться под требования рынка. Малые и средние предприятия играют важную роль на рынке труда, так как в этом секторе занято 70 процентов трудовых ресурсов. Развитие МСП обусловлено недавно начавшимся бурным развитием больших компаний и концернов, что играет ключевую роль в становлении МСП.

Ключевые слова: бизнес, малые и средние предприятия, важность МСП, поддержка и продвижение МСП, общественная поддержка, законодательная основа.