

EVALUATION OF THE CURRENT STATE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE SLOVAK REPUBLIC

*Emília Huttmanová, Ph. D.;*

*Peter Adamišín, Ph. D., associate profesor,*

*University of Prešov in Prešov, Faculty of Management, Department of Environmental Management,*

*16, Konštantínova, 080 01 Prešov, Slovak Republic;*

*E-mail: emilia.huttmanova@unipo.sk, peter.adamisin@unipo.sk*

*Private enterprise in small and medium-sized enterprises (SMEs) is specific, in conditions of the Slovak republic, mainly by its flexibility and the possibilities of faster adjusting to turbulent conditions of the market environment in comparison with the big companies. This is the reason of the increase of the importance of small and medium-sized enterprises in Slovakia, as well as in the other countries of the European Union. The aim of this paper is to assess the current state of of small and medium-sized enterprises in the Slovak Republic, because this type of business is known as the engines of economic development, at these days.*

**Key words:** *small and medium-sized enterprises, economy, evaluation.*

INTRODUCTION

Private enterprise in small and medium-sized enterprises (SMEs) characteristic by a transparent organizational structure; it allows the realization of direct management and flow of information without a significant impact of negative aspects. Small and medium-sized enterprises have a significant potential in national economies, where they fulfil several important functions (for example social, economic, export-import function, etc.).

The significance of these companies is, however, present not only on the national levels, but also on the supranational level [1], [3]. The importance of small and medium business enterprises has been also recognized by the European Union, which has declared this in the key document for small and medium business enterprises entitled the European charter of small and medium enterprises. This document defines small and medium-sized enterprises as the basic economic support of the European Union, as well as the key source of the employment opportunities.

International growth of small and medium-sized enterprises focuses on international growth, such as how companies expand their operations across national borders through opportunity exploration [7]. Small and medium-sized enterprises play an important role in economic development

Apart from the above-mentioned aspects, the small and medium-sized enterprises are ascribed also a high innovation and development potential.

Within the national economies, according to the authors Lednický-Slávík-Vaněk [4], small and medium-sized enterprises fulfil a number of important

functions. When speaking about the positive impact of this kind of business companies, it is necessary to highlight the following features:

- they contribute to the pluralistic organization of the society, since they create a chance for independent performances of businessmen, and they allow the economic-self realization of the citizens. It is also a significant precondition securing the social freedom and stability. However, as the current world development shows, there is a significant change exactly in the case of the middle class. In the conditions of the globalization, the ability to stabilize the society socially and politically constantly decreases, as it was put down by Keller (1999) in Lednický-Slávík-Vaněk [4];
- they participate in the professional education of workers, because especially the companies of artisan character provide the growth of professionalism among a significant number of young people;
- they are a manifestation of the domestic capital and they provide the opportunity to strengthen the business enterprise element in the market economy;
- they are a source of technical and technological innovations and they significantly contribute to the application of the outcomes of research and science to the realization phase in the manufacturing process;
- they constantly conduct the testing of the market in relation to the interest in new products and services;
- they have an important urbanization effect, since small artisan and business entrepreneurships and organizations provide job possibilities in the centres of the cities, and, therefore, they contribute to the revitalisation of the cities during the time periods when the production capacities are concentrated in the industrial zones and big shopping centres which are generally built in the peripheries of the cities;
- they significantly strengthen the payments and balance of state by their participation in the export;
- since they are flexible, they are capable of satisfying differentiated, variable, and individualized needs;
- as an important part of the market, they secure the competition and they act against the monopolising tendencies. In the meanwhile, their fast adjustability and flexibility becomes highlighted, which is the impulse for the innovations and changes of production as well as sales structures;
- they have a significant position in the field of anti-crisis prevention and prosperity stabilization, because the higher the number of companies, the more diverse the business risks;
- small and medium enterprise companies fulfil many functions which are necessary for the functioning of big companies. Applying outsourcing allows the big companies to exclude the less important functions from the company and leave them for small and medium business, thus concentrating on solely their key activities;
- they provide a bigger space for the innovations and there are a smaller number of restrictive organizational elements and higher individual initiatives;
- they are a significant provider of employment possibilities. They provide more employment possibilities with occasional work contract in case of seasonal, irregular or part-time positions and flexible working time in comparison with big enterprises;
- they create a feeling of freedom for the owner of a small company, which is determined by certain independence, and there is also a significant

opportunity for everybody to work in such field which can bring them real satisfaction.

Opportunities for and benefits of small and medium-sized enterprises in the European area:

- strengthening of the internal and external stability of Slovakia;
- more transparent legislative of higher quality;
- improvement in recovery claims;

More professional state and public administration and conducting steps towards its more effective functioning;

- expanding the approach to the European and world markets;
- Participation in the scientific and technical programmes of the European Union;
- better access to the financial resources of the European Union;
- improvement of the information and counselling services;
- increase of the productivity.

Existing dangers and disadvantages of small and medium-sized enterprises stemming from the entering to the European Union:

- higher price and other kind of competitions;
- changes in particular legislative norms;
- increase of costs (especially rise of the costs of work, outflow of work force).

#### MATERIALS AND METHODS

The aim of this paper is to assess the current state of small and medium-sized enterprises in the Slovak Republic, because this type of business is known as the engines of economic development, at these days. We evaluate number of small and medium size enterprises, legal forms, as well as participation in creating of gross value added, building of employment and representation of SMEs in the Slovek republic in institutional units according to the ESNU95. In the evaluation, we used available secondary data sources, a records and statistical data, which were interpreted in order to provide view of a of small and medium-sized enterprises in the Slovak Republic.

The analysis of the primary data summarized in the tables verifies the assumption whether there exists relationship between determined characteristic legal form of business, form of institutional units according to the ESNU95 and company size, expressed by number of employees. Because the analysis was based on the summarized data, measurement of associations has been realized using the instrumentary in MS Excel. Testing has been based on the calculation of expected frequencies, square contingency, added the calculation of p-value). In the case of confirmation of relationship, has been quantified tightness of dependence using the Pearson correlation coefficient.

#### RESULTS AND DISCUSSION

Small and medium-sized enterprises are an integral part of the business environment in every country [5], [6], [10], [11] and others. Within the structure of all companies, small and medium-sized enterprises are the majority. In Europe, more than 20 million of small and medium-sized enterprises are active, which is more than 99% of all companies in the European Union, as it is explained in the table 1 in more detail.

Table 1- Number of companies, the employed people and gross added value in the companies EU-27 (according to their size classification)

	Size categories of enterprises					
	Micro	Small	Medium	SMEs (total)	Large	Total
<b>Enterprises</b>						
Number of enterprises	9 143 521	1 357 533	226 573	20 727 627	43 654	20 771 281
in %	92,2	6,5	1,1	99,8	0,2	100,0
<b>Employment</b>						
Number of employees	38 395 819	26 771 287	22 310 205	87 477 311	42 318 854	129 796 165
In %	29,6	20,6	17,2	67,4	32,6	100,0
<b>Gross value added</b>						
in mln. EUR	1 307 361	1 143 936	1 136 244	3 587 540	2 591 732	6 179 271
in %	21,2	18,5	18,4	57,1	41,9	100,0
Source: European portal for the young entrepreneurs. <a href="http://ec.europa.eu/small-business/index_sk.htm">http://ec.europa.eu/small-business/index_sk.htm</a>						

The changes in the business environment are, with certain time distance, reflected in the quantitative characteristics of the sector of small and medium-sized enterprises in Slovakia, which provides in the company economics the work opportunities for 72 % of active work force, and it participates with more than 55 % on the creation of added values, as it is stated in the document entitled Report on the state of small and medium business enterprise in Slovak Republic in 2011 [8]. The most represented bodies from the point of view of the legal form of business enterprise in the category of micro-companies are the free-lancers, and in the category of small and medium-sized enterprises it is the limited liabilities companies, as it is explained in the table 2 in more detail.

Table 2- Economic subjects according to the selected legal forms and size categories according to the number of employees (as of 31st December 2012) in the Slovak Republic

	Size categories (Number of employees)					
	0 - 9	10-49	50-249	250-499	500-999	1000 and over
<b>Legal form</b>	<b>Number of enterprises</b>					
<b>Company limited by shares</b>	3 346	915	585	124	76	52
<b>Limited liabilities companies</b>	115 773	9 414	1 718	164	82	42
<b>Other business companies</b>	903	57	16	1	0	3
<b>Cooperatives</b>	809	463	170	11	12	1
<b>Public (state) enterprises</b>	2	3	11	1	0	3
<b>Contributory organizations</b>	141	295	224	10	3	0
<b>Budget organizations</b>	1 622	3 760	1 113	63	16	13
<b>Free-lancers</b>	217 266	1 899	77	1	0	0
<b>Liberal professions</b>	16 070	56	2	0	0	0
<b>Self-employed farmers</b>	4 805	15	1	0	0	0
<b>Others</b>	4 484	1 035	165	33	21	29
<b>Total</b>	365 221	17 912	4 082	408	210	143
Source: Statistical Office of the Slovak Republic						

Based on the above it is evident that most of representation is for companies with a small number of employees. Also, in all these categories according to legal form it is possible to observed the same tendencies. We analyzed whether there exists a causal relationship between the legal form and size categories of enterprises. Applying procedures of chi-square test to determined categories, we can conclude that there is a relationship between the legal form and size category of enterprises (calculated value of criterion of chi-square test=104571, tabular value of chi-square on the level of significance 0,05 and 50 degree of freedom=67,5). Measurement of association between the determined characteristics by Pearson's correlation coefficient  $r=0.46$ , is indicated, in this case, as a medium-sized tightness of relationship.

Similarly to the previous overview there is also great number of enterprises with low, or lower number of employees. Summary report, however without further analysis, does not identify whether there exists causal relationship between the form of institutional units (according ESNU95) and the size category of enterprises. Re-applying procedures of chi-square test (calculated value of chi-square =101979, tabular value of chi-square on the level of significance 0,05 and with 40 degree of freedom =55,76), we can conclude that there is a relationship between the form of institutional units and size category of enterprises. Also in this case, there is a medium strong degree of relationship between characteristics (Pearson's correlation coefficient measuring associations  $r =0,44$ ).

*Table 3- Institutional units according to the ESNU95 and size categories based on the number of employees as of 31st December 2012 (in the Slovak Republic)*

Institutional units according to the ESNU95	Total <sup>1)</sup>	Number of employees					
		0-9	10-49	50-249	250-499	500-999	1000 and over
<b>Total</b>	610 381	401 221	17 912	4 082	408	210	143
<b>Non-financial public corporations</b>	645	284	165	102	28	19	31
<b>Non-financial private corporations</b>	135 555	107 085	8 922	1 607	148	69	20
<b>Foreign controlled non-financial corporations</b>	27 619	17 678	1 960	823	131	88	57
<b>Financial public corporations</b>	10	3	2	3	0	1	1
<b>Financial private corporations</b>	678	594	34	10	1	1	0
<b>Foreign controlled financial corporations</b>	248	131	60	27	8	4	7
<b>Public administration</b>	7 648	1 969	4 079	1 346	78	24	25
<b>Non-profit institutions serving households</b>	50 526	35 336	720	84	13	4	2
<b>Households</b>	387 452	238 141	1 970	80	1	0	0
<i>Source: Statistical Office of the Slovak Republic</i>							
<i>1)including the economic subjects with an unknown number of employees</i>							

An institutional unit, based on the definition of Statistical Office of the Slovak Republic, is basic economic decision-making center characterized by uniformity of behavior and decision-making autonomy in performance of its main function. The unit is considered to institutional in the case of there is a

decision-making autonomy in performance of its main function and in the case of realization of accounting. Institutional units are merged into groups, called sectors, some of which are further divided into sub-sectors. Each of the sectors or sub-sectors merge institutional units with similar type of economic behavior.

In the economy of the Slovak republic, based on the data of Statistical Office of the Slovak Republic, there are most numerous households. Then there are the others institutional units - non-financial private corporations – the institutional units, which are market producers with main activity -production of goods and non-financial services (the most represented in the size category of 0-9 employees). It can be concluded that the most part of the institutional units is, in terms of size category, in the category of 0-9 employees. It follows, that greatest number of economic units in economy of the Slovak republic is currently in the category of micro enterprises, which constitute more than 65% of the total number of economic units (it is necessary to specify that a significant part of nearly 60 % of this data consists of households). The least institutional units in the category of large (total 143) which confirms that even in the Slovak economy there are small and medium-sized enterprises considered as engines of development.

## РЕЗЮМЕ

### ОЦІНКА ПОТОЧНОГО СТАНУ МАЛИХ ТА СЕРЕДНІХ ПІДПРИЄМСТВ У СЛОВАЦЬКІЙ РЕСПУБЛІЦІ

**Е. Хутманова, П. Адамишин,**

*Університет Прешов у Прешові, факультету управління, Департаменту природокористування,  
вул. Константинова 16, м. Прешов, 080 01, Словаччина;  
E-mail: emilia.huttmanova @ unipo.sk*

*Роль малих та середніх підприємств в Європейському просторі є значною, тому що вони працюють двигунами економічного розвитку. Але глобалізація порушила традиційну роль та конкурентоспроможність малих і середніх підприємств [9]. Мали та середні підприємства в Словачській республіці відіграють важливу роль не тільки в будівництві зайнятості, а також у виробництві внутрішнього продукту, як ми вказували в цій статті. Розвиток малого та середнього підприємництва на основі якості людських ресурсів, якості бізнес –середовища, економічних показників і т.і., залежить також від ступеня інвестиційної та інноваційної діяльності в цій області. Функціонування малих і середніх підприємств необхідне для підтримки всієї національної економіки, але особливо на регіональному рівні [2].*

**Ключові слова:** малий та середній бізнес, економіка, оцінка.

This article is supported by projects VEGA 1/0142/12, VEGA 1/0541/11 and VEGA 1/0760/13.

## REFERENCES

1. Huttmanová E. Súčasný stav, možnosti podpory a rozvoja malých a stredných podnikov na Slovensku / E. Huttmanová // In: Zborník vedeckých prác katedry ekonómie a ekonomiky ANNO 2009. -Prešov : Prešovská univerzita, 2009. - S. 111-118. ISBN 978-80-555-0005-8.
2. Hečková J. Národohospodárstvo / J. Hečková, E. Huttmanová, A. Chapčáková. - Prešov : PUFM, 2011.- 387 s. ISBN 978-80-555-0418-6.
3. Chapčáková A. 2013. Podnikanie malého a stredného podnikov / A. Chapčáková, J. Hečková, E. Huttmanová. - Košice : Equilibria, 2013. - 410 s. ISBN 978-80-8143-076-3.
4. Lednický V. Řízení malých a středních podniků : Vědecké monografie/ V. Lednický, Š. Slávik, J. Vaňek, et.al. - Slezká univerzita v Opavě, Obchodně podnikatelská fakulty v Karviné, 2002. -138 s. ISBN 80-7248-173-8.

5. Marková V. Malé a stredné podnikanie v Slovenskej republike / V. Marková. -Banská Bystrica: Bratia Sabovci, 2003. -164 s. ISBN 80-8055-816-7.
6. Marková V. Malé a stredné podnikanie / V. Marková. -Banská Bystrica: Bratia Sabovci, 2005. -161 s. ISBN 80-8083-137-8.
7. Nummela N. International Growth of Small and Medium Enterprises / N. Nummela. -Taylor & Francis, 2010.- 310 p.
8. Správa o stave malého a stredného podnikania v Slovenskej republike v roku 2011 // Národná agentúra pre rozvoj malého a stredného podnikania. – 2012;available on: <http://www.nadsme.sk>
9. Susman G. I.: Small and Medium-sized Enterprises and the Global Economy / G. I. Susman. - Edward Elgar Publishing, 2007. -345 p. ISBN 978-1-84542-595-1.
10. Strážovská H. Malé a stredné podniky (Obchodné podnikanie) /H. Strážovská, L. Strážovská, A. Pavlík. -Bratislava : Sprint, 2007. - 327 s. ISBN 80-8908-564-4.
11. .: Podnikání malé a střední firmy / J. Veber, J. Srpová et al. - Praha : Grada Publishing, 2008. - 311 s. ISBN 80-247-2409-6.
12. Európsky portál pre malých podnikateľov. [http://ec.europa.eu/small-business/index\\_sk.htm](http://ec.europa.eu/small-business/index_sk.htm)
13. [http://ec.europa.eu/enterprise/sme/competitive\\_sk.htm#](http://ec.europa.eu/enterprise/sme/competitive_sk.htm#)
14. <http://www.statistics.sk>

*Надійшла до редакції 16 грудня 2013 р.*