



IMPACT OF THE SMALL AND MEDIUM ENTERPRISES ON REGIONAL DEVELOPMENT IN THE SLOVAK REPUBLIC

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Abstract: Slovakia has provable innovation potential and its growth needs to be encouraged and supported. There is a number of SMEs with potential to become a leader in a particular area of business where is a lot of new ideas. Without the effective support, these cannot be transformed into new products, patents, competitive advantages and jobs. On the other hand, we should recognize that Slovakia has limited resources, which are also used on many fragmented objectives. By setting priorities and instruments targeted to a specific area, Slovakia has opportunity to synergize the effects with a view to be comparatively better than other countries.

Keywords: Economy, employment, regions, SMEs.

Introduction

Growth and improvement of companies improves not only economic results of state, but also social and living conditions of population. Today's businesses both large and small need to realize that their interplay with research and scientific world moves them forward and solves their everyday problems. State must create conditions, tools and incentive funds for this interplay (Klos and Maliszewska, 2013).

Advantages of SMEs (Huang and Brown, 1999), (European Commission, 2015):

flexible response to changing requirements and conditions, increased innovation capabilities, close contact with customers, creation of new jobs, specialization, knowledge of infrastructure, informal mutual contacts of staff, employees and management, transparent organizational structure, direct management and control, centralization of management functions, better adaptation to the conditions of the regions where they have comparative advantages (cheap and skilled labour, cheaper production premises, parcels).

Disadvantages of SMEs (Huang and Brown, 1999), (European Commission, 2015):

limited financial resources (equity gap for investment, lower availability of external resources), thus limiting the further development, lack of knowledge (know-how) in corporate governance, lack of market information (deficiencies in marketing, strategy) and limited resources for research and advertising, the high cost connected with products differentiation, lower productivity, difficulty with obtaining quantitative purchasing discounts by suppliers of raw materials and semi-finished goods, elimination of business that requires high investment, high intensity work often by owner.

Employment of the Slovak Republic in the SMEs sector

SMEs represent a very important part of national economy of the Slovak Republic, as they produce about 70% of employment and about 50% of added value (these values significantly above the EU average, as 67% and 58%). In 2014, according to preliminary data Slovak Statistical Office, gross domestic product in current prices is 75 214.9 million €. In the annual comparison, the real increase is about 2.4% (SBA, 2014). The number of person employed in SMEs is on figure 1 and added value of SMEs is on figure 2. These data are from the year 2015 (European Commission, 2015).

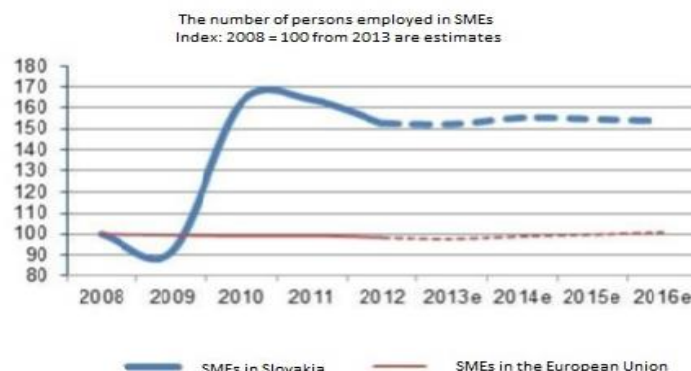


Fig. 1 Number of people employed in SMEs (European Commission, 2015)

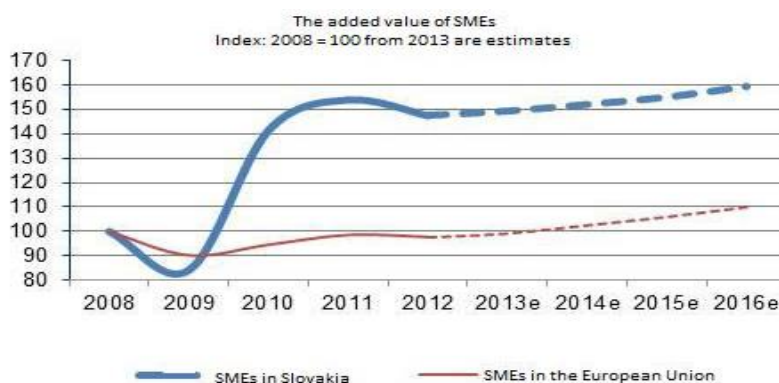


Fig. 2 The added value of SMEs (European Commission, 2015)

Categorization of SMEs in Slovak Republic

The size categorization used by enterprises in the Slovak Republic is in line with the recommendation of the European Commission no. 2003/361 / EC valid from January 1st, 2005 as follows (European Commission, 2015):

- small businesses - (0-24) employees, it is a separate business unit owned by one or more businesses with a limited number of workers, relatively low capital and annual turnover
- medium-sized enterprises - (25-500) employees, similar to characteristics such as small businesses,
- large enterprises - (501 or more) employees, it is a separate business unit with a large turnover, a large number of employees and a large capital strength. They often have a significant position in the market, which allows them to dictate terms to other market operators is applied in major strategic production programs with high massiveness, is a production-intensive large-scale investments, especially in the field of metallurgy, engineering (automobile), textile and chemical industries. Share of SMEs of employment in the business economy of the Slovak Republic is shown in figure 3.



Share of SMEs in employment in the business economy
of the Slovak Republic

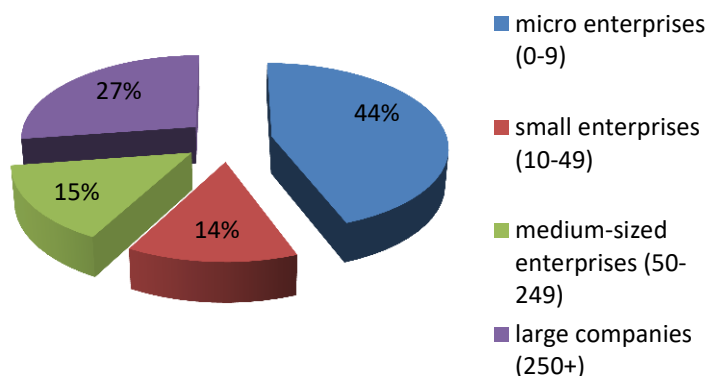


Fig 3 Share of SMEs in employment in the business economy of the Slovak Republic (European Commission, 2015)

Except number of employees for the categorization of the company under that Directive, we distinguish the following criteria (SBA, 2015):

- turnover,
- value of assets,
- ownership structure.

Sector Allocation of added value of SMEs in 2014 is processed in figure 4.

Sectoral structure of added value of SMEs in 2014

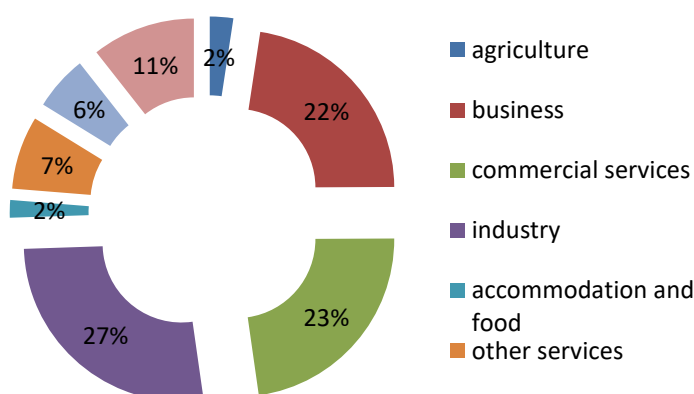


Fig. 4 Sectoral structure of added value of SMEs in 2014 (SBA, 2014)

The dynamics of the rate of entrepreneurial activity of natural persons in the districts of Slovakia in the period 2009 – 2014 is in the figure 5 (Sirotko, 2015).

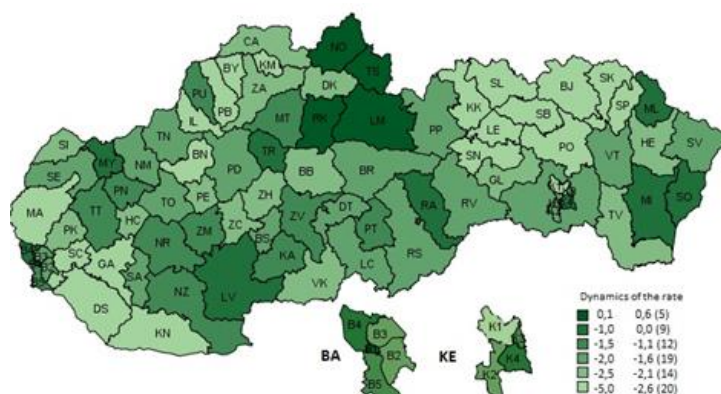


Fig. 5 The dynamics of the rate of entrepreneurial activity of natural persons in the districts of Slovakia in the period 2009 – 2014 (Sirotko, 2015)

The principle of 'Think Small'

This initiative aims to ensure that the interests of small and medium-sized enterprises were integrated into the main European and national legislation and policies. Slovakia has not yet systematically applied. However, the Slovak government adopted a resolution under which the Minister of Economy requires that "introduced a system for assessing the impact of forthcoming legislative and administrative initiatives on SMEs when drafting new legislation." There have been a number of measures to reduce administrative burdens on SMEs, e.g. (SBA, 2014):

- amendment to Accounting Act - allows microenterprises to prepare financial statements in abbreviated form (about eight pages) instead of the standard financial statement
- changes in the framework of regulations governing specific requirements for safety and health at work - to ensure the feasibility for small businesses and with the aim of avoiding the burdening employers.

The negative impacts of the measure are the following (SBA, 2015):

- an increase in taxes on corporate profits from 19% to 23%
- establishment of monitoring reports for VAT
- introduction of a "license tax" - provides for the obligation to pay some form of flat tax and businesses that are at a loss (except for traders and newly established companies).

The promotion of entrepreneurship in Slovakia

In 1993 establishment of the National Agency for Development of SMEs / NARMAP joint initiative of the European Union's PHARE and the Government of Slovak Republic. It was established as an institution for the promotion of SMEs at the international, national, regional and local levels. In 1997 it was transformed into an association of legal persons under sec. § 20f et seq. Civil Code. On the 1st of March, 2014 was renamed Slovak a business / SBA. SBA is an association which aims to fulfil the following activities related to the business of small and medium-sized enterprises (Sirotko, 2015):

- ensure the implementation of support programs for SMEs,
- formulation of proposals and strategies that are important for of SMEs
- identification and analysis of barriers for business development in Slovakia
- ensure the implementation of support programs for small and medium enterprises in various regions in cooperation with regional organizations aimed at supporting of SMEs
- support for building infrastructure for business development



- execution of research and development on social sciences and humanities, etc.

European Commission's efforts is to increase efficiency in the functioning of the SMEs in a single European market. For the support use different instruments, one of which is the creation of an international network of business support/Enterprise Europe Network/EEN - encouraging the development of international cooperation and the internationalization of SMEs. The Slovak Republic is represented by the network since 2008, by the project Business and Innovation Support Services in Slovakia/BISS Slovakia. Partners of BISS are BIC Bratislava, Slovak Business Agency, Slovak Chamber of Commerce, Regional Advisory and Information Centre Prešov (RPIC Prešov), BIC Group and EurActiv.sk (European Commission, 2015).

Other institutions that support business activity and provide information and advisory base for small and medium-sized enterprises are (SBA, 2014):

- Slovak Chamber of Commerce / SOPK
- Slovak Chamber of Tradesmen / SŽK
- Entrepreneurs Association of Slovakia / ZPS
- Slovak Trades Association / SŽZ
- Association of Young Entrepreneurs of Slovakia / ZMPS
- Business and Innovation Centre / BIC
- Slovak Productivity Centre / SLCP -
- Junior Achievement Slovakia, n.o./JASR
- Junior Chamber International - Slovakia./JCT

Conclusion

SMEs are the basic sector of each state's economy, creating about 70% of jobs and account for about 70% of the added value creation. It is therefore necessary to pay attention to these subjects. Increased attention given to them by the European Union within the framework of legislation that supports efforts to cut red tape and simplify the creation and operation of trade and business companies. Such efforts should be incorporated into the European legal standards, and gradually transformed into national law unitary state of the European area.

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Acknowledgment:

This article was created by implementation of the grant projects:

VEGA 1/0853/16: Mihok, J. et al.: New project technologies for the creation and implementation of future factories.

KEGA 030TUKE – 4/2017: Trebuňa, P. et al. : Implementation of innovative instruments for increasing the quality of higher education in the 5.2.52 Industrial Engineering field of study.

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